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Beiersdorf

Beiersdorf AG

Annual Financial Statements and Management Report as of Dec. 31, 2010






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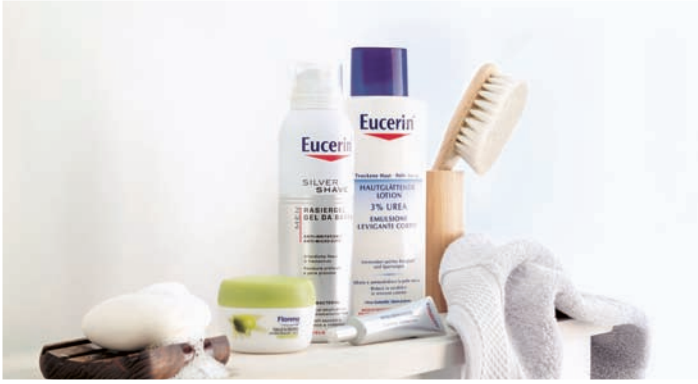

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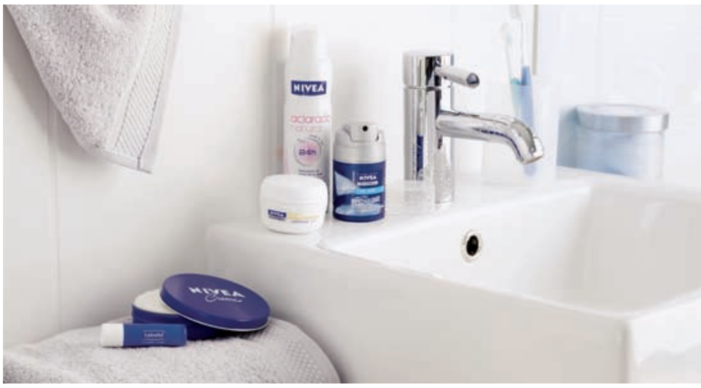

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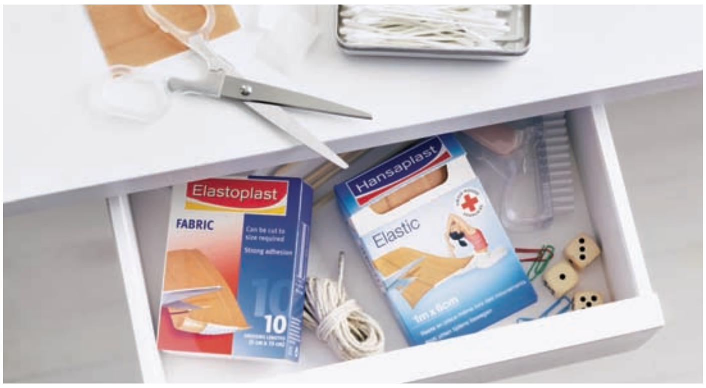

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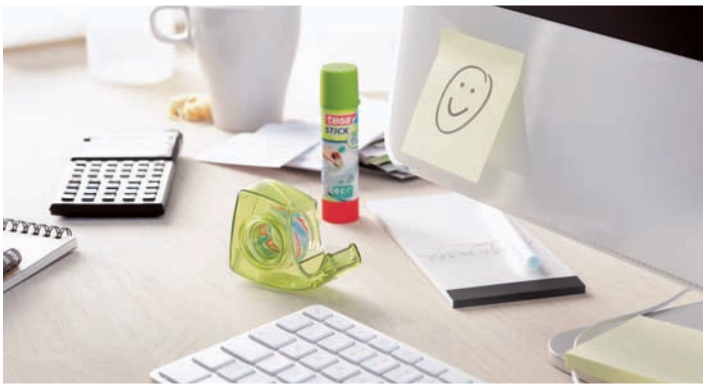

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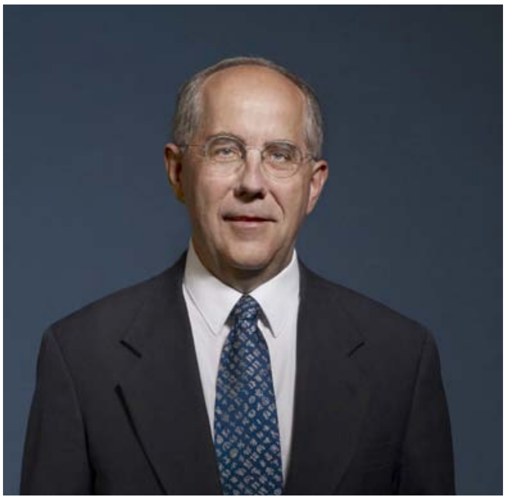

Reinhard Pöllath

Chairman
of the Supervisory Board

The Supervisory Board performed its tasks in accordance with the law, the Articles of Association, the German Corporate Governance Code, and the bylaws. In particular, we advised and supervised the Executive Board in its management of the Company's business. The Executive Board provided us with oral and written reports on the Company's business strategy and corporate planning, on the course of business and risk management, as well as on the Company's position and the business outlook. The Supervisory Board and its committees used the reports as the basis for their discussion and examination of material business transactions and deviations between actual and planned developments. In the periods between meetings, the Executive Board informed the Chairman of the Supervisory Board in particular of all matters of importance and conferred with him in particular about the Company's strategic focus, business developments, and risk management. In addition, all members of the Supervisory Board received written and oral information, including in preparation for Supervisory Board meetings.

Four regular and two extraordinary **Supervisory Board meetings** were held. Regular agenda items were committee reports, current business developments, significant individual business transactions, and measures by the Executive Board in the Consumer and tesa business segments requiring Supervisory Board approval. We granted the necessary approvals after in-depth examination and discussion.

In the meeting on **February 8, 2010**, the Executive Board reported on the preliminary results for 2009. In addition, we determined the extent to which the Executive Board met its targets in, and its total remuneration for, 2009 and laid down its targets for 2010. We also discussed the Company's strategic focus, and in particular ways of optimizing processes and organization structures to reduce fixed costs.

In the meeting on **February 25, 2010**, the Executive Board presented the cornerstones of its updated Consumer Business Strategy. This entailed focusing on skin care and on the regional different consumer wishes ("Focus on Skin Care. Closer to Markets."). Executive Board responsibilities have been modified in line with this: Three Executive Board members are now responsible for functional areas, while three have regional responsibilities. We also discussed in detail the annual financial statements and consolidated financial statements for 2009, the report by the Supervisory Board, the Corporate Governance Statement including the Corporate Governance Report and the Remuneration Report, and the proposed resolutions for the Annual General Meeting.

The meeting on **April 29, 2010** focused mainly on the consolidated interim financial statements as of March 31, 2010, compliance issues relating to antitrust law, Executive Board remuneration, and preparations for the Annual General Meeting. The Executive Board also reported on the details of its strategy. We accepted the offer previously announced by Peter Kleinschmidt to step down from the Executive Board for reasons of age as of April 30, 2010; the CFO took over responsibility for Human Resources as of May 1, 2010.

We appointed Peter Feld as the Executive Board member responsible for the Europe region during the meeting on **May 27, 2010**; he took up his post on August 1, 2010. At the same time, we accepted Pieter Nota's offer to step down from the Executive Board as of May 31, 2010. We renewed Markus Pinger's appointment until December 31, 2014 and assigned him responsibility for the Brands & Supply Chain area.

In the meeting on **September 2, 2010**, we discussed the consolidated interim financial statements as of June 30, 2010, the implementation of the updated Consumer Business Strategy, the upcoming Supervisory Board efficiency review, and the topic of Executive Board remuneration. In addition, we discussed the amendments to the German Corporate Governance Code, and in particular the goals for the composition of the Supervisory Board, diversity, and the appropriate representation of women on the Executive Board and the Supervisory Board.

The meeting on **December 10, 2010** focused on the consolidated interim financial statements as of September 30, 2010 and the realignment of the production and logistics facilities in North America. We resolved the declaration of compliance with the recommendations of the German Corporate Governance Code and targets for the composition of the Supervisory Board, as well as amendments to our bylaws. Additionally, we appointed Prof. Dr. Eberhartinger and Professor Rousseau as our diversity designees. With effect from 2011, we split the former Audit and Finance Committee into an Audit Committee and a Finance Committee to be chaired by Prof. Dr. Eberhartinger and Mr. Holzgreve respectively. The Audit Committee will perform the former committee's accounting and auditing tasks, while the Finance Committee will perform all other tasks. Following extensive discussions, we approved the Executive Board's package of measures and investments designed to enhance the Company's competitiveness, as well as the Company's annual planning for 2011. In addition, we examined the current and future development of our business in China. We accepted Dr. Bernhard Düttmann's offer to step down from the Executive Board effective February 9, 2011. We appointed Dr. Ulrich Schmidt to the Executive Board effective January 1, 2011; he is initially responsible for Human Resources and subsequently also for Finance as of February 10, 2011. We appointed Mr. Ümit Subaşı as the Executive Board member for Emerging Markets as of March 1, 2011.

Four committees prepared the resolutions to be taken by the full Supervisory Board and pass resolutions in its stead in individual cases, insofar as this is permitted. The chairmen of the committees regularly reported to the Supervisory Board about the work performed in the committees.

The **Executive Committee** met eight times during the year under review, with the main focus of its discussions being on business developments, corporate planning, and the Company's strategic orientation. The Committee also addressed the remuneration and composition of the Executive Board. The Executive Committee prepared the Supervisory Board meetings and resolutions.

The **Audit and Finance Committee** held four meetings and two conference calls. In the first meetings of the year, the main focus of its work was on the preliminary examination of the financial statements and management reports as well as the auditors' activities and fees, including the issue of their independence. The Committee discussed the interim reports with the Executive Board prior to their publication. Additionally, it monitored the Group-wide risk management system and the accounting-related internal control system. It evaluated the results of the internal audits performed in 2010 and the internal audit plan for 2011. In addition, it addressed compliance issues, and in particular the compliance management system and the Code of Conduct as well as the investigations by antitrust authorities. Towards the end of the year, the Committee discussed the investment of cash funds, current tax issues, and measurement questions relating to the annual financial statements.

The **Nomination Committee** and the **Mediation Committee** did not meet.

The **auditors**, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, audited the annual financial statements and the consolidated financial statements for 2010 submitted by the Executive Board, as well as the management reports for Beiersdorf AG and the Group, and issued unqualified audit opinions for them. The auditors issued an unqualified audit opinion for the Report on Dealings Among Group Companies for 2010 as required by § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*), which was prepared by the Executive Board due to the majority interest held by maxingvest ag, Hamburg: "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 compensation paid by the Company 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** of Beiersdorf AG, the **consolidated financial statements for 2010**, the management reports for Beiersdorf AG and the Group, the Report on Dealings Among Group Companies, and the auditors' reports were distributed to all members of the Supervisory Board immediately after their preparation. The Audit Committee addressed topics relevant to the financial statements on February 7, 2011 and examined the financial statements, the reports, and the Executive Board's proposal on the appropriation of net profit on February 23, 2011. The Supervisory Board reviewed and discussed these in detail at its meeting convened to adopt the financial statements on February 24, 2011. The auditors reported on the key findings of their audit both to the Committee as well as to the full Supervisory Board. Our examination of the annual financial statements and consolidated financial statements, the management reports for Beiersdorf AG and the Group, the Report on Dealings Among Group Companies including the concluding declaration by the Executive Board, and the auditors' reports did not raise any objections. We concurred with the auditors' findings and approved the annual financial statements of Beiersdorf AG and the consolidated financial statements for the year ending December 31, 2010. The annual financial statements of Beiersdorf AG are thus **adopted**. We endorsed the Executive Board's proposal on the appropriation of net profit.

In **2011**, following preparations by the Executive Committee, the Supervisory Board resolved the extent to which the targets had been achieved by, and the total remuneration of, the Executive Board for 2010, together with questions of the Executive Board's remuneration and its targets for 2011.

We would like to thank former Executive Board members Peter Kleinschmidt, Pieter Nota, and Dr. Bernhard Düttmann for their achievements and wish them all the best for the future. We would like to thank the employees, employee representatives, and the Executive Board for their hard work and for focusing all their efforts on the realignment in order to master the challenges that dominated fiscal year 2010. These challenges and changes will continue to affect the Company, but we will master them successfully by pulling together in a determined effort.

We would like to thank our shareholders, our retail and industry partners, and our consumers for the trust they have placed in the Company.

Hamburg, February 24, 2011

For the Supervisory Board

Reinhard Pöllath

Reinhard Pöllath
Chairman

Corporate Governance Report

Corporate Governance – The Word for Good Corporate Management and Supervision

Good corporate management and supervision have always been a high priority at Beiersdorf. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, compliance with statutory provisions and corporate guidelines, and responsible risk management are the basis of the Company's success. The German Corporate Governance 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 developments carefully.

I. Declaration of Compliance

At the end of December 2010, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2010 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the recommendations made in the Code with one exception, as well as a large number of the suggestions.

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

Beiersdorf

Declaration by the Executive Board and the Supervisory Board of Beiersdorf Aktiengesellschaft on the Recommendations of the "Government Commission on the German Corporate Governance Code," in accordance with § 161 of the German Stock Corporation Act (*AktG*)

In fiscal year 2010, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, all recommendations of the "Government Commission on the German Corporate Governance Code" in the versions dated June 18, 2009 and May 26, 2010 respectively, with the following exception:

In accordance with section 4.2.3 (4), in concluding Executive Board contracts, care shall be taken to ensure that payments made to an Executive Board member on premature termination of his contract without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. This recommendation was complied with in concluding employment contracts with new Executive Board Members since fiscal year 2009. In adapting or prolonging existing contracts this recommendation was partially complied with. Therewith the majority of the Executive Board contracts contain a severance payment cap according to the Code. In all other cases an adaption is envisaged shortly.

Hamburg, December 2010

For the Supervisory Board

For the Executive Board

Prof. Dr. Reinhard Pöllath
Chairman
of the Supervisory Board

Thomas – B. Quaas
Chairman
of the Eexecutive Board

Dr. Bernhard Düttmann
Member
of the Executive Board

II. General Information on Beiersdorf's Management Structure

As an international stock corporation domiciled in Hamburg, Germany, Beiersdorf AG is governed by the provisions of German stock corporation, capital market, and codetermination law, as well as by its Articles of Association, among other things. Beiersdorf has a dual management and supervisory structure consisting of two bodies, the Executive Board and the Supervisory Board, as is customary in Germany. The Annual General Meeting acts as the decision-making body for shareholders in respect of fundamental decisions by the Company. These three bodies are all dedicated in equal measure to the interests of the shareholders and the good of the Company.

1. The Supervisory Board

Beiersdorf AG's Supervisory Board consists of twelve members, six of whom are elected by the Annual General Meeting in accordance with the provisions of the Aktiengesetz and six by the employees in accordance with the provisions of the Mitbestimmungsgesetz (German Co-Determination Act, MitbestG); all members are elected for a period of five years. The term of office of the current Supervisory Board ends with the conclusion of the 2014 Annual General Meeting.

The Supervisory Board appoints the Executive Board, advises it on the management of the Company, and supervises its conduct of the Company's business as laid down by the law, the Articles of Association, and the bylaws. The Supervisory Board works closely with the Executive Board for the good of the Company and with the common goal of achieving sustainable value added and is involved in decisions of fundamental importance; certain decisions require its approval in accordance with the law and the bylaws of the Supervisory Board.

The Supervisory Board makes decisions at regular meetings as well as in individual cases outside meetings on the basis of detailed documents. It is informed in a regular, timely, and comprehensive manner of all relevant topics. In addition, the Chairman of the Executive Board informs the Chairman of the Supervisory Board regularly and in a timely manner on important transactions and liaises with him on important decisions.

The Supervisory Board regularly evaluates its work using a standardized procedure. The results are discussed by the full Board and any measures for improvement resolved. The most recent Supervisory Board efficiency review was performed in fall 2010 together with external consultants. The members of the Supervisory Board take the necessary training and further education measures required for their tasks on their own; the Company will provide them with the appropriate support in this area.

The Company has also taken out a D&O insurance policy for the members of the Supervisory Board. This includes a deductible corresponding to the statutory requirements for Executive Board member deductibles. The deductible amounts to 10% of any damage incurred, up to one and a half times the fixed annual remuneration of the respective Supervisory Board member.

Under last year's amendments to the Code, the Supervisory Board is required to specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board, and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

In addition to a balanced mix of professional skills within the Supervisory Board as a whole, diversity is an important criterion for the selection of Supervisory Board and committee members. Diversity is in the Company's interest. As a result, this criterion was also taken into account by the Supervisory Board and the Nomination Committee responsible for the preparatory work when proposing suitable shareholder representative candidates to the 2009 Annual General Meeting. Since the last Supervisory Board elections in April 2009, women have made up 25% of the Supervisory Board and account for three members: Prof. Dr. Eberhartinger (representing the shareholders), and Ms. Gabriel and Professor Rousseau (representing the employees). The Supervisory Board also has three members who, in addition to their particular professional skills, embody the idea of internationality due to their extensive international experience: Prof. Dr. Eberhartinger, Dr. Kunisch, and Prof. Dr. Pöllath. A further woman – Ms. Dreyfus – was elected as the alternate Supervisory Board member for all shareholder representatives. Prof. Dr. Eberhartinger also became the chair of the Supervisory Board's Audit Committee effective January 1, 2011.

In order to respect and promote diversity, the Supervisory Board, at its meetings on September 2 and December 10, 2010, resolved concrete objectives regarding its composition whilst considering the specifics of the Company; these objectives must be complied with initially until the end of the fiscal year 2014. They are also taken into account by the Nomination Committee when proposing candidates. In addition, the composition of the Supervisory Board must always ensure that its members as a group possess the knowledge, ability, and expert experience required to properly perform its tasks.

- *Internationality*
  All members of the Supervisory Board must be open to the Company's international orientation. At least some of its members must embody internationality in concrete terms. This means that at least two members of the Supervisory Board should have particular international experience gained due to their activities abroad or their background, for example. At least, one member with such international experience should be a shareholder representative. Efforts will be made to further increase internationality on the Supervisory Board.

- Appropriate Degree of Female Representation
  Diversity of composition requires an appropriate degree of female representation on the Supervisory Board. The Supervisory Board therefore aims to further increase the number and position of women on the Supervisory Board and at the least to maintain the current number of women (three). At least one woman should be a shareholder representative. The aim is as a rule to increase the number of women on the Supervisory Board in connection with concrete changes to the Supervisory Board, in the Company's interests.

- *Age Limit and Conflicts of Interest*
  - The Supervisory Board has stipulated in its bylaws that Supervisory Board members should not be more than 72 years old.
  - Moreover, the Supervisory Board shall include what it considers to be an adequate number of independent members. A Supervisory Board member is considered independent if he/she has no business or personal relations with the Company or its Executive Board which cause a conflict of interests.
  - All members of the Supervisory Board shall inform the Chairman of the Supervisory Board of any conflicts of interest, and in particular those which may result from a consultant or directorship function with clients, suppliers, lenders, or other business partners or competitors of the Company. Members of the Supervisory Board shall resign their office if faced with material and not merely temporary conflicts of interest.

To enhance and further promote these objectives, two Supervisory Board members (Prof. Dr. Eberhartinger and Professor Rousseau) were appointed as diversity officers. Their role is to support the Supervisory Board at every intended election of a shareholder representative to the Supervisory Board, or of a committee member, and to issue a statement together with the Chairman of the Supervisory Board regarding the proposals made by the Nomination Committee responsible, after consultation with the remaining members of the Supervisory Board.

The work of the Supervisory Board is performed within and outside the meetings of the full Board as well as in the committees. The Supervisory Board has formed the following committees from among its members:

The **Executive Committee** prepares the Supervisory Board meetings and the Supervisory Board's human resources decisions and resolves – subject to the resolution of the full Supervisory Board specifying the total remuneration – instead of the Supervisory Board on the contracts of service and pension agreements for members of the Executive Board and on other issues involving the Executive Board. It regularly reviews the efficiency of the Supervisory Board's activities. In addition, it regularly discusses long-term succession planning for the Executive Board. Finally, the Executive Committee is authorized to make urgent decisions on transactions requiring Supervisory Board approval in those cases in which the Supervisory Board cannot pass a resolution in time.

The **Audit and Finance Committee** prepared the decisions of the Supervisory Board on the approval of the annual and consolidated financial statements, the proposal to the Annual General Meeting on the election of the auditors, and the agreement with the auditors, verified the latters' independence and approved their provision of additional services. It also advised and supervised the Executive Board on questions relating to accounting, financial control, risk management, and compliance as well as internal auditing. In addition, it monitored corporate policy in the areas of finance, tax, and insurance. It decided in place of the Supervisory Board on raising and granting loans, on the assumption of liability for third-party liabilities, and on investment transactions. Finally, the Committee discussed the interim reports with the Executive Board prior to their publication.

The tasks performed by the Audit and Finance Committee were split up as of January 1, 2011 and are now performed by two committees: an **Audit Committee** and a **Finance Committee**. The Audit Committee is responsible for topics relating to financial reporting. The Finance Committee has assumed responsibility for the remaining topics such as risk management, the internal control system, compliance, internal audits, and financing issues. The two Committees have the same members but different chairs.

The **Mediation Committee** formed in accordance with the provisions of the *MitbestG* makes proposals to the Supervisory Board on the appointment of Executive Board members if the requisite twothirds majority is not reached during the first ballot.

The **Nomination Committee** is composed of shareholder representatives; it suggests suitable candidates to the Supervisory Board for proposal for election to the Annual General Meeting.

The composition of the Supervisory Board and its committees can be found on our website at www.Beiersdorf.com/Boards and on page 65 of this Annual Report.

2. The Executive Board

The Executive Board manages the Company enterprise-wide on its own responsibility and conducts the Company's business. It is obliged to act in the Company's best interests and to increase its sustainable enterprise value. It performs its management duties as a collegiate body with collective responsibility for the Company's business.

The members of the Executive Board are appointed by the Supervisory Board. The Company's Executive Board consists of six members. The duties of the Executive Board are broken down by functions and regions (three members have functional and three regional areas of responsibility). The allocation of areas of responsibilities to the individual Executive Board members can be seen in the Schedule of Responsibilities and is published on the Company's website at www.Beiersdorf.com/Executive_Board.

The Executive Board develops the corporate goals and the Group's strategy, agrees them with the Supervisory Board, ensures their implementation, and regularly discusses their implementation status with the Supervisory Board. It is responsible for managing and monitoring the Group, for corporate planning including the annual and multi-year planning, and for preparing the quarterly, annual, and consolidated financial statements as well as for Group financing. It is also responsible for ensuring adequate risk management and risk control and for regular, timely, and comprehensive reporting to the Supervisory Board of all questions relevant for the Company, including explanations and reasons for variations between the actual course of business and the planning and targets. Certain Executive Board measures and transactions that have material significance require the approval of the Supervisory Board.

The Executive Board passes resolutions in meetings that are generally held twice a month and that are convened by the Chairman of the Executive Board. The members of the Executive Board work together in a collegial manner and inform one another on an ongoing basis about important measures and events in their areas of responsibility.

Executive Board members disclose potential conflicts of interest to the Supervisory Board without delay and inform their colleagues on the Executive Board of them. Material transactions between the Company and members of the Executive Board and their related parties require the approval of the Supervisory Board; such transactions must comply with the standards customary in the sector. Sideline activities also require the approval of the Supervisory Board. The Company has taken out a D&O insurance policy for the members of the Executive Board that provides for a deductible in the amount of 10% of any damage incurred, up to one and a half times the fixed annual remuneration of the Executive Board member.

3. The Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and vote there. Each share entitles the holder to one vote.

The Ordinary Annual General Meeting takes place each fiscal year, generally during the first six months. The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is also published on the Company's website. The notice convening the Annual General Meeting together with the associated documents can also be dispatched electronically with the consent of the individual shareholder. To assist shareholders in personally exercising their rights, Beiersdorf AG offers its shareholders the services of a voting representative who votes in accordance with shareholders' instructions. The invitation explains how to issue these instructions for exercising shareholders' voting rights. In addition, shareholders are free to appoint a proxy of their choice as their representative at the Annual General Meeting. For the first time, shareholders at the 2011 Annual General Meeting will also be able to vote by postal ballot.

III. Remuneration Report

The Remuneration Report explains the structure and amount of the remuneration paid to the members of the Executive Board and the Supervisory Board. It takes into account the legal requirements and the recommendations of the German Corporate Governance Code and is a component of the annual financial statements of Beiersdorf AG and the consolidated financial statements as well as of the management reports for Beiersdorf AG and the Group.

1. Remuneration of the Executive Board

a) Responsibility of, and resolutions by, the Supervisory Board

The remuneration of the Executive Board is specified by the Supervisory Board. The Executive Committee of the Supervisory Board regularly discusses and reviews the remuneration system for the Executive Board and prepares the Supervisory Board resolutions regarding the remuneration of the Executive Board.

The Supervisory Board addressed the structure of Executive Board remuneration, its appropriateness, and/or individual remuneration questions in all its meetings (on February 8 and 25, April 29, May 27, September 2, and December 10, 2010, and on February 7, 2011). Following last year's modification of the remuneration system to take into account the new legal requirements, the Supervisory Board discussed the revision of the remuneration system for the Executive Board as of fiscal year 2011 in its meetings on December 10, 2010 and February 7, 2011. Independent advisors were consulted during the development of the new remuneration system. Moreover, the Supervisory Board specified the remuneration of the Executive Board for fiscal year 2010 in its meeting on February 7, 2011.

b) Overview of the remuneration of the Executive Board

The remuneration system for the Executive Board covers the tasks and performance of the individual members of the Executive Board and the Executive Board as a whole, the Company's economic and financial situation, its performance, and its future prospects, as well as the remuneration customarily paid at comparative organizations.

The remuneration of the Executive Board in fiscal year 2010 comprised the following components:

- a fixed basic remuneration component,
- variable bonuses linked to the achievement of targets and consisting of:
  - a short-term, annual component (bonus),
  - a multi-year component paid out over a total period of four fiscal years (long-term bonus), and
  - an additional medium-term variable remuneration component for 2009 and 2010, which depended on achieving certain global market shares by the end of 2010 (mid-term incentive, MTI),
  - usual ancillary benefits and a pension commitment.

c) Remuneration of the Executive Board for fiscal year 2009 in more detail

aa) Fixed remuneration

The fixed annual remuneration is paid in twelve equal installments. It is reviewed regularly for appropriateness every two years.

bb) Variable Bonus for 2010

The members of the Executive Board also receive a performance-based remuneration component for fiscal year 2010 ("variable bonus for 2010"). This is designed to promote sustainable enterprise development and is based largely (of 60%) on a multi-year assessment basis. The amount of the variable bonus for 2010 depends on achieving a certain EBIT margin ("EBIT component" of 40%) as well as on the achievement of specific personal goals by individual Executive Board members ("personal component" of 60%).

The EBIT component is determined by the return on sales for the Beiersdorf Group's Consumer business segment in fiscal year 2010 (calculated by dividing EBIT by sales). When calculating EBIT, the Supervisory Board may take into account any special factors as well as changes in marketing and research & development expenses in fiscal year 2010. The Supervisory Board lays down targets of the 70%, 80%, and 200% for achieving the EBIT component, with intermediate figures being extrapolated on a straight-line basis. If the 70% target is reached, only 50% of the EBIT component of the target bonus is awarded; in the case of 80%, 80% is awarded, and in the case of 200%, 200%.

The personal component is composed of a number of specific personal goals that are set annually by the Supervisory Board for each individual Executive Board member. The Supervisory Board lays down targets of 80% and 200% for achieving the personal component. Intermediate figures are extrapolated on a straight-line basis.

The EBIT component is not paid if the 70% target is not reached (knockout), while the personal component is not paid in the amount of the proportion attributable to the relevant goal if the 80% figure is not reached. No further increase occurs in either case if the goals are exceeded by more than 200% (cap).

40% of the variable bonus for 2010 will be paid once the 2011 Annual General Meeting has approved the actions of the Executive Board ("2010 bonus"). The remaining amount ("long-term bonus for 2010") depends on how the enterprise value performs over a period of four years. The enterprise value is calculated by adding together the net sales and EBIT x EBIT factor for the Beiersdorf Group's Consumer business segment as reported in the consolidated financial statements. If the enterprise value in fiscal year 2010 is matched or exceeded in the following fiscal years, the longterm bonus for 2010 will be paid out in four equal installments once the actions of the respective Executive Board member have been approved by the Annual General Meetings in the years 2012 to 2015. If the enterprise value for fiscal year 2010 is not reached in a particular fiscal year, the corresponding installment lapses unless the average enterprise value in fiscal years 2011 to 2014 at least corresponds to the enterprise value for fiscal year 2010. In this case, the lapsed installment will be paid out at the same time as the final installment following the 2015 Ordinary Annual General Meeting. The final installment is increased or decreased by the amount corresponding to the percentage change in the enterprise value as of the end of fiscal year 2014 as against fiscal year 2010; the amount may not be lower than €0 or exceed 200% (cap). The Supervisory Board can increase or decrease the 2010 bonus and the long-term bonus for 2010 by up to 20% in order to take extraordinary developments into account. The option to reduce amounts in accordance with § 87 (2) *AktG* remains unaffected by this.

cc) MTI

In addition, the members of the Executive Board were entitled to a further medium-term variable remuneration component for fiscal years 2009 and 2010 (MTI), based on the Executive Board's global market share targets. According to the current assessment the requisite minimum threshold was not reached at the end of fiscal year 2010;[1] as a result, the provision for the MTI was reversed.

dd) STI/LTI

Up to the end of fiscal year 2009, the members of the Executive Board were granted variable remuneration that also depended on corporate and personal objectives being reached. These personal and corporate objectives related to the Consumer business segment; the corporate objectives related most recently to relative sales growth and the return on sales. The starting amount calculated in this way was paid out in part after the end of the fiscal year in question (short-term incentive, STI), with the remainder being transferred to a bonus pool with a five-year duration in each case (long-term incentive, LTI).

The STI and LTI were no longer paid in fiscal year 2010 as a result of the revision of the remuneration system. The LTI pools for fiscal years 2006 to 2009 were calculated as of December 31, 2010 and were/will be paid out in three installments in fiscal years 2010 to 2012 following the Ordinary Annual General Meeting. The LTI pools were increased or reduced up to the end of fiscal year 2010 depending on the change in the enterprise value since they were established in each case.

ee) Other

The remuneration of the Executive Board for fiscal year 2010 does not contain any stock option program or comparable securities-based incentives. Equally, the members of the Executive Board do not receive any additional remuneration for their membership of supervisory bodies of Group companies and investees.

Each Executive Board member is provided with a company car. In addition, Beiersdorf AG has taken

1 The final market share figures will not be available until late spring 2011.

out accident insurance for the Executive Board members. These non-cash remuneration components are taxed as non-cash benefits.

Moreover, pension commitments exist for the Executive Board members active in fiscal year 2010 (with the exception of James Wei and Pieter Nota). The pension benefits are determined as a percentage of the respective fixed basic remuneration. The percentage increases in line with the length of service of the Executive Board member, up to a maximum of 50%. Additions to pension provisions comprise current service cost and interest expense. In the case of one Executive Board Member, an annual defined contribution pension payment is made instead of a commitment based on a percentage of his fixed basic remuneration; this payment is credited to a contribution account maintained for the Executive Board member concerned. The Supervisory Board is examining whether a similar system should also be introduced for the remaining Executive Board members.

Following his departure from the Executive Board on April 30, 2010, Peter Kleinschmidt will receive his contractually agreed remuneration for the remainder of his contract of service until April 30, 2011, subject to the provison that his variable remuneration for 2010 will be paid as a lump sum after the 2011 Ordinary Annual General Meeting (€416 thousand = 80% of the target bonus) and his fixed basic remuneration as of January 1, 2011 will amount to €280 thousand p. a. Peter Kleinschmidt was not given a severance payment. Dr. Düttmann will receive the remuneration laid down in his contract until February 28, 2011; the variable bonus for 2010 will be paid out in full following the 2011 Annual General Meeting and the variable bonus for 2011 will be paid out pro rata for the months of January and February 2011 as a lump sum in the amount of 80% of the target bonus. Following his departure from the Executive Board, he will be paid his annual basic salary and a lump-sum annual bonus in the amount of 80% of the target bonus pro rata on a monthly basis for up to six months after the termination of his contract of service for contractual and competition law reasons. After this time, the above-mentioned remuneration will be reduced by 50% until the end of 2012. The LTI will continue to be paid out in accordance with the provisions for active Executive Board members. Additional contractual claims were settled by payment of a lump sum of €160 thousand. Pieter Nota received compensation for his pension entitlements in the amount of €167 thousand in connection with his departure from the Executive Board as of May 31, 2010, and was paid 80% of the LTI determined as of December 31, 2010 on February 1, 2011 (less the advance payment already made after the Annual General Meeting in fiscal year 2010). Pieter Nota will receive 50% of the variable bonus for 2010 after the Ordinary Annual General Meeting in fiscal year 2011; in this context, the target achieved is taken to be the average of 80% and the target achieved for 2009.

In the event that the term of office of an Executive Board member appointed for the first time since fiscal year 2009 is terminated prematurely for reasons for which the Executive Board member concerned is not responsible, the contract of service limits the severance payment to two annual (or fixed annual) salary payments (severance pay cap); the severance pay cap recommendation of the German Corporate Governance Code was also complied with in part when modifying or extending existing contracts. Most Executive Board contracts therefore contain a severance pay cap that complies with the Code.However, if the contract of service of the Chairman of the Executive Board is terminated prematurely by mutual consent for reasons for which the Chairman is not responsible, his severance pay has been defined as the amount of his fixed remuneration due until the end of his contract plus a fixed amount of €500 thousand per year representing the variable remuneration for the remainder of his contract. Each member of the Executive Board receives a lump-sum payment for the variable bonus for 2010 on premature termination of his contract without serious cause for which the Executive Board member is responsible.[2] No other commitments exist in relation to the premature termination of membership of the Executive Board.

Members of the Executive Board did not receive any loans or advances from the Company, nor were any liabilities in their favor entered into.

2 Thomas-B. Quaas: €500 thousand p.a., Dr. Bernhard Düttmann: €416 thousand p.a., Peter Feld: €320 thousand p.a., Peter Kleinschmidt: €416 thousand p.a., Pieter Nota: €444 thousand p. a., Markus Pinger: €452 thousand p.a., James Wei: €448 thousand.

ff) Overviews of Individual Executive Board Remuneration

Total Remuneration of the Executive Board for Activities in Fiscal Year 2010 (in € thousand)

	Fixed basic remuneration		Variable remuneration: Bonus[3]		Variable remuneration: Long-term bonus	
	2009	2010	2009 (STI)	2010	2009[4] (LTI)	2010[5]
Thomas-B. Quaas (Chairman))	435	435	550	259	138	388
Dr. Bernhard Düttmann	250	260	335	420[6]	112	–[6]
Peter Feld (since August 1, 2010)	–	146	–	67	–	100
Peter Kleinschmidt (until April 30, 201)[7]	260	90	354	139	88	–
Pieter Nota (until May 31, 2010)[8]	325	163	306	220	131	–
Markus Pinger	260	293	409	204	102	305
James C. Wei	163	280	227	249[9]	56	250
Total	**1,693**	**1,667**	**2,181**	**1,558**	**627**	**1,043**

3 2009: STI; 2010: bonus 2010.
4 The figures given here for the LTI to date correspond to the remuneration added to the LTI in fiscal year 2009.
5 The figures given here correspond to the remuneration added to the long-term bonus in fiscal year 2010.
6 In connection with his departure from the Executive Board effective February 9, 2011, Dr. Düttmann will receive his variable bonus for 2010 in full following the 2011 Annual General Meeting.
7 See also ee) "Other" above for the terms of Peter Kleinschmidt's departure.
8 See also ee) "Other" above for the terms of Pieter Nota's departure.
9 Includes a bonus payment at the end of 2010 of €83 thousand for Mr. Wei's activities at Group companies.
10 James Wei was paid €679 thousand (previous year: €388 thousand) of this amount as remuneration for his work at Group companies.

The LTI pools were calculated at the end of fiscal year 2010 and will (with the exception of Pieter Nota) be paid out in three installments following the Ordinary Annual General Meetings in 2010 (advance payment) to 2012. The following table shows the values of the LTI pools as of the calculation date, December 31, 2010, the advance payments made in fiscal year 2010, and the installments to be paid after the 2011 respectively 2012 Annual General Meeting.

(in € thousand)

	Total LTI pool value as of December 31, 2010	Advance payment in fiscal year 2010	Payment following 2011 AGM	Payment following 2012 AGM
Thomas-B. Quaas	2,018	648	685	685
Dr. Bernhard Düttmann	777	249	264	264
Peter Kleinschmidt (until April 30, 2010)	1,032	331	701[11]	–
Pieter Nota (until May 31, 2010)	1,541[12]	495	837[12]	–
Markus Pinger	1,227	394	417	416
James C. Wei	61	19	21	21
Total	**6,656**	**2,136**	**2,925**	**1,386**

11 This payment satisfies the outstanding variable LTI claims for the following years.
12 Pieter Nota received 80% of the remaining amount determined as of December 31, 2010 as a lump sum on February 1, 2011.

Total variable remuneration		Other (Non-cash benefits arising from the provision of company cars and the payment of insurance premi-ums, relocation expenses)		Total		Additions to pension provisions		Additions to or reversals of MTI provisions	
2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
688	647	15	19	1.138	1.101	162	227	679	–679
447	420	9	10	706	690	89	96	424	–424
–	167	–	136	–	449	–	21	–	–
442	139	14	7	716	236	99	37	424	–424
437	220	14	7	776	390	82	–	448	–448
511	509	10	10	781	812	78	87	422	–422
283	499	3	9	449 [10]	788 [10]	–	–	224	–224
2,808	**2,601**	**65**	**198**	**4,566**	**4,466**	**510**	**468**	**2,621**	**–2,621**

The present values of the LTI pools granted until fiscal year 2009 prior to deduction of the distributions made in fiscal year 2010 can be seen from the following table:

Present Value of the LTI pools (in € thousand)

	LTI Fiscal year 2006		LTI Fiscal year 2007		LTI Fiscal year 2008		LTI Fiscal year 2009		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Thomas-B. Quaas	920	1.018	519	591	214	241	124	143	1,777	1,993
Dr. Bernhard Düttmann	–	–	385	421	205	230	101	116	691	767
Peter Kleinschmidt (until April 30, 2010)	390	428	295	337	147	172	79	95	911	1.032
Pieter Nota (until May 31, 2010)	619	682	396	453	227	266	118	140	1,360	1,541 [13]
Markus Pinger	547	606	329	374	112	126	92	106	1,080	1,212
James C. Wei	–	–	–	–	–	–	54	61	54	61
Total	**2,476**	**2,734**	**1,924**	**2,176**	**905**	**1,035**	**568**	**661**	**5,873**	**6,606**

13 Payment of the remaining amount of €837 thousand in February 2011 – no further claims under the LTI exist (see also ee) "Other" above).

gg) Former Members of the Executive Board and their Surviving Dependents

Payments to former members of the Executive Board and their surviving dependents totaled €2,274 thousand (previous year: €2,274 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents total €23,600 thousand (previous year: €22,373 thousand).

d) Modification of the Remuneration and Pension System as of 2011

In its meetings on December 10, 2010 and February 7, 2011, the Supervisory Board resolved to revise the remuneration and pension system described above as of fiscal year 2011. The changes relate, on the one hand, to the variable bonus for 2010, which is to be supplemented by a component linked to sales by the Consumer business segment ("sales component") and the duration of which is to be adjusted (see aa)). On the other hand, in future the Executive Board members will receive a long-term variable remuneration component linked to enterprise value growth (LTI), that will be granted in each case for the duration of their appointment (see bb)). The MTI agreed to date expired in fiscal year 2010. In future, defined contribution rather than the current defined benefit pension commitments will be made. This will apply to all new Executive Board members as of fiscal year 2011.

aa) Variable Bonus as of 2011

In future, the variable bonus will also depend on sales growth in the Consumer business segment. Consequently, as of fiscal year 2011, it will contain a sales component in addition to the current EBIT and personal components. Subject to different figures being specified by the Supervisory Board, 50% of the bonus will be attributable to the personal component and 25% each to the sales and EBIT components. The sales and personal components will not be paid if 80% of target is not reached (knockout); the EBIT component will not be paid if 70% of the target is not reached. The provisions for the variable bonus for 2010 shall apply to the setting of the targets and when determining whether targets have been reached (see c) bb)).

As at present, 40% of the bonus amount calculated from the personal, EBIT, and sales components for the corresponding fiscal year ("initial fiscal year") will be paid once the following Ordinary Annual General Meeting has approved the actions of the Executive Board member concerned (bonus).

The remaining amount ("multi-year bonus") will continue to depend on the enterprise value performance over a period of years. As a result of the introduction of the LTI, the period concerned will be set at three (previously: four) years (referred to together with the initial fiscal year as the "bonus period"). The enterprise value for the multi-year bonus will be calculated by adding together sales and EBIT x EBIT factor for the Beiersdorf Group's Consumer business segment as reported in the consolidated financial statements; the Supervisory Board may adjust the enterprise value to special factors. The Supervisory Board remains entitled to increase or decrease the amount of the bonus and the multi-year bonus by up to 20% following a due assessment of the circumstances or to adjust it in line will with changes in the inflation rate.

In the event of the premature termination of membership of the Executive Board through no fault of the member concerned, a lump sum of 80% of the target bonus [for the remainder of the member's contract, but at a maximum two years' remuneration] will be paid (pro rata where appropriate) as the variable bonus.

bb) Long-term Bonus (Enterprise Value Component) as of 2011

Instead of the MTI that expired in 2009/2010, Executive Board members will share in the increase in the enterprise value of Beiersdorf AG's Consumer business segment (Virtual Investment Program). Each Executive Board member will be allocated a notional share of the enterprise value ("initial starting LTI amount") at the start of his period of appointment (January 1, 2011 for current appointments). The Executive Board member will be paid the amount by which his share in the enterprise value has risen once his period of appointment has ended and following a vesting period of a further two years (together the "bonus period").

The increase in value is the rise in enterprise value from the beginning ("initial enterprise value") to the end of the bonus period ("final enterprise value"). The enterprise value is calculated by adding together sales and EBIT x EBIT factor for the Consumer business segment as reported in the consolidated financial statement as the weighted average of three years each; the Supervisory Board may adjust the enterprise value to special factors.

The percentage increase in enterprise value calculated in this way corresponds in principle to the percentage share that the Executive Board member will be paid from his share in the enterprise value, provided that the Annual General Meeting has approved (or approves) his actions during and after the bonus period, whereby the amount is pro rated depending on the ratio of his term of office to the bonus period. The Supervisory Board is entitled to make adjustments following a due assessment of the circumstances, in particular by increasing or decreasing the performance indicators to adjust for special factors or for inflation, or the share in the enterprise value for objective reasons, by up to 20%.

The LTI for each Executive Board member is limited to an annual figure of 10% of the share in the enterprise value (cap). If an Executive Board member is active for less than his period of appointment, the Supervisory Board shall reduce the LTI pro rata. There is no legal entitlement to payment of the LTI in the event of premature termination (except in the event of death, occupational disability, or termination by the Company without good cause or by the Executive Board member for good cause).

2. Remuneration of the Supervisory Board for Fiscal Year 2010

The basic principles governing the remuneration of the Supervisory Board were laid down by the Annual General Meeting in § 15 of the Articles of Association. The remuneration of the Supervisory Board takes into account the responsibilities and scope of tasks of the individual members of the Supervisory Board as well as the economic situation of the Company. In addition to being reimbursed for cash expenses, Supervisory Board members receive a fixed and a variable, dividend-based remuneration component.

The fixed component of each Supervisory Board member's remuneration amounts to €25,000 for each full fiscal year and the variable component to €1,200 for each cent by which the dividend per share distributed exceeds the amount of 15 cents. No attendance fees are paid. The Chairman of the Supervisory Board receives two-and-a-half times the standard Supervisory Board remuneration and his two deputies each receive one-and-a-half times the standard Supervisory Board remuneration. Members of the Executive Committee and the Audit and Finance Committee receive additional compensation for their work in these committees. If a member of the Supervisory Board simultaneously holds several offices for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying office.

The Supervisory Board is examining a modification to Supervisory Board remuneration and will submit a proposal on this to the Ordinary Annual General Meeting on April 21, 2011.

Members of the Supervisory Board did not receive any loans or advances from the Company, nor were any contingent liabilities entered into in their favor. In addition, members of the Supervisory Board did not receive any compensation or benefits for services provided on a personal basis, such as advisory or agency services. Subject to the resolution of the Annual General Meeting on April 21, 2011 on the dividend to be distributed for 2010 [14], the members of the Supervisory Board are entitled to receive the remuneration presented in the following table [15] for their activities in fiscal year 2010:

Total Remuneration of the Supervisory Board for Activities in the Fiscal Year 2010 (in €)

	Fixed [16]		Variable		Total	
	2009	**2010**	2009	**2010**	2009	**2010**
Dr. Walter Diembeck	40,000	40,000	66,000	66,000	106,000	106,000
Prof. Dr. Eva Eberhartinger	26,959	40,000	44,482	66,000	71,441	106,000
Elke Gabriel	16,849	25,000	44,482	66,000	61,331	91,000
Michael Herz	50,000	50,000	66,000	66,000	116,000	116,000
Thomas Holzgreve (Deputy Chairman)	25,274	37,500	66,723	99,000	91,997	136,500
Thorsten Irtz (Deputy Chairman)	37,500	37,500	99,000	99,000	136,500	136,500
Dr. Rolf Kunisch	25,000	25,000	66,000	66,000	91,000	91,000
Tomas Nieber	25,000	25,000	66,000	66,000	91,000	91,000
Prof. Dr. Reinhard Pöllath (Chairman)	62,500	62,500	165,000	165,000	227,500	227,500
Prof. Manuela Rousseau	25,000	25,000	66,000	66,000	91,000	91,000
Volker Schopnie	26,959	40,000	44,482	66,000	71,441	106,000
Thomas Siemsen	16,849	25,000	44,482	66,000	61,331	91,000
Total	**428,027** [17]	**432,500**	**957,994** [17]	**957,000**	**1,386,021** [17]	**1,389,500**

14 Based on the proposal for a dividend of 70 cents per share submitted to the Annual General Meeting.
15 Presented exclusive of value-added tax.
16 Fixed remuneration component and remuneration for the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board as well as the chairs and the members of the Supervisory Board committees.
17 The total remuneration for the Supervisory Board for 2009 also contains the remuneration for Dieter Ammer (fix: €13,151; variable: €21,698; total: €34,849), Frank Ganschow (fix: €8,219; variable: €21,699; total: €29,918), Arno Mahlert (fix: €12,329; variable: €32,548; total: €44,877), Stefan Pfander (fix: €8,219; variable: €21,699; total: €29,918), and Ulrich Plechinger (fix: €8,219; variable: €21,699; total: €29,918), who left the Supervisory Board in 2009.

IV. Directors' Dealings and Shareholdings of the Executive and Supervisory Boards

1. Directors' Dealings in Accordance with § 15a Wertpapierhandelsgesetz (German Securities Trading Act, WpHG)

In accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), the members of the Company's Executive Board and Supervisory Board are obliged to promptly disclose the acquisition or disposal of shares in Beiersdorf AG (directors' dealings) to the Company. This also applies to related parties of such persons. Beiersdorf AG did not receive any notifications in accordance with § 15a *WpHG* in the past fiscal year. On January 12, 2011 JJMR GbR which is associated with Prof. Dr. Pöllath purchased 12,100 shares of the company (price per share: €41.3016, total amount traded: €499,749.36) and on January 13, 2011 further 12,050 shares (price per share: €41.489, total amount traded: €499,942.45).

2. Shareholdings of the Executive and Supervisory Boards in Accordance with Section 6.6 of the German Corporate Governance Code

According to section 6.6 of the German Corporate Governance Code, members of Beiersdorf AG's Executive and Supervisory Boards must disclose their direct and indirect shareholdings. The members of the Executive Board held no shares in the Company as of December 31, 2010. Michael Herz, a member of the Supervisory Board of Beiersdorf AG, has notified the Company that his share of voting rights in the Company amounts to 50.48%; taking into account the 9.99% of the shares held by the Company itself, which do not carry voting or dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*), his shareholding amounts to 60.47% of the Company's share capital. The remaining members of the Supervisory Board did not hold any shares in the Company as of December 31, 2010.

V. Corporate Governance Practices

In implementing its strategy, Beiersdorf Aktiengesellschaft pursues the following key corporate governance practices:

Compliance

For Beiersdorf, compliance with the law and internal guidelines is an essential prerequisite for successful and sustainable business. To emphasize the necessity of this, the Executive Board has issued Compliance Principles, which can be found at www.Beiersdorf.com/Compliance_Principles. In addition, an extensive antitrust compliance program, among other things, was set up in recent years. The employees concerned are given in-depth training, and numerous internal guidelines on how to comply with antitrust law have been issued. Preventing corruption is another focus of our activities.

The Compliance Management function is responsible for managing the compliance management system. This function is designed to support managers in ensuring compliance, issuing and enforcing suitable internal guidelines, and training employees.

Code of Conduct

Beiersdorf's success is based on the trust placed in us by consumers, customers, investors, and employees. That is why high standards are set when it comes to responsibility – both for the Company and for each individual. Beiersdorf's Code of Conduct lays down these standards in a binding set of guidelines that anyone can use anywhere in the world. Its objective is to help employees implement the key corporate principles in their everyday working life and to show how to handle potential issues or difficult situations that affect our business practices or our dealings with each other.

The Code of Conduct is available on the website at www.Beiersdorf.com/Code_of_Conduct.

Sustainability

For Beiersdorf, sustainability entails combining economic success with environmentally compatible and socially balanced activities. These three areas are equally important and are an integral part of our corporate strategy. This is why the topic falls within the Chairman of the Executive Board's area of responsibility. The new Corporate Sustainability function provides enterprise-wide management of all our business sustainability, environmental protection, and occupational safety activities, as well as of our corporate citizenship initiatives. The Sustainability Guidelines set out our values and our economic, ecological, and social responsibility. Further information can be found in the Sustainability Report and at www.Sustainability.Beiersdorf.com.

Human Resources Policy

When recruiting employees, we set store by leadership ability and team spirit. "Superior Talent in Lean Organization" is one of the cornerstones of the Consumer Business Strategy. This stands for performance orientation, the promotion of change, and innovation at all levels of the Company. As part of our human resources activities, we focus on identifying talent throughout the Company and on promoting and developing leadership skills. We invest in targeted qualification and training programs for our employees. Beiersdorf's human resources policy has five main elements:

- **Employee development:** We support our employees' individual career plans – whether by continuing to develop their skills or by appropriately rewarding their particular achievements.
- **Organization:** We rely on a lean and transparent organizational structure.
- **Remuneration:** Our remuneration policy is transparent. Salaries are based on the employee's function, experience, and performance and are oriented on the labor market.
- **Social involvement:** We encourage a spirit of partnership. This applies to employees' dealings with each other as well as to the Company's contacts with different groups in society.
- **Communication and management:** We maintain an open and constructive dialog. Binding performance targets are set for every employee with their cooperation. Management ensures transparent, fair performance evaluation.

Our human resources policy is specifically integrated into our overall corporate policy, as it is closely linked to our Company's success. The exact wording of our human resources policy can be found at www.Sustainability.Beiersdorf.com/HR_Policy.

Our five Commitments serve to point our managers in the right direction. They are a challenge and, at the same time, an obligation to be met during managers' most important day-to-day task: leading by example. They can be found at www.Sustainability.Beiersdorf. com/Management_Commitments.

Risk Management

Risk management is an integral part of central and local planning, management, and control processes, and conforms to consistent standards across the Group. Our open communications policy, the risk inventory carried out at regular intervals, and the planning and management system ensure that our risk situation is presented transparently.

Further information can be found in the Risk Report and in the online version at www.Annual_Report.Beiersdorf.com/Risk_Report.

VI. Further Information on Corporate Governance at Beiersdorf

Detailed information on the work of the Supervisory Board and its committees, as well as on the cooperation between the Supervisory Board and the Executive Board, can be found in the Report by the Supervisory Board on the pages 4ff.

Beiersdorf's consolidated financial statements and interim reports are prepared in accordance with the International Financial Reporting Standards (IFRSs). The annual financial statements of Beiersdorf AG are prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code, *HGB*). The Annual General Meeting on April 29, 2010 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart as the auditors for Beiersdorf AG and the Beiersdorf Group for fiscal year 2010.

Transparency and our goal of informing our shareholders and the public quickly, comprehensively, and simultaneously are top priorities for us. 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 disclosures on corporate governance at Beiersdorf, additional information on the Executive Board, the Supervisory Board, and the Annual General Meeting, the Company's reports (annual financial statements, management reports, and interim reports), as well as a financial calendar with all key events and publications, ad hoc disclosures, and directors' dealings, are published there.

Hamburg, February 24, 2011

Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board

Business and Strategy

Structure and Organisation

Based in Hamburg, Germany, Beiersdorf AG is a leading international branded goods company whose Consumer business segment develops and markets skin and body care products. Its products are sold under the core brands NIVEA, Eucerin, La Prairie, SLEK, Labello, 8x4, Hansaplast/Elastoplast, and Florena.

Beiersdorf AG is responsible for the German Consumer business and provides typical holding company services to affiliates. In addition to its own operating activities, Beiersdorf AG manages an extensive investment portfolio and is the direct or indirect parent company of over 150 affiliates worldwide. Beiersdorf AG also performs central Planning/Controlling, Treasury, and Human Resources functions as well as a large proportion of research and development activities for the Consumer business.

Updated Strategy for Success

In recent years, we enhanced our broad product offering and captured leading positions in many countries and segments with our “Passion for Success” strategy. We further increased the high level of trust in, and the appeal of, our brands by focusing on the wishes and needs of our consumers around the world. However, the global economic crisis has led to a radical change in market conditions. Both consumer behavior and the way we work with our customers have changed. In response, we are concentrating on our strengths and our core competencies. We aim to go back to growing faster than the market in future and strengthen our earnings power again by being even closer to our customers and consumers and by concentrating on skin and body care. In line with this, the Executive Board reacted quickly and systematically to this trend and revised our Consumer Business Strategy.

Our updated “Focus on Skin Care. Closer to Markets.” strategy was published in March 2010. This focuses the Company clearly on those product segments in which we are undisputed experts. Beiersdorf is synonymous with skin care, our core business since 1882. This is what forms the basis for NIVEA’s great international brand value. What is more, studies expect this segment to account for some 45 percent of market growth in the period up to 2015. Our strong brands offer excellent growth opportunities if we can concentrate even more closely than before on consumer needs and wishes. In line with this, a regional focus is also a key part of our strategy.

The strategy involved redefining Executive Board responsibilities and implementing a new organizational structure. A clear distinction was introduced between functional and regional responsibilities. Finance and Human Resources were merged to form a single area and all product-related topics, from the initial creative ideas through technical development to delivery, were bundled in the Brands & Supply Chain function. This will significantly accelerate and facilitate product innovation. An Executive Board member is now also responsible for each of our Board regions: Europe and North America, Asia and Australia, and Emerging Markets. The new Emerging Markets area underlines the importance that the global growth markets and their development have for the Group.

As part of the updated strategy, the Executive Board and Supervisory Board resolved a comprehensive package of measures at the end of fiscal year 2010 that provides for substantial investments in our core brands. We are also streamlining and harmonizing our global product portfolio, exiting the decorative cosmetics business in Germany and some other countries, and disposing of minor brands that are only sold in some regions, such as Juvena and Marlies Möller. At the same time, we will be launching a large number of new and innovative products for consumers in the coming years under our skin and body care brands.

Beiersdorf’s Executive Board is confident that this realignment will enable us to meet global market requirements rapidly and efficiently in the future. Our goal is to grow faster than the market again following a transitional phase in 2010 and 2011. To do this, we will significantly increase marketing investments in 2011 in order to introduce a new NIVEA platform and drive forward growth in the Emerging Markets regions.

The new strategy and the new business model will allow us to focus even more on the local needs of our customers and consumers as well as on our core competencies in the future. The changes will secure our position as one of the leading global cosmetics companies and will enable us to return to our earlier, above-average growth rates. The decisions made in 2010 are absolutely in line with the Company's oldest success strategy: Beiersdorf has always been a company driven by change, since only this approach enabled it to position itself as a premium skin care provider in its more than 125 years of history.

Management and Control

Beiersdorf AG's Executive Board is also the management body for the Beiersdorf Group and is dedicated to increasing its sustainable enterprise value. There are two functional areas of responsibility within the Executive Board: Finance & Human Resources and Brands & Supply Chain – and three regional Executive Board areas: Europe and North America, Asia and Australia, and Emerging Markets. This regional allocation of responsibilities in particular means the Executive Board is closely involved in the Company's operational business. The Chairman of the Executive Board is responsible at an overarching level for Corporate Development, Corporate Communications, the Internal Audit function, and Sustainability.

The tesa business segment is managed as an independent subgroup.

Information on the remuneration of the Executive Board and the Supervisory Board as well as on incentive and bonus systems is provided in the section entitled "Corporate Governance Report" in the Remuneration Report, which forms part of the management report and the annual financial statements. The Corporate Governance Statement in accordance with § 289a *Handelsgesetzbuch* (German Commercial Code, *HGB*) was made permanently accessible on the Company's website at www.beiersdorf.com/Corporate_Governance_Statement. Additional information regarding management and control, the general management structure, and the Declaration of Compliance in accordance with § 161 *AktG* is also provided in the Corporate Governance Report.

Value Management and Performance Management System

The goal of our business activities is to sustainably increase our market share by achieving qualitative growth and at the same time to expand our earnings base. Our long-term key performance indicators are derived from this. In addition to lifting sales and increasing market share, we want to increase the Group's earnings power. This is measured using the operating result (EBIT) in conjunction with the EBIT margin (the ratio of EBIT to sales). We aim to generate internationally competitive returns through active cost management and the highly efficient use of resources. In addition, we want to continuously optimize our net operating capital and hence improve our return on capital (the ratio of EBIT to net operating capital).

We have created an efficient management system in order to meet our strategic goals. Corporate management derives the business performance targets for the individual units in the Group from our strategic business goals for the coming year. This planning covers all segments and affiliates. Generally, the Executive Board and Supervisory Board formally adopt the planning in the fall. Actual key performance indicators are compared with planned values and with the current forecast for the year at monthly intervals during the fiscal year. This ensures that the business is managed in line with the objectives.

Economic Environment

General Economic Situation

The global economy has now largely shaken off the effects of the economic and financial crisis and has started on the road to recovery. Nevertheless, economic growth in the industrialized nations was below average compared with the performance seen after previous economic slumps, with only Asia seeing above-average momentum.

In the euro zone, the government debt crisis in certain countries escalated. The EMU states implemented bailout programs to provide financial support initially for Greece and subsequently for Ireland as well. In return, the governments had to introduce drastic austerity measures and structural reforms, which negatively impacted domestic demand. The countries hardest hit by the debt crisis remained in recession.

In contrast, the German economy experienced a surprisingly strong recovery and grew significantly faster than the rest of the euro zone. Germany did not experience a real estate bubble and the export sector is extremely well positioned. Low interest rates combined with an upbeat business outlook are stimulating investment. The economic recovery is also having an effect on the labor market and a moderate upturn in consumer spending is expected.

In the United States, high unemployment in particular acted as a drag on economic recovery. Although GDP growth in 2010 was close to the rates seen in recent years, it remained below potential growth rates. As a result, the Federal Reserve continued to support the economy with unconventional liquidity measures, such as government bond purchases.

Following the strong growth recorded at the beginning of last year, the Chinese economy lost some of its momentum over the remainder of the year. This was due to the measures taken by the Chinese government to prevent the economy overheating and reduce the danger of inflation. Many of the other Asian economies shared the Chinese economy's positive development and resumed their dynamic growth.

Sales Market Developments

In 2010, the cosmetics market experienced a significant recovery worldwide with growth rates on a par with the level seen prior to the crisis year 2009. The Asia and Latin America regions continue to be growth drivers. The majority of countries in Eastern Europe are also recording significant growth. However, growth in the saturated markets of Europe and North America remained muted, although clearly in positive territory in both regions.

Procurement Market

Procurement market developments in 2010 were dominated by bottlenecks resulting from the steady economic upturn, which led to a rise in demand for raw materials on the one hand and supply shortages on the other. The relevant commodities indices increased steadily over the course of the year. In anticipation of price increases by raw materials suppliers, one focus of our work in 2010 was on increasing competition between rival raw materials providers. In single source situations, we reduced our exposure to price and availability risk significantly together with our sourcing partners from Research & Development and Quality Management by systematically managing strategic key supplier relationships. The resulting procurement strategies played a key role in stabilizing the cost of materials and preventing delivery failures.

The Economic Situation – Summary

In the cosmetics markets, the muted growth generated by the saturated European markets, which account for a high proportion of sales, had a negative effect on sales by the Consumer business segment. Sales growth in the rapidly growing markets was strong in most cases.

Results of Operations – Beiersdorf AG

(in € million)

	2009	2010
Sales	**1,054**	**1,059**
Other operating income	169	87
Cost of materials	–270	–264
Personnel expenses	–229	–201
Depreciation and amortization of property, plant, and equipment, and intangible assets	–46	–50
Other operating expenses	–504	–503
Operating result	**174**	**128**
Net income from investments	265	270
Net interest income/expense	5	–20
Other financial result	2	–15
Financial result	**272**	**235**
Result from ordinary activities	**446**	**363**
Extraordinary result	**–**	**–**
Taxes on income	–65	–74
Profit after tax	**381**	**289**
Transfer to other retained earnings	–190	–113
Net retained profits	**191**	**176**

Beiersdorf AG's sales rose by €5 million in the year under review to €1,059 million (previous year: €1,054 million). Sales of NIVEA Sun, NIVEA FOR MEN, and Eucerin performed well. Sales of €845 million (previous year: €859 million) were generated in Germany and €214 million (previous year: €195 million) abroad.

Other operating income decreased by €82 million compared with the previous year. This is due to income of €75 million in the previous year from the reduction in pension obligations as a result of amendments to the pension plan for TROMA *Alters- und Hinterbliebenenstiftung*.

The €28 million decline in personnel expenses was mainly due to a change in the presentation of the unwinding of the discount on pension obligations in the amount of €20 million in connection with the application of the amended German GAAP accounting rules. Last year, this amount was reported under the personnel expenses item.

The financial result decreased by €37 million compared with 2009 to €235 million (previous year: €272 million). This decline is the result of lower income from dividends distributed by affiliated companies (€16 million), increased income from profit transfer agreements (€16 million), the change in the presentation of the unwinding of the discount on pension obligations in the year under review in the amount of €20 million under net interest income/expense, and a decline in net currency gains/losses on financial positions (€17 million).

The result from ordinary activities was €363 million, down €83 million on the previous year. The operating result was responsible for €46 million of the decline and the financial result for €37 million. Taxes on income rose by €9 million.

Profit after tax amounted to €289 million (previous year: €381 million), down by €92 million.

The Executive Board and Supervisory Board will propose a dividend to the Annual General Meeting of €0.70 per no-par value share carrying dividend rights (previous year: €0.70).

Balance Sheet Structure and Financial Position – Beiersdorf AG

(in € million)

Assets	Dec. 31, 2009	Dec. 31, 2010
Intangible assets	81	110
Property, plant, and equipment	66	56
Financial assets	1,204	1.302
Fixed assets	**1,351**	**1,468**
Inventories	2	2
Receivables and other assets	305	363
Securities	1,894	1,117
Cash and cash equivalents	268	246
Current assets	**2,469**	**1,728**
Prepaid expenses	**1**	**3**
	3,821	**3.199**

Equity and Liabilities	Dec. 31, 2009	Dec. 31, 2010
Equity	**2,233**	**1.505**
Special reserve with an equity portion	**42**	–
Provisions for pensions and other employee benefits	452	405
Other provisions	259	258
Provisions	**711**	**663**
Trade payables	31	43
Other liabilities	804	988
Liabilities	**835**	**1.031**
	3,821	**3,199**

Balance Sheet Structure

The increase in intangible assets of €29 million mainly reflects the acquisition of the priority trademark rights for NIVEA in Poland. Conversely, the amortization of acquired trademarks served to decrease assets. Investments of €7 million in property, plant, and equipment were offset by depreciation of €16 million. The securities item fell by €777 million. This is mainly due to the change in the presentation of own shares resulting from the switch to the provisions of the new Bilanzrechtsmodernisierungsgesetz (Accounting Law Modernization Act, *BilMoG*). Last year, own shares (€955 million) were disclosed under securities. As of December 31, 2010, Beiersdorf AG had invested €1,117 million in government and corporate bonds, Pfandbriefe, and near-money market retail funds (previous year: €939 million).

There was a €47 million decline in pension provisions due to the first-time application of the average market interest rate calculated by the *Deutsche Bundesbank* as well as to the discontinuation of the corridor method to calculate actuarial gains and losses. Other liabilities include liabilities to affiliated companies in the amount of €980 million (previous year: €792 million). The increase relates primarily to financial liabilities.

Of the total assets of €3,199 million (previous year: €3,821 million) shown in the balance sheet, €1,505 million (previous year: €2,233 million) or 47% (previous year: 58%) are financed by equity. This decline is due to the change in the way own shares are presented (offset against equity).

Financing and Liquidity Provision

The primary goal of financial management at Beiersdorf is to safeguard liquidity. The type and volume of transactions are in line with the basic operating and financial business. Scenarios and rolling 12-month cash flow planning are used to establish liquidity requirements.

Research and Development

Intensive research is one of the keys to Beiersdorf's success. Groundbreaking innovations have allowed us to build a strong international position. We are working to meet the needs of the individual markets even more specifically and are developing forward-looking products that are tailored to different consumer wishes and that offer excellent quality and outstanding tolerance.

In the year under review, we invested a total of €106 million in research and development (previous year: €109 million). As of December 31, 2010, a total of 474 staff (previous year: 446) were employed in research and development at Beiersdorf AG.

Focus on Skin as Core Area

The unit was reorganized to optimally align its activities with the requirements of Beiersdorf's updated strategy. The main goal was to create a clear structure between the various research facilities and the unit functions. The key task of the newly created Corporate Development function is to ensure consistent product and brand positioning across all products.

The research performed in fiscal year 2010 continued to focus on our core area, skin. Improving our understanding of the biological processes taking place in skin enables Beiersdorf's researchers to ensure targeted product development. For example, recent findings have laid the foundations for launching the first Beiersdorf products containing gluco-glycerol. In vitro data show that gluco-glycerol stimulates the formation of new aquaporin water channels, which are responsible for the water transport between cells.

Beiersdorf also produced groundbreaking research results in the relatively new field of chronobiology. Our researchers were the first to show that gene expression in skin cells is driven by a day-night cycle. Our work on deodorants also received international recognition. The findings relating to the genetic causes of the differences in body odor between Asians, Caucasians, and Africans were widely discussed in the media. These form the basis for the development of specific deodorants for different regions.

Unlocking the Secrets of Aging Together

Cell-based aging processes are one of Beiersdorf's research focuses. A team of scientists from industry and universities plan to investigate them in more detail in a new research network called "AgeScreen," which is being supported by Germany's Federal Ministry of Education and Research. Beiersdorf is coordinating this project, which forms part of the fourth phase of the biophotonics research focus and which includes biophysicists, biologists, chemists, and engineers, among others. The goal is to develop a new optical technique permitting more rapid, systematic, and automatic testing of living cells. A non-invasive optical stretcher measures the cells' elasticity by using two counter-propagating laser beams to deform individual living cells.

This allows their viscoelastic properties to be calculated with a high degree of accuracy. The system is designed to be used in clinical diagnostics and in the search for pharmaceutical active ingredients, as well as to develop anti-aging products more effectively.

Successful Search for "Pearls"

Beiersdorf successfully launched the "Pearlfinder" open innovation initiative in January 2010. This is designed to open up the Company to innovative ideas from outside the Company and to increase the scope for scientific exchange. "Pearlfinder" allows Beiersdorf to involve external partners in research and development for products and packaging at an early stage. Companies, research institutes, and universities as well as individual scientists and inventors can register on the initiative's Internet platform to exchange new research approaches and ideas in a secure environment. Only a small group of Beiersdorf's researchers and developers have access to the secure area. "Pearlfinder" enables Beiersdorf to identify previously untapped potential and the latest discoveries in the shortest possible time, further strengthening our innovative ability. During the test phase in 2010, the first initiatives with external partners were started, some of which subsequently led to cooperative research projects. Our partners rate the new initiative very positively. Further information on “Pearlfinder” can be found at http://pearlfinder.Beiersdorf.com.

Wide Range of New Products

We applied for patents for 77 innovations in fiscal year 2010 (previous year: 50). Key launches in the year under review were:

- **Eucerin Aquaporin Active** was developed to offer optimum skin hydration. Inspired by a Nobel Prize-winning discovery, Eucerin’s skin researchers succeeded in activating the skin’s own moisturizing network. The product’s innovative formula featuring nature-identical gluco-glycerol optimally hydrates even the skin’s deeper epidermal skin layers, making the skin look fresher, smoother, and better. Gluco-glycerol contains a glycerol derivative that can stimulate the formation of new aquaporins. These natural channels increase water exchange through the skin cell membranes and hence substantially improve the transportation of moisture. The American scientist Peter Agre was awarded the Nobel Prize in 2003 for his discovery of aquaporins.
- **NIVEA FOR MEN Arctic Freeze** consists of three fast-absorbing face care products under the name “Cool Kick” that leave behind a long-lasting feeling of freshness after shaving. They contain a new cooling technology that has been enhanced at Beiersdorf’s research laboratories together with cooperation partners over the past two years. Innovative ingredients activate the receptors (thermosensors) in the skin responsible for registering cold. The result is that the skin feels pleasantly cool after shaving.
- **NIVEA FOR MEN Age Lift** was developed as a face care product for the more mature man. The gel cream with its light texture contains creatine, which strengthens the skin’s collagen structures, as well guarana extract. This combination of ingredients firms facial contours and gives the skin a fresh and healthy look.
- **NIVEA Deodorant Pure & Natural Action** is a deodorant with bioflorine, an innovative nature-identical antibacterial ingredient that fights bacteria effectively. It offers 24-hour protection and does not contain aluminum salts or preservatives. NIVEA Deodorant Pure & Natural Action allows the skin to breathe freely, as its mild but very effective formula does not clog the skin’s pores or leave any residue. This reliable protection against body odor is available in a lotus fragrance and a jasmine fragrance version.
- **NIVEA Silver Protect Deo-Shower** guarantees extra long-lasting freshness thanks to an enhancement of the silver technology already used in deodorants for shower products. Its modern, masculine scent and pleasant foam makes NIVEA Silver Protect Deo-Shower an ideal shower gel for men.
- **NIVEA Hair Care Anti-Dandruff Shampoos** effectively combat dandruff right from the first use, providing a pampering solution to users’ individual needs. All six shampoos contain the innovative, patent-pending Liquid Clear System. The combination of active ingredients piroctone olamine and climbazole very effectively combats the malassezia yeast, the most common cause of dandruff, while polidocanol stops itching. NIVEA Liquid Clear System’s completely soluble ingredients quickly find their way to the dandruff without leaving any unpleasant residues.

The La Prairie Group’s development center in Zurich (Switzerland) also created a large number of product innovations in 2010 for our exclusive La Prairie and SBT Skin Biology Therapy brands.

Sustainability

For Beiersdorf, sustainability entails combining economic success with environmentally compatible and socially balanced activities. These three criteria are equally important and are an integral part of our corporate strategy. Consequently, sustainability is a firmly established component of all our business processes. Taking responsibility for employees as well as for society and an intact environment has been one of our guiding principles for many years. By doing this, we also take responsibility for current and future generations as well as ensuring the basis for long-term business success by doing business efficiently.

New Business Unit to Manage All Activities

Beiersdorf engages in in-depth dialog with an extremely wide range of interest groups. These include our employees, consumers, business partners, non-governmental organizations (NGOs), the capital markets, and representatives of academia, politics, and the media. We attach a great deal of importance to the transparency of our activities, which is why we publish an annual Sustainability Report. This is available at www.Sustainability.Beiersdorf.com. It is based on the "Global Reporting Initiative" guidelines and presents a detailed overview of all Beiersdorf's activities relating to products, environmental protection and occupational safety, our employees, society, and the economy. The Report also provides information on the targets achieved and the measures planned.

The issue of sustainability is becoming more and more important and is an indispensable part of our corporate strategy. The Corporate Sustainability unit provides enterprise-wide management of all our business sustainability, environmental protection, and occupational safety activities, as well as of our corporate citizenship initiatives. The unit's management reports directly to the Chairman of the Executive Board.

Successful Environmental Protection and Occupational Safety

Consumers expect a sustainable approach from Beiersdorf, and that our products are well tolerated – by people and the environment alike. We must meet these requirements every day in order to retain the high level of trust that is placed in our brands. This is why we are working systematically to reduce our use of resources and to cut waste volumes and disposal costs during production. At the same time, we provide a forum in which our facilities across the world can swap experiences on an ongoing basis, so as to ensure a uniform standard in this area.

In fiscal year 2010, we continued to expand our internal ESMAS program (Environmental Protection and Safety Management Audit Scheme). The program was validated by the German Association for the Certification of Management Systems (DQS) as conforming to the internationally recognized ISO 14001 and OHSAS 18001 standards. A total of 13 production sites were ESMAS-certified in 2010. The new factory in Shanghai (China) was audited for the first time, and our factory in Poznan (Poland) for the second time. In both cases, the audits revealed high standards in practice and the efficient management of environmental protection and occupational health and safety.

These excellent results clearly show that we are successfully putting our ambitious environmental protection and occupational safety management system into practice. The system forms part of all business processes, from development through production down to environmentally friendly product disposal, and complies with the principles of the international "Responsible Care" initiative. In order to improve efficiency even further, we expanded our "Global Sustainability Management System" to include a module designed to harmonize processes and intensify audit programs. In the future, too, Beiersdorf will drive forward work on increasing energy efficiency even further and making even more responsible use of resources.

Fewer Product Variants and Less Packaging

In fiscal year 2010, Beiersdorf proactively harmonized the various labeling requirements for products subject to the hazardous substances regulations. This is designed to simplify market delivery and save packaging material. Uniform labeling cuts the number of product variants, simplifies employee training, conserves resources, and so cuts costs. A transition period running until mid-2015 has been instituted for the implementation of the new rules in Europe. This means that changes can be made as part of the normal delivery process and goods that have already been shipped can still be sold.

Risk Protection Improved

A number of measures designed to protect employees against criminal activities in countries with particular security risks were implemented as part of a comprehensive risk management program. A global security consultant was involved in addition to the Corporate Crisis Management Team in order to ensure compliance with international standards. Among other things, they improved the protection of employees in Bangkok (Thailand), who were threatened by local riots in the city. As a precaution, offices in one location were temporarily moved to another building outside the endangered area.

The security instructions given to employees and their families being posted abroad were also revised. The security consultant performed security audits in high-risk countries. The security audit process was coordinated with the ESMAS audit to avoid the same issues being audited twice.

Helping People to Help Themselves

Our corporate citizenship activities focus on the core areas of education, family, and culture. The guiding principle here is “helping people to help themselves.” All activities are based on five criteria: a long-term approach, local importance, measurability, achieving a win-win situation, and continuous improvement.

As part of our “Corporate Citizenship” strategy, we identified Plan International as a global social sponsoring partner. Under the motto “We care & connect.”, this partnership aims to create a global movement to support, encourage, and develop learning and educational programs for children living in poverty. Numerous affiliates such as those in India, South Africa, and the Netherlands already support Plan International’s educational programs, and additional country partnerships are in the pipeline.

Beiersdorf has also supported SOS Family Festivals in Austria and Romania for many years. NIVEA Family Festivals have taken place across Austria for the past ten years thanks to Beiersdorf employees, among others. In the last four years alone, raffle ticket sales have generated €1 million for the SOS Kinderdorf (SOS Children’s Village). In the coming years, the entire social commitment program known as “NIVEA gives kids a future” will be invested in the family strengthening programs run by the Austrian SOS Children’s Village. By strengthening families, the SOS Children’s Villages aim to ensure that children have a stable and loving environment within their own families. In Romania, the “A beautiful childhood” campaign is the first step in a partnership between NIVEA and the SOS Children’s Villages. In 2010, two types of activities were launched here: financial and product sponsoring as well as educational measures relating to personal hygiene. The employees in our Romanian company have also donated 2% of their income tax to renovate a kindergarten playground.

Employees

High Employment Level

As of December 31, 2010, Beiersdorf AG employed 1,932 people (previous year: 1,938). There were 335 vocational training positions and traineeships was 335 (previous year: 329).

Effective Implementation of New Structure

The realignment of the Consumer business segment and the implementation of the new structure were also key challenges for Beiersdorf's Human Resources activities in 2010. Our success as a global company very much depends on optimally matching employees' abilities and workplace requirements. The entire Consumer business segment was reorganized to guarantee this under the new conditions.

Such reorganization requires both thorough, far-sighted planning and excellent implementation. In addition, it is a major challenge. Job profiles are modified within the Company and employees are faced with new demands. The jobs have to be filled in such a way that people's abilities and profiles are optimally matched, and interfaces for cooperation have to be redefined. The Human Resources department is supporting this profound change process.

In addition to the reorganization of Beiersdorf's Consumer business, two other human resources issues took center stage in 2010: the optimization of performance-based pay and the development of junior staff.

Remuneration Linked More Strongly to Performance

Ensuring employees receive fair remuneration that encourages performance and enabling them to share in the Company's success are key components of Beiersdorf's human resources policy, as they play a major part in improving commitment and motivation. As part of the implementation of the enhanced Consumer Business strategy, the remuneration system for top management was adjusted. The variable long term incentive (LTI) component of the payment takes into account the Company's performance compared with the competition over a period of three consecutive calendar years.

A number of projects were also implemented in fiscal year 2010 to ensure that remuneration is in line with market conditions in the regions (total remuneration projects). These align the remuneration systems in the regional affiliates with the relevant market structures, so as to be an attractive employer for local staff.

Diversity – The Secret to Global Success

An international company such as Beiersdorf can only be successful if it encourages employee diversity. Without this, we could not develop innovative products for different markets and leverage our opportunities around the world. If we want to react to demand even more individually in the future, we have to rely on people with different skills, talents, goals, and interests. One of the best ways to ensure this diversity in the long term is to specifically recruit and develop young staff with an international background. The "BEYOND BORDERS" trainee program, which targets qualified university graduates, has proven particularly successful here. 41% of the trainees recruited in fiscal year 2010 came from outside Germany.

Right from the start, this program focuses on developing interpersonal skills as well as professional expertise. Trainees focus on getting to know the key operating and strategic areas. The aim is for them to understand how the various departments in the Company work together and to get to know both the mindset at headquarters and the affiliates' local perspective. Experience abroad and working together with colleagues from many different countries raise their awareness for cultural factors. This is an important precondition for working in a company whose products aim to meet the varied wishes of consumers around the world.

Since the Company is also preparing for the foreseeable consequences of demographic trends, long-term employee commitment to the company and development of our employees play a large role, as does the ability to combine having a family and work. We offer our employees an attractive environment featuring suitable offerings designed to meet their needs. Part-time working models in particular permit largely flexible, customized working that meet their personal wishes to the greatest extent possible.

Targeting Graduate Trainees

Having well-trained and motivated young staff is also essential to a company's long-term success. Moreover, as Beiersdorf is aware of its social responsibility, we again trained more young people in 2010 than we actually needed.

In addition to the "BEYOND BORDERS" trainee program, Beiersdorf partners with universities to establish and maintain contact with highly qualified students early on. Our "Employer Branding" program includes specific activities intended for promising students at selected universities, as does our "CLOSE2B" student outreach program. The success of our focus on recruiting young staff is clear to see: In 2010, Beiersdorf was the only consumer goods company to make the top ten in the high-profile survey of top-level business students in Germany conducted by the Trendence Institute.

We are continuously expanding our "Employer Branding" activities and concepts. This also includes measures designed to increase long-term employee commitment. The program was launched at Beiersdorf's 16 most important affiliates in 2009. In 2010, employees in Brazil and Mexico rated their affiliates as an excellent employer in independent surveys.

Knowledge – the Key to Competitiveness

Ongoing staff training and expanding employees' existing knowledge are a given at Beiersdorf. In addition, we see ongoing training in the context of demographic developments as a way to keep our employees fit for changing challenges in their working environment. The Company provides a wide and varied program of continuous development activities. These include on-the-job training as well as special off-site seminars. To optimize local training in its international markets, Beiersdorf came up with "ready to go" concepts consisting of largely standardized, preprepared content. These offer an effective and cost-efficient way for our smaller affiliates to provide employees with focused training on key business issues.

Our aim is to define clear career paths and development opportunities for all employees, and to motivate them. The range of training offered covers everything from induction courses for new staff to management training. For example, employees with international roles who have been with the Company for less than one year are given an in-depth overview of the Company's strategy and of work in key areas such as marketing or the supply chain during a three-day course at Beiersdorf's headquarters in Hamburg. The participants also visit the production and research facilities there.

The range of training opportunities also includes a large number of specialist training courses. Beiersdorf's employees are given ongoing, in-depth training in all key areas of the Company's business – from sales, marketing, and brand presentation in retail outlets through finance, project management, and negotiating to change management or human resources. Training on new tasks and subject areas is naturally also included.

Leadership Training

Beiersdorf's aim of occupying a leading position in the markets with its products is made particularly clear in its leadership training program. Tier one managers and candidates for such positions who run affiliates or large units at headquarters are offered a program called "Passion to Win." This gives them the opportunity to master new challenges and enhance their skills and abilities with the guidance and support of high-level executive coaches.

Another training program, "Courage to Lead," is aimed at middle managers who are leading a team for the first time. They are taught the skills they need to successfully perform their new role.

Finally, the "Learn to Lead" offering is targeted at employees worldwide who are taking on a leadership role within the Company for the first time and have an international career ahead of them. This teaches them the basics of leadership methods and practical rules of conduct.

Remuneration of the Executive and Supervisory Boards

For information on the principles of the system governing Executive and Supervisory Board remuneration and the amount of members' individual remuneration, please refer to the Remuneration Report in the Corporate Governance Report, starting on page 12. The Remuneration Report forms part of the annual financial statements and the management report.

Risk Report

Integrated Risk and Opportunity Management

Entrepreneurial success cannot be achieved without consciously taking risks. Risk management helps us to master the risks associated with the strategic objectives of the business and to maximize our strategic potential. Regular strategy reviews ensure that opportunities and risks are reasonably balanced. We incur risks only if there is a corresponding opportunity for an appropriate increase in value and if they can be managed using established methods and measures within our organization.

Risk management is an integral part of central and local planning, management, and control processes, and conforms to consistent standards across the Group. Our open communications policy, the risk inventory carried out at regular intervals, and the planning and management system ensure that our risk situation is presented transparently. Risk management is coordinated at Group headquarters.

Accounting-related Internal Control System

An accounting-related internal control system is used to ensure the correctness of the bookkeeping and accounting as well as the reliability of the financial reporting in the annual financial statements and the management report. This integral element of the accounting process comprises preventive, monitoring, and detective measures designed to ensure security and control in accounting and the operational functions. The security measures that are integrated with the organizational structure and workflow are intended to prevent errors, while the controls aim to reduce the probability of errors occurring during processes and to discover any errors that are made. Among other things, the measures include the separation of functions, manual and IT-based approval processes such as dual controls, IT checks, access restrictions and authorization concepts for the IT system, and systems-based processes for handling accounting data. Procedural instructions, standardized reporting formats, and IT-based reporting processes support accounting and financial reporting.

Beiersdorf Shared Services GmbH handles the core accounting processes at Beiersdorf AG. The basic principles and processes and the reporting structure for accounting are documented in an accounting and financial controlling manual and a risk management manual. Legislation, accounting standards, and pronouncements are analyzed for their relevance and taken into account as necessary.

Independent Monitoring

Our Internal Audit department monitors risk management and compliance with the internal control system by means of systematic audits. The department is independent of the Group's operating activities, thus guaranteeing the integrity of our business processes and the effectiveness of the systems and controls we have put in place. In addition, the external auditors audit the risk early warning and monitoring system. They report their audit findings to the Executive Board and the Supervisory Board, and especially to the latter's Audit and Finance Committee, which regularly focuses on these topics.

Our Risk Profile

Strategic and Sector-specific Risks

Maintaining and increasing the value of our major consumer brands with their broad appeal are of central importance for Beiersdorf's business development. We have geared our risk management system towards protecting the value of our brands. Our compliance with high standards of product quality and safety is the basis for our consumers' continued trust in our brands. We therefore perform in-depth safety assessments, which take into account consumer feedback on earlier products, when developing new products. Our products are subject to the strict criteria of our quality management system throughout the entire procurement, production, and distribution process.

Innovations based on strong research and development are a precondition for consumer acceptance of our products, and for the latters' appeal. Prudent brand management captures consumer trends as well as the results of in-depth market and competitive analyses, and at the same time ensures that the brand's core remains intact and is carefully enhanced.

Strong brands that balance innovation and continuity are our response to fierce global competition on price, quality, and innovation. By developing and implementing the "Consumer Insights" process, we have laid the groundwork for identifying consumer wishes even faster and reflecting them in the products we develop. This also counteracts the growing retail concentration and the regional emergence of private label products. Expertise-based brands require a high degree of upfront investment in innovation and marketing. The continuous expansion of our trademark and patent portfolio therefore plays a key role. In particular, the systematic registration and enforcement of our intellectual property rights prevents imitations and counterfeiting of our products, and thus helps safeguard and further increase the earnings potential previously created.

Supply Chain and IT Risks

We counter the risk of bad debts through detailed monitoring of our customer relationships, active receivables management, and the selective use of trade credit insurance. We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring our markets and suppliers and ensuring active management of our supplier portfolio, as well as appropriate contract management. Procurement strategies are reviewed regularly and adjusted to reflect internal and external requirements.

Cooperation and contacts with universities enable us to build early links to qualified new employees, for whom we have special trainee programs to prepare them for a career at Beiersdorf. Our uniform global talent management process identifies and develops talented specialists and management personnel at all levels and supports the appointment of qualified staff in key positions throughout the Company as these become vacant.

We counter compliance risks by providing clear management structures and through efficient organizational measures. Occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by process control checks and location-specific audits. We minimize risks relating to the availability, reliability, and efficiency of our IT systems through continuous monitoring and improvements, as well as by establishing a continuity management system that is an integrated part of our IT operations. We counter selected risks by transferring them to insurance companies.

Financial Risks

Currency, interest rate, and liquidity risks are subject to active treasury management based on global guidelines. In most cases they are managed and hedged centrally, whereby the specific requirements for the organizational separation of the trading, settlement, and controlling functions are taken into account. Derivative financial instruments serve primarily to hedge operational activities and financial transactions essential to the business. They do not expose the Group to any material additional risks.

We limit currency risks from intragroup deliveries of goods and services using currency forwards. As a matter of principle 75% of forecasted annual net cash flows are hedged (cash flow hedges of forecasted transactions). Currency risks from cross-border intragroup financing are fully hedged in the market by the central treasury department using currency forwards.

Potential default risks relating to the investment of the Group's liquid funds are limited by only making short-term and mid-term investments with prime-rated counterparties. Counterparty risk is monitored on the basis of credit ratings and the counterparties' liable capital as well as our own risk-bearing capacity. In addition, we monitor counterparties' relative credit ratings using methods that provide up-to-the-minute assessments of market participants. These parameters are used to determine maximum amounts for investments with each partner bank (counterparty limits), which are compared regularly with the investments actually made across the Group. Given the developments in the capital markets, we have invested more than half of our liquidity in low-risk liquid investments (such as government and corporate bonds). We use liquidity concentration methods and tools at our affiliates in order to optimally manage our investments. Appropriate systems ensure we have transparency concerning our affiliates' remaining funds. Positive balances are registered with central counterparty risk management. Our financial risk management is characterized by the clear allocation of responsibilities, central rules for limiting financial risks as a matter of principle, and the conscious alignment of the instruments deployed with the requirements of our business activities.

Along with other companies, affiliates of the Beiersdorf Group in Belgium, Germany, France, the Netherlands, Switzerland, and Italy are involved in antitrust proceedings relating to cosmetic products on a national level. Statements of objections have been issued in Germany, the Netherlands, and Switzerland. The proceedings in Great Britain were discontinued. Our Italian affiliate received notice of an administrative fine in December. We expect further decisions in the coming months. To the extent that an outflow of resources embodying economic benefits is likely to be required to settle these obligations, provisions were established for the pending antitrust proceedings in the amount of the best estimate of the settlement value. However, no conclusive assessment of the risk from the Group's perspective is possible at present.

Summary of Beiersdorf AG's Risk Situation

Based on our current assessment, Beiersdorf AG is not exposed to any risks that could endanger its continued existence.

Report by the Executive Board on Dealings among Group Companies

In accordance with § 312 Aktiengesetz (German Stock Corporation Act, AktG), the Executive Board has issued a report on dealings among Group companies which contains the following concluding declaration: "According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, Beiersdorf Aktiengesellschaft received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures."

Report on Post-Balance Sheet Date Events

No significant events occurred after the end of the fiscal year.

Disclosures Required by Takeover Law

The disclosures required under § 289 (4) *Handelsgesetzbuch* (German Commercial Code, *HGB*) are presented below.

Please refer to the notes to the consolidated financial statements for the disclosures on the composition of the subscribed capital and the disclosures on direct or indirect interests in the share capital exceeding 10% of the voting rights. In addition to this Michael Herz, Germany, informed the Executive Board that further shares in Beiersdorf Aktiengesellschaft are attributable to him and that he directly holds shares in Beiersdorf Aktiengesellschaft. In total the share of voting rights held by Michael Herz in Beiersdorf Aktiengesellschaft amounts to 60.47% (including 9.99% own shares held by Beiersdorf Aktiengesellschaft, which do not carry voting or dividend rights).

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *Aktiengesetz* (German Stock Corporation Act, AktG), § 31 *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*), and § 7 of the Articles of Association. In accordance with § 7 of the Articles of Association, the Executive Board consists of at least three persons; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 AktG and with § 16 of the Articles of Association. Under § 16 of the Articles of Association, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only. Under § 5 (6) of the Articles of Association, the Supervisory Board is authorized in particular to amend and reformulate § 5 of the Articles of Association (Share Capital) following each utilization of authorized or contingent capital.

The Annual General Meeting on April 29, 2010 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until April 28, 2015 by up to a total of €92 million (Authorized Capital I: €42 million; Authorized Capital II: €25 million; Authorized Capital III: €25 million) by issuing new no-par value bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined by a different method than that set out in § 60 (2) AktG.

Shareholders shall be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, preemptive rights to new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);

3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. In the context of the restriction of this authorization to a total of 10% of the share capital, those shares must be included for which the preemptive rights of shareholders have been disapplied as of April 29, 2010 in accordance with § 186 (3) sentence 4 AktG when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);

4. in the case of capital increases against non-cash contributions, for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

The Executive Board was also authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

In addition, the Annual General Meeting on April 29, 2010 resolved to contingently increase the share capital by up to a total of €42 million, composed of up to 42 million no-par value bearer shares. The contingent capital increase will be implemented only to the extent that:

1. the holders or creditors of conversion and/or option rights attached to convertible bonds and/or bonds with warrants issued in the period until April 28, 2015 by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, choose to exercise their conversion or option rights, or

2. the holders or creditors of convertible bonds giving rise to a conversion obligation issued in the period until April 28, 2015 by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, comply with such obligation, and the contingent capital is required for this in accordance with the terms and conditions of the bonds.

The new shares carry dividend rights from the beginning of the fiscal year in which they are created as a result of the exercise of conversion or option rights, or as a result of compliance with a conversion obligation.

The Executive Board was authorized to determine the further details of the implementation of a contingent capital increase.

The Annual General Meeting on April 29, 2010 also authorized the Company in accordance with § 71 (1) no. 8 AktG to purchase own shares in the total amount of up to 10% of the existing share capital in the period up to April 28, 2015. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders. The Annual General Meeting authorized the Executive Board, with the approval of the Supervisory Board, to sell in whole or in part the own shares purchased on the basis of the above-mentioned or a prior authorization while disapplying the shareholders' preemptive rights, including in a way other than via the stock exchange or via a purchase offer to all shareholders, to the extent that these shares are sold for cash at a price that does not fall materially below the market price of the same class of shares of the Company at the time of the sale. The Executive Board was also authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part as consideration or partial consideration in the context of a merger or the acquisition of companies, equity interests in companies (including increases in equity interests), or business units of companies, while disapplying the preemptive rights of shareholders. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to utilize these own shares in whole or in part, while disapplying the preemptive rights of shareholders, in order to satisfy the subscription and/or conversion rights from convertible bonds and/or bonds with warrants issued by the Company or companies in which it holds a direct or indirect majority interest. Finally, the Executive Board was authorized, with the approval of the Supervisory Board, to retire the above-mentioned own shares without requiring an additional resolution by the Annual General Meeting.

The creation of the authorized and contingent capital is intended to put the Company in the position of being able to react to growth opportunities and capital market situations quickly and flexibly. The authorization to purchase and utilize own shares enables the Company in particular to also offer shares of the Company to institutional or other investors and/or to expand the shareholder base of the Company, as well as to utilize the purchased own shares as consideration for the acquisition of companies or equity interests in companies (including increases in equity interests), or as part of a merger, i.e., against non-cash consideration.

Report on Expected Developments

Expected Macroeconomic Developments

We believe that global economic development will again vary widely from region to region in the coming years. The industrialized countries should continue their recovery from the crisis in 2011, whereas we expect sustained above-average economic growth in the developing countries and emerging markets.

The economic situation in Europe will continue to be extremely mixed. Economies with a pronounced focus on exports will profit more from the global economic recovery. We are forecasting below-average market performances by those European countries that have been harder hit by the financial crisis.

We expect GDP growth in the United States to be up only marginally on 2010. Macroeconomic demand will continue to be below the levels seen prior to the financial and economic crisis. High unemployment and changes in savings habits are the main brakes on consumer spending.

In Asia, we continue to expect above-average growth, which will largely be driven by China. Fiscal and monetary measures being introduced by the Chinese government to curb inflationary tendencies are not expected to hinder growth.

Prices are expected to continue to climb due to sustained strong demand in the procurement markets concerned. Availability bottlenecks are also on the cards in material categories where supplier capacity is tight or raw materials are naturally scarce.

Sector Developments

In our opinion, growth rates in the global cosmetics market will return to the levels seen in the years prior to the crisis. We expect growth to remain muted in the major Western European and North American markets. Asia and Latin America will continue making significant contributions to positive overall developments with double-digit growth rates.

Our Market Opportunities

Market performance was again mixed in fiscal year 2010 and competition continued to increase. We have adapted our strategy and organizational structure to this market situation. Although we feel that the greater regional orientation of our business management and the bundling of our resources to focus on our growth markets offer excellent opportunities, the measures we have implemented will only unfold their full effect in the medium term. Our conservative planning for the coming fiscal year is based on this assessment.

We will build on our solid financing structure and strong earnings position together with our dedicated and highly qualified employees to continue to exploit the opportunities that our brand portfolio offers us in the future. Our extensive research and development activities, flanked by targeted marketing measures, will strengthen our brand core and create enduring confidence among our consumers.

Business Developments

Our assessment of business developments in the coming years is based on the above assumptions. The outlook takes into account the package of measures and investments that Beiersdorf adopted in December 2010. The decisions taken included substantial marketing investments in our skin and body care brands, the global streamlining and harmonization of our product portfolio, and the realignment of regional structures. These decisions are expected to result in additional costs of approximately €150 million in fiscal years 2011 and 2012, the bulk of which will be incurred in 2011. The positive effects of these measures are only expected to be felt in full as from 2012.

Sales at Beiersdorf AG will be influenced by the streamlining of the product range and other planned structural changes in 2011 and 2012. We expect sales for both years before structural effects to be similar to those in 2010.

After adjusting for the effects of streamlining the product range and other planned structural changes, Beiersdorf AG's operating result for both years will be down slightly on the margin for the previous year.

We firmly believe that we are well positioned for future developments thanks to our strong brands, innovative products, optimized processes, and revised strategic focus.

Hamburg, February 8, 2011

Beiersdorf AG
The Executive Board

Income Statement – Beiersdorf AG

(in € million)

	Notes	2009	2010
Sales	01	**1,054**	**1,059**
Other operating income	02	169	87
Cost of materials	03	–270	–264
Personnel expenses	04	–229	–201
Depreciation and amortization of property, plant, and equipment, and intangible assets	05	–46	–50
Other operating expenses	06	–504	–503
Operating result		**174**	**128**
Net income from investments	07	265	270
Net interest income/expense	08	5	–20
Other financial result	09	2	–15
Financial result		**272**	**235**
Result from ordinary activities		**446**	**363**
Extraordinary result	10	–	–
Taxes on income	11	–65	–74
Profit after tax		**381**	**289**
Transfer to other retained earnings	31	–190	–113
Net retained profits		**191**	**176**

Balance Sheet – Beiersdorf AG

(in € million)

Assets	Notes	Dec. 31, 2009	**Dec. 31, 2010**
Intangible assets	13	81	110
Property, plant, and equipment	14	66	56
Financial assets	15	1,204	1,302
Fixed assets		**1,351**	**1,468**
Inventories		2	2
Receivables and other assets	16	305	363
Securities	17	1,894	1,117
Cash and cash equivalents		268	246
Current assets		**2,469**	**1,728**
Prepaid expenses		**1**	**3**
		3,821	**3,199**

Equity and Liabilities	Notes	Dec. 31, 2009	**Dec. 31, 2010**
Share capital		*252*	*252*
Own shares		*–*	*–25*
Issued capital		252	227
Additional paid-in capital		47	47
Retained earnings		1,743	1,055
Net retained profits		191	176
Equity	18	**2,233**	**1,505**
Special reserve with an equity portion	19	**42**	**–**
Provisions for pensions and other employee benefits	20	452	405
Other provisions	21	259	258
Provisions		**711**	**663**
Trade payables		31	43
Other liabilities		804	988
Liabilities	22	**835**	**1,031**
		3,821	**3,199**

Basis of Preparation of Beiersdorf AG's Financial Statements

The annual financial statements of Beiersdorf AG are prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) as amended by the *Bilanzrechtsmodernisierungsgesetz* (German Accounting Law Modernization Act, *BilMoG*) and the *Aktiengesetz* (German Stock Corporation Act, *AktG*). The provisions of the *BilMoG* applicable to recognition and remeasurement were applied for the first time to the annual financial statements for fiscal year 2010. The prior-year figures were not adjusted in line with the new accounting principles – in accordance with the transitional provisions of the BilMoG. The recommendations of the German Corporate Governance Code that are relevant to the annual financial statements were taken into account.

The financial statements comprise the balance sheet, the income statement, and the notes. The income statement was prepared using the total cost (nature of expense) method. Where items in the balance sheet and the income statement have been summarized to aid clarity, they are disclosed and explained separately in the notes. The annual financial statements are prepared in euros (€); amounts are given in millions of euros (€ million).

As a parent company, Beiersdorf AG prepares its own consolidated financial statements. Beiersdorf's consolidated financial statements are also included in the consolidated financial statements of maxingvest ag, Hamburg, which prepares the consolidated financial statements for the largest group of companies. Both sets of consolidated financial statements are published in the electronic *Bundesanzeiger* (Federal Gazette).

The prior-year accounting policies were not applied in full due to the amendments to German GAAP. The following overview shows the reconciliation of carrying amounts in the annual financial statements for 2009 to the amounts in the opening balance sheet in accordance with the *HGB* as amended by the *BilMoG* (*HGB* as amended) at the date of initial application as of January 1, 2010.

Reconciliation of the annual financial statements for 2009 to the *BilMoG* opening balance sheet as of January 1, 2010:

(in € million)

Assets	Note	Dec. 31, 2009	Reconciliation Entries	Jan. 01, 2010
Intangible assets		81	–	81
Property, plant, and equipment		66	–	66
Financial assets	d)	1,204	–5	1,199
Fixed assets		**1,351**	**–5**	**1,364**
Inventories		2	–	2
Receivables and other assets	d)	305	–9	296
Securities	a)	1,894	–955	939
Cash and cash equivalents		268	–	268
Current assets		**2,469**	**–964**	**1,505**
Prepaid expenses		**1**	**–**	**1**
		3,821	**–969**	**2,852**

Equity and Liabilities	Note	Dec. 31, 2009	Reconciliation Entries	Jan. 01, 2010
Share capital		252	–	252
Own shares	a)	–	–25	–25
Issued capital		252	–25	227
Additional paid-in capital		47	–	47
Legal reserve		4	–	4
Reserve for own shares	a)	955	–955	–
Other retained earnings	a), b), c), e)	784	122	906
Net retained profits		191	–	191
Equity		**2,233**	**–858**	**1,375**
Special reserve with an equity portion	b)	**42**	**–42**	**–**
Provisions for pensions and other employee benefits	c), d)	452	–55	397
Other provisions	d), e)	259	–14	245
Provisions		**711**	**–69**	**642**
Trade payables		31	–	31
Other liabilities		804	–	804
Liabilities		**835**	**–**	**835**
		3,821	**–969**	**2,852**

The switch to the new requirements under German commercial law led to the following main changes:

a) The provisions of the *BilMoG* specify that own shares can no longer been presented on the assets side of the balance sheet together with a corresponding presentation of the reserve for own shares. Consequently, the presentation of the own shares held as of January 31, 2010 on transition to the new law was adjusted in line with § 272 (1a) *HGB* (as amended). The notional value of the own shares (€25 million) was deducted from the share capital on the face of the balance sheet and the excess amount (€930 million) was offset against other retained earnings. In line with this, the reserve for own shares (€955 million) was released and transferred to other retained earnings.

b) In accordance with the provisions of the *BilMoG*, no new special reserves with an equity portion can be recognized in the current fiscal year. Beiersdorf AG has chosen not to exercise the option laid down in § 67 (3) *Einführungsgesetz* zum *HGB* (Introductory Act to the German Commercial Code, *EGHGB*) to retain special reserves with an equity portion recognized prior to the transition to the new law. The amount from the reversal of the special reserve with an equity portion as of January 1, 2010 (€42 million) was therefore transferred directly to other retained earnings.

c) Beiersdorf AG has chosen to exercise the option to discount provisions for post-employment benefit obligations or similar long-term liabilities in the aggregate at the average market interest rate calculated and published by the Deutsche Bundesbank that results from an assumed remaining maturity of 15 years. The corridor method based on IAS 19 used to calculate actuarial gains and losses until the annual financial statements as of December 31, 2009 is also no longer applied. This transition resulted in the reversal of provisions for pensions and other post-employment benefits (€53 million), which were transferred directly to other retained earnings in accordance with § 67 (1) sentence 3 *EGHGB*.

d) Assets that are exempt from attachment by all other creditors and that serve solely to settle liabilities from post-employment benefit obligations or similar long-term liabilities allocated to these assets are offset against these liabilities. As a result, financial assets as of January 1, 2010 declined by €5 million, receivables and other assets by €9 million, provisions for pensions by €2 million, and other provisions by €12 million.

e) Provisions must be recognized at the settlement amount dictated by prudent business judgment. Future price and cost increases are to be included. In addition, provisions expected to be settled after more than one year must be discounted at the average market interest rate for the past seven years corresponding to their remaining maturity calculated and published by the Deutsche Bundesbank. Additions to provisions due to the initial application of § 253 *HGB* (as amended) amounted to €148 thousand and were presented in the income statement in the extraordinary result item. The reversal of provisions resulting from this amended measurement requirement amounted to €2 million. The amount to be reversed was transferred directly to other retained earnings in accordance with § 67 (1) sentence 3 *EGHGB*.

f) Any aggregate tax liability resulting from differences between the carrying amounts in the financial statements of assets, liabilities, or items of prepaid expenses and deferred income, and their tax base that are expected to reverse in future fiscal years are recognized as deferred tax liabilities. Any resulting aggregate tax benefit may be recognized as deferred tax assets. They are measured using the company's individual tax rate. Beiersdorf AG expects a future tax benefit from the temporary differences as of January 1, 2010 of €3 million; this was not recognized as a deferred tax asset in line with the option under § 274 (1) sentence 2 *HGB*.

Notes to the Income Statement

01 • Sales

Beiersdorf AG is responsible for business in Germany with branded consumer products for skin and body care, which are bundled in the Consumer business segment. It also provides typical holding company services to affiliates in the course of its ordinary activities. Beiersdorf AG's sales increased by €5 million to €1,059 million (previous year: €1,054 million).

Sales by Region (in € million)

	2009	2010
Germany	859	845
Rest of Europe	122	125
Americas	32	40
Africa/Asia/Australia	41	49
	1,054	**1,059**

02 • Other Operating Income

Other operating income declined from €169 million to €87 million. It consists of gains on fixed asset disposals of €0 million (previous year: €2 million), income from the reversal of provisions of €18 million (previous year: €24 million), foreign exchange gains on trade receivables and payables of €3 million (previous year: €5 million), income from services provided to affiliated companies of €57 million (previous year: €52 million), and other income of €9 million (previous year: €11 million). Income of €75 million from the reduction in pension obligations as a result of amendments to the pension plan for TROMA *Alters- und Hinterbliebenenstiftung* was also disclosed in the previous year.

03 • Cost of Materials

The cost of materials of €264 million (previous year: €270 million) includes the acquisition cost of the goods sold.

04 • Personnel Expenses

(in € million)

	2009	2010
Wages and salaries	170	167
Social security contributions and other benefits	23	23
Pension expenses	36	11
	229	**201**

The decline in personnel expenses was mainly due to the change in the presentation of the unwinding of the discount on pension obligations. Until the previous year, the expense was recognized in the pension expenses item; following the amendment due to the *BilMoG* (section 277 (5) sentence 1 *HGB*) €20 million was recognized in net interest income/expense in the year under review.

05 • Depreciation and Amortization of Property, Plant, and Equipment, and Intangible Assets

In addition to depreciation and amortization, impairment losses of €5 million were recognized on property, plant and equipment in the fiscal year. The expenses are associated with the decision to exit the decorative cosmetics business in Germany. Impairment losses of €7 million were recognized on intangible assets in the previous year.

06 • Other Operating Expenses

Other operating expenses declined from €504 million to €503 million. They consist of marketing expenses of €322 million (previous year: €326 million), maintenance costs totaling €7 million (previous year: €7 million), outgoing freight in the amount of €6 million (previous year: €6 million), foreign exchange losses on trade receivables and payables of €5 million (previous year: €7 million), write-downs on receivables of €3 million (previous year: €1 million), expenses resulting from transfers to the special reserve with an equity portion of €0 million (previous year: €2 million), legal and consulting costs of €11 million (previous year: €8 million), other personnel expenses of €10 million (previous year: €10 million), costs of services invoiced by affiliated companies of €38 million (previous year: €36 million), other taxes of €2 million (previous year: €2 million), and other expenses totaling €99 million (previous year: €99 million).

07 • Net Income from Investments

(in € million)

	2009	2010
Income from investments (thereof from affiliated companies)	216 (216)	200 (199)
Income from profit transfer agreements (thereof from affiliated companies)	54 (54)	70 (70)
Reversals of write-downs of investments	7	–
Write-downs of investments	–12	–
	265	**270**

08 • Net Interest Income/Expense

(in € million)

	2009	2010
Other interest and similar income (thereof from affiliated companies)	18 (2)	14 (2)
Interest and similar expenses (thereof to affiliated companies)	–13 (–9)	–14 (–6)
Expenses from unwinding of discounts on provisions for pensions and other long-term obligations	–	–20
	5	–20

Additions to pensions and other long-term obligations were recognized in net interest income/expense for the first time in the fiscal year insofar as they resulted from the unwinding of discounts on provisions. Last year, they were reported under the personnel expenses item.

09 • Other Financial Result

(in € million)

	2009	2010
Other financial income	93	77
Other financial expenses	–91	–92
	2	–15

Other financial income consists of foreign exchange gains on financial items of €76 million (previous year: €92 million). Other financial expenses comprise foreign exchange losses on financial items of €92 million (previous year: €91 million).

10 • Extraordinary Result

An extraordinary expense of €148 thousand resulted from the first time application of the new German GAAP requirements, due to the need for additions to the other provisions.

11 • Taxes on Income

Corporation tax, the solidarity surcharge, trade tax, and paid withholding tax are reported as income tax expenses.

Any aggregate tax liability resulting from differences between the carrying amounts in the financial statements of assets, liabilities, or items of prepaid expenses and deferred income, and their tax base that are expected to reverse in future fiscal years must be recognized as deferred tax liabilities. Any resulting aggregate tax benefit may be recognized as deferred tax assets. The amounts are measured using the company's individual tax rate (31.6%).

Beiersdorf AG is the consolidated income tax group parent of various consolidated tax group subsidiaries. A consolidated income tax group exists if a consolidated tax group subsidiary within the meaning of §14 (1) sentence 1 in conjunction with § 17 (1) sentence 1 *KStG* undertakes by way of a profit transfer agreement within the meaning of § 291 (1) *AktG* to transfer its entire profit solely to another commercial enterprise. As a result, the income of the consolidated tax group subsidiary is attributable to the entity's parent (consolidated tax group parent). Future tax liabilities or benefits resulting from temporary differences between the carrying amounts of assets and liabilities or items of prepaid expenses and deferred income in the annual financial statements of the consolidated tax group subsidiary and their corresponding tax base are therefore recognized in Beiersdorf AG's annual financial statements.

Deferred tax assets were recognized for pension provisions as a result of the higher provisions recognized in the financial statements as against the tax base. Other deferred tax assets were due to certain other provisions not being recognizable for tax purposes, or to the lower values recognized. Deferred tax liabilities mainly result from differences in the carrying amounts in the reserves in accordance with § 6b *EStG*.

Overall, Beiersdorf AG expects a future tax benefit of €2 million from its own temporary accounting differences and those relating to companies in its consolidated tax group as of December 31, 2010 (the future tax benefit as of January 1, 2010 amounted to €3 million). No deferred tax assets were recognized for this overall tax benefit since the option in accordance with § 274 (1) sentence 2 HGB was exercised. (Consequently, no deferred taxes are included in the tax expense for the fiscal year.

12 • Other Taxes

Other taxes are reported under other operating expenses. They amounted to €2 million (previous year: €2 million).

Notes to the Balance Sheet

13 • Intangible Assets

(in € million)

	Patents, licenses, trademarks, and similar rights and assets	Advance payments	Total
Cost			
Opening balance Jan. 1, 2010	**327**	–	**327**
Additions	63	–	63
Disposals	–	–	–
Transfers	–	–	–
Closing balance Dec. 31, 2010	**390**	–	**390**
Amortization			
Opening balance Jan. 1, 2010	**246**	–	**246**
Additions	34	–	34
Disposals/transfers	–	–	–
Closing balance Dec. 31, 2010	**280**	–	**280**
Carrying amount Dec. 31, 2010	**110**	–	**110**
Carrying amount Dec. 31, 2009	81	–	81

Purchased intangible assets are carried at cost less straight-line amortization. Intangible assets are generally amortized over a period of five years, and in exceptional cases over three to ten years. Internally generated intangible assets non-current assets and research and development expenses are not capitalized. The additions in the current year reflect the acquisition of the priority trademark rights for NIVEA in Poland.

Write-downs for impairment are recognized if more than temporary impairments in value are likely to occur. Write-downs are reversed up to amortized cost if the reasons for the impairment no longer apply.

14 • Property, Plant, and Equipment

(in € million)

	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Cost					
Opening balance Jan. 1, 2010	**184**	**6**	**99**	**1**	**290**
Additions	–	–	7	–	7
Disposals	–	–3	–2	–	–5
Transfers	–	–	1	–1	–
Closing balance Dec. 31, 2010	**184**	**3**	**105**	**–**	**292**
Depreciation					
Opening balance Jan. 1, 2010	**144**	**5**	**75**	**–**	**224**
Additions	3	–	13	–	16
Disposals/transfers	–	–3	–1	–	–4
Closing balance Dec. 31, 2010	**147**	**2**	**87**	**–**	**236**
Carrying amount Dec. 31, 2010	**37**	**1**	**18**	**–**	**56**
Carrying amount Dec. 31, 2009	40	1	24	1	66

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. Buildings are depreciated on a straight-line basis over a useful life of 25 to 50 years. Movable assets are generally depreciated using the declining-balance method at first, and subsequently using the straight-line method of depreciation. The useful life of technical equipment and machinery, and office and other equipment, is generally ten years, in exceptional cases three to fifteen years. We write off low-value assets up to €150 in full in the year of acquisition. Assets costing between €150 and €1,000 are pooled and written down over five years.

Write-downs for impairment are recognized if more than temporary impairments in value are likely to occur. Write-downs are reversed up to cost if the reasons for the impairment no longer apply.

15 • Financial Assets

(in € million)

	Investments in affiliated companies	Investment securities	Other loans	Total
Cost				
Opening balance Jan, 1, 2010	**1,233**	**3**	5	**1,241**
Additions	104	–	–	104
Disposals	–2	–	–5	–7
Transfers	–	–	–	–
Closing balance Dec. 31, 2010	**1,335**	**3**	–	**1,338**
Write-downs				
Opening balance Jan. 1, 2010	**37**	–	–	**37**
Write-downs/reversals of write-downs	–	–	–	–
Disposals/transfers	–1	–	–	–1
Closing balance Dec. 31, 2010	**36**	–	–	**36**
Carrying amount Dec. 31, 2010	**1,299**	**3**	–	**1,302**
Carrying amount Dec. 31, 2009	1,196	3	5	1,204

Financial assets are carried at cost. Write-downs to a lower value at the balance sheet date are charged if the impairment is expected to be more than temporary. Write-downs are reversed up to cost if the reasons for permanent impairment no longer apply. Additions to investments dating from before the *Aktiengesetz* (German Stock Corporation Act, *AktG*) came into force in 1965 are carried as pro mem items.

The additions to investments in affiliated companies relate to a capital increase at Beiersdorf CEE Holding GmbH, Austria.

To safeguard pension obligations and flexi-time account balances, Beiersdorf AG invested funds at Bankhaus Metzler under contractual mutual trust agreements. The amounts invested totaled €9 million as of the balance sheet date (previous year: €5 million). These assets serve solely to settle liabilities from post-employment benefit obligations or similar long-term obligations and are exempt from attachment by all other creditors. They were reported under investment securities up to the previous year. As of 2010, they are offset against the underlying obligations due to the *BilMoG* amendments and are recognized as a disposal in the investment securities item.

16 • Receivables and Other Assets

(in € million)

	2009	2010
Trade receivables (thereof due after more than one year)	65 (–)	73 (–)
Receivables from affiliated companies (thereof due after more than one year)	214 (–)	267 (–)
Receivables from associated companies (thereof due after more than one year)	– (–)	1 (–)
Other assets (thereof due after more than one year)	26 (–)	22 (–)
	305	363

Receivables and other assets are carried at their nominal value. Appropriate individual valuation adjustments are charged for identifiable individual risks. General valuation adjustments are charged to take account of general credit risk.

Receivables in foreign currencies and assets due within one year are translated at the closing rate on the balance sheet date. Hedged foreign currency receivables are carried at the hedge rate. There are no receivables in foreign currencies and assets due after more than one year.

Receivables from affiliated companies comprise financial receivables of €183 million (previous year: €136 million) and trade receivables of €84 million (previous year: €78 million).

The decrease in other assets is mainly due to the offsetting of the pension liability insurance claims previously shown in this item against provisions for partial retirement benefit obligations.

17 • Securities

The presentation of own shares held as of January 1, 2010 was modified as a result of the changeover to the new provisions laid down in the *BilMoG*. Own shares with a carrying amount of €955 million were derecognized, the share capital was reduced by the notional interest in the own shares and the excess amount of €930 million was deducted from the distributable reserves.

As of December 31, 2010, Beiersdorf AG had invested a total of €1,117 million in government and corporate bonds, Pfandbriefe, and near-money market retail funds (previous year: €939 million). Investments classified as current assets are carried at cost. All bonds and Pfandbriefe are listed and have a residual maturity of up to three years. More than 10% of the amount invested is held in a near-money market retail fund. The fair value (€229 million) of this, determined using quoted prices in active markets, is €8 million higher than the carrying amount of the fund units. The fund's investment objective is to generate a steady appreciation in value for institutional investors. No distribution was made in fiscal year 2010; there are no restrictions on daily redemption.

18 • Equity

The following changes in equity were recorded in fiscal year 2010:

(in € million)

	Dec. 31, 2009	First-time application of the BilMoG	Utilization of 2009 net retained profits	2010 Profit after tax	Dec. 31, 2010
Share capital	*252*	–	–	–	*252*
Own shares	–	*–25*	–	–	*–25*
Issued capital	252	–25	–	–	227
Additional paid-in capital	47	–	–	–	47
Legal reserve	4	–	–	–	4
Reserve for own shares	955	–955	–	–	–
Other retained earnings	784	122	32	113	1,051
Net retained profits	191	–	–191	176	176
	2,233	**–858**	**–159**	**289**	**1,505**

Share Capital

The share capital amounts to €252 million and is composed of 252 million no-par value shares.

Own Shares

Since the settlement of the share buyback program on February 3, 2004, and following the implementation of the share split in 2006, Beiersdorf AG has held 25,181,016 no par-value shares, corresponding to 9.99% of the Company's share capital.

The presentation of own shares was adjusted in fiscal year 2010 in line with the revised version of § 272 (1 a) *HGB* (as amended). The notional interest in own shares (€25 million) was deducted from the share capital on the face of the balance sheet.

Authorized Capital

The Annual General Meeting on April 29, 2010 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until April 28, 2015 by up to a total of €92 million (Authorized Capital I: €42 million; Authorized Capital II: €25 million; Authorized Capital III: €25 million) by issuing new bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined by a different method than that set out in § 60 (2) *AktG*.

Shareholders shall be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, preemptive rights to new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);

3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. In the context of the restriction of this authorization to a total of 10% of the share capital, those shares must be included for which the preemptive rights of shareholders have been disapplied as of April 29, 2010 in accordance with § 186 (3) sentence 4 *AktG* when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);

4. in the case of capital increases against non-cash contributions, for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

The Executive Board was also authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

Contingent Capital

In addition, the Annual General Meeting on April 29, 2010 resolved to contingently increase the share capital by up to a total of €42 million, composed of up to 42 million no-par value bearer shares. In accordance with the resolution by the Annual General Meeting, the contingent capital increase will be implemented only if

1. the holders or creditors of conversion and/or option rights attached to convertible bonds and/or bonds with warrants issued in the period until April 28, 2015 by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, choose to exercise their conversion or option rights, or

2. the holders or creditors of convertible bonds giving rise to a conversion obligation issued in the period until April 28, 2015 by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, comply with such obligation,

and the contingent capital is required for this in accordance with the terms and conditions of the bonds.

The new shares carry dividend rights from the beginning of the fiscal year in which they are created as a result of the exercise of conversion or option rights, or as a result of compliance with a conversion obligation.

The Executive Board was authorized to determine the further details of the implementation of a contingent capital increase.

Additional Paid-in Capital

Additional paid-in capital comprises the premium arising from the issue of shares by Beiersdorf AG.

Retained Earnings

As part of the amendments introduced by the *BilMoG*, the notional interest in the own shares (€25 million) was deducted from the share capital on the face of the balance sheet and the difference between the notional interest and the cost of the own shares (€930 million) was deducted from other retained earnings. Consequently, the reserve for own shares (€955 million) was reversed and transferred to other retained earnings.

The Annual General Meeting on April 29, 2010 resolved to transfer €32 million from net retained profits for fiscal year 2009 to other retained earnings. €113 million of the profit after tax for fiscal year 2010 was transferred to other retained earnings.

19 • Special Reserve with an Equity Portion

Beiersdorf AG has chosen not to exercise the option provided in § 67 (3) *EGHGB* to retain special reserves with an equity portion recognized prior to the transition to the new law. The amount from the reversal of the special reserve with an equity portion as of January 1, 2010 (€42 million) was transferred directly to other retained earnings.

20 • Provisions for Pensions and Other Post-Employment Benefits

Pension provisions cover maintenance obligations to former and current employees.

Provisions for pension obligations arising from defined contribution benefits commitments, the amount of which is based solely on the fair value of securities within the meaning of § 266 (2) A.III.5 *HGB*, are recognized at the fair value of the securities to the extent that this exceeds a guaranteed minimum amount. Assets invested in mixed-used funds serve solely to settle liabilities from pension obligations and are exempt from attachment by all other creditors. These fund assets with a fair value of €5 million (cost €5 million) were therefore offset against pension provisions for the first time in fiscal year 2010. They were presented gross in fiscal year 2009.

Other pension obligations are measured using the projected unit credit method, taking into account future wage, salary, and pension increases. The discount rate for pension commitments used was the average market interest rate calculated and published by the Deutsche Bundesbank that results from an assumed remaining maturity of 15 years. The wage and salary increase amounted to 3.5% (previous year: 3.0%), the pension increase to 1.75% (previous year: 1.75%), and the rate of interest was 5.15% (previous year: 5.75%). Heubeck's "2005 G mortality tables" were used as a basis for calculation.

In contrast to previous practice, the corridor method previously used to calculate actuarial gains and losses based on IAS 19 was no longer used in addition to the first-time application of the average market interest rate calculated by the Deutsche Bundesbank. The difference at the time of initial application (€53 million) resulting from the change in the measurement approach was transferred directly to other retained earnings.

The amount recognized as pension provisions as of the reporting date (€405 million; previous year: €452 million) represents the sum of the present value of other pension obligations (€405 million) and defined contribution pension obligations (€5 million), less the fair value of the securities (€5 million). In the previous year, the pension provisions consisted of the sum of the defined contribution pension obligations (€2 million), the present value of other pension provisions (€375 million), and unrecognized actuarial gains (€75 million).

21 • Other Provisions

(in € million)

	Dec. 31, 2009	Dec. 31, 2010
Provisions for taxes	32	41
Miscellaneous provisions	227	217
	259	**258**

Other provisions include all identifiable future payment obligations, risks, and uncertain obligations of the Company. They are measured using the settlement amount dictated by prudent business judgment to fund future payment obligations. Provisions expected to be settled after more than one year are discounted at the average market interest rate for the past seven years corresponding to their remaining maturity. Other provisions relate to compensation under collective wage agreements and voluntary compensation for the workforce, expenses for partial retirement arrangements and severance agreements, contributions to occupational health and safety agencies, expenses for sales commissions, outstanding invoices, litigation risks, and other risks.

The decrease in other provisions is mainly due to the offsetting for the first time of obligations relating to flexi-time account balances and partial retirement arrangements against the corresponding dedicated assets (mixed-use funds of €4 million and pension liability insurance claims of €10 million).

22 • Liabilities

(in € million)

	Dec. 31, 2009	Dec. 31, 2010
Trade payables	31	43
Liabilities to affiliated companies	792	980
Other liabilities	12	8
(thereof tax liabilities)	(3)	(3)
(thereof social security liabilities)	(5)	(4)
	835	**1,031**

Liabilities are recognized at their settlement amount at the balance sheet date.

Liabilities in foreign currencies due within one year are translated at the closing rates on the balance sheet date. Non-current foreign currency liabilities are recognized at the closing rate on the balance sheet date or at the higher rate at the transaction date. Hedged foreign currency liabilities are carried at the hedge rate. There are no liabilities in foreign currencies due after more than one year.

Liabilities to affiliated companies comprise financial liabilities of €956 million (previous year: €770 million) and trade liabilities of €24 million (previous year: €22 million).

Of the other liabilities, €4 million is due in more than one year (of which €1 million is due in more than five years). The liabilities are not collateralized.

Other Disclosures

23 • Contingent Liabilities and Other Financial Obligations

(in € million)

	Dec. 31, 2009	Dec. 31, 2010
Contingent liabilities		
Obligations under guarantees and letters of comfort (thereof for affiliated companies)	34 (33)	18 (18)
Other financial obligations		
Obligations under rental agreements and leases	7	8
Obligations under purchase commitments for investments	1	1
	8	9

Prior-year guarantees and letters of comfort for Group companies included guarantees of €26 million for Beiersdorf CEE Holding GmbH, Austria, which were discontinued in fiscal year 2010 as a result of a capital increase. Obligations from rental agreements and leases are reported at the total amount due until the earliest termination deadline.

24 • Derivative Financial Instruments

Beiersdorf AG's Corporate Treasury department is responsible for central currency and interest rate management within the Beiersdorf Group, and hence for all transactions involving financial derivatives. Derivative financial instruments are used to hedge the operating business and significant financial transactions that are important to the Company. Beiersdorf AG is not exposed to any additional risks as a result. The transactions are performed exclusively using standard market instruments (currency forwards only, as in the prior year).

Because of the small volume of non-current financial liabilities, interest rate risk is of no more than minor significance for the Beiersdorf Group. As a result, no interest rate hedges are entered into at present.

Beiersdorf AG uses currency forwards to hedge the risk of changes in exchange rates. Currency hedges relate primarily to intragroup deliveries of goods and services. In general, 75% of the planned net cash flows are hedged externally using currency forwards around three to six months before the start of the year; these currency forwards are then largely passed on at matching maturities to Group companies. As a matter of principle, currency risks relating to cross-border intragroup financing are hedged centrally in full and at matching maturities using currency forwards.

All these transactions are centrally recorded, measured, and managed in the treasury management system.

The notional value of the currency forwards at the balance sheet date was €1,315 million (previous year: €1,508 million). Of this amount, €1,246 million is due within one year. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not offset.

The positive fair value of the currency forwards at the balance sheet date was €4 million (previous year: €2 million). The fair value is calculated by measuring the outstanding items at market prices at the balance sheet date. At Beiersdorf AG, hedge accounting is used for derivatives entered into with banks and the respective underlying transactions passed on to the subsidiaries so that these are not reported in the financial statements.

The positive fair values of derivatives include the default risk relating to the nonfulfillment of contractual obligations by counterparties. Our external counterparties are banks for which we consider the risk of default to be extremely low.

25 • Employees by Function

Average Number during the Year

	2009	2010
Research and development	456	460
Supply Chain	472	459
Sales and marketing	458	446
Other functions	571	571
	1,957	1,936

The average number of vocational training positions and trainees not included in employee figures was 344 (previous year: 349).

26 • Disclosures on the Supervisory and Executive Boards

For fiscal year 2010, the members of the Supervisory Board received remuneration totaling €1,390 thousand (previous year: €1,386 thousand) and the Executive Board remuneration totaling €4,466 thousand (previous year: €4,566 thousand). For information on the system of Executive and Supervisory Board remuneration and the amount of members' individual remuneration, please refer to the Remuneration Report in the Corporate Governance Report, starting on page 12. The Remuneration Report forms part of the Annual Financial Statements and the Management Report. Payments to former members of the Executive

Board and their dependants totaled €2,274 thousand (previous year: €2,274 thousand). Provisions for pension commitments to former members of the Executive Board and their dependants totaled €23,600 thousand (previous year: €22,373 thousand).

Members of the Executive and Supervisory Boards did not receive any loans from the Company.

27 • Auditors' Fees

The Annual General Meeting on April 29, 2010 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2010. The total fees invoiced by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for the fiscal year are contained in the relevant notes to the consolidated financial statements.

28 • List of Shareholdings

The following list shows those companies/equity interests in which Beiersdorf AG holds 5% or more of the shares and/or voting rights. The list does not include companies/equity interests that are of no more than minor significance for the presentation of Beiersdorf AG's net assets, financial position, and results of operations.

Beiersdorf AG's shareholdings

Name of the Company	Registered Office	Equity Interest (in %)	Currency	Share Capital (in local currency)	Equity as of Dec. 31, 2010 (in accordance with IFRS) in € thousand	Profit/Loss for Fiscal Year2010 (in accordance with IFRS) in € thousand
Allgemeine Immobilien- und Verwaltungsgesellschaft m.b.H. [1]	DE, Baden-Baden	100.00	EUR	2,050,000	2,614	–
BDF Centroamérica, S.A.	GT, Guatemala City	100.00	GTQ	1,000,000	2,934	3,309
BDF Corporativo, S.A. de C.V.[2]	MX, Mexico City	100.00	MXN	50,000	–393	272
BDF Costa Rica, S.A.	CR, San José	100.00	CRC	2,000,000	2,289	1,601
BDF El Salvador, S.A. de C.V.	SV, San Salvador	100.00	USD	23,000	691	402
BDF México, S.A. de C.V.	MX, Mexico City	100.00	MXN	157,290,000	25,684	3,023
BDF NIVEA LTDA.	BR, São Paulo	100.00	BRL	133,482,000	44,667	11,975
BDF Nivea S.A.	ES, Madrid	100.00	EUR	14,424,000	43,611	5,535
BDF Panamá S.A.	PA, Panamá City	100.00	USD	150,000	1,315	673
BDF-Nieruchomosci Spótka z.o.o.	PL, Poznán	100.00	PLN	6,562,000	1,959	61
Beiersdorf (Malaysia) SDN. BHD.	MY, Senai, Johor	100.00	MYR	4,800,000	–	–
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.00	THB	100,000,000	29,126	13,513
Beiersdorf A/S	DK, Copenhagen	100.00	DKK	10,000,000	2,722	1,374
Beiersdorf AG	CH, Münchenstein	100.00	CHF	1,000,000	50,521	31,092
Beiersdorf Aktiebolag	SE, Gothenburg	100.00	SEK	30,000,000	12,365	5,235
Beiersdorf AS	NO, Oslo	100.00	NOK	6,800,000	1,560	–141
Beiersdorf Australia Ltd	AU, North Ryde, NSW	100.00	AUD	2,500,000	30,137	7,563
Beiersdorf Beteiligungs GmbH	DE, Gallin	100.00	EUR	50,000	329,306	17,760
Beiersdorf Bulgaria EOOD	BG, Sofia	100.00	BGL	1,500,000	1,218	–106
Beiersdorf Canada Inc.	CA, St. Laurent (Quebec)	100.00	CAD	15,301,000	5,021	676
Beiersdorf CEE Holding GmbH	AT, Vienna	100.00	EUR	700,000	49,376	–255,178
Beiersdorf China Ltd.	VG, Tortola	100.00	USD	195,988,000	146,751	–20
Beiersdorf Consumer Products (Pty.) Ltd.	SA, Westville	100.00	ZAR	–	20,040	8,711
Beiersdorf Customer Supply GmbH	DE, Hamburg	100.00	EUR	1,000,000	58,196	10,374
Beiersdorf d.o.o.	HR, Zagreb	100.00	HRD	10,827,000	5,283	2,966
Beiersdorf d.o.o.	SI, Ljubljana	100.00	EUR	500,000	108,875	6,000
Beiersdorf d.o.o. Beograd	RS, Novi Beograd	100.00	CSD	8,014,000	5,304	3,595
Beiersdorf East Africa Limited	KE, Nairobi	100.00	KES	123,696,000	3,751	1,171
Beiersdorf ehf	IS, Reykjavik	100.00	ISK	500,000	899	616
BEIERSDORF FINANCE SCS	BE, Bruxelles	100.00	EUR	100,000,000	106,288	527
Beiersdorf Ges mbH	AT, Vienna	100.00	EUR	14,535,000	34,735	12,319
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100.00	EUR	13,133,000	20,904	–418
Beiersdorf Holding B.V.	NL, Baarn	100.00	EUR	45,000	348,792	58,911
Beiersdorf Holding France Sarl	FR, Paris	100.00	EUR	39,815,000	77,667	15,143
Beiersdorf Holding Japan Yugen Kaisha	JP, Tokyo	100.00	JPY	3,250,000	98,653	9,481
Beiersdorf Holding SL	ES, Tres Cantos/ Madrid	100.00	EUR	17,184,000	197,405	24,974
Beiersdorf India Pvt. Limited	IN, Mumbai	51.00	INR	5,000,000	3,343	1,394
Beiersdorf Industria e Comercio Ltda.	BR, Itatiba - São Paulo	100.00	BRL	103,009,000	28,783	1,925

Beiersdorf AG's shareholdings

Name of the Company	Registered Office	Equity Interest (in %)	Currency	Share Capital (in local currency)	Equity as of Dec. 31, 2010 (in accordance with IFRS) in € thousand	Profit/Loss for Fiscal Year2010 (in accordance with IFRS) in € thousand
Beiersdorf Ireland Ltd.	IRL, Dublin	100.00	EUR	2	3,034	2,037
Beiersdorf Kft.	HU, Budapest	100.00	HUF	320,000,000	5,642	861
Beiersdorf Macedonia DOOEL	MK, Skopje	100.00	MKD	153,000	604	594
Beiersdorf Manufacturing Argentona, S.L.	ES, Argentona	100.00	EUR	25,000	22	–3
Beiersdorf Manufacturing Berlin GmbH[1]	DE, Berlin	100.00	EUR	1,023,000	7,118	–
Beiersdorf Manufacturing Hamburg GmbH[1]	DE, Hamburg	100.00	EUR	1,000,000	27,075	–
Beiersdorf Manufacturing Poznán Sp. z.o.o.	PL, Poznán	100.00	PLN	40,000,000	21,291	6,478
Beiersdorf Manufacturing Tres Cantos SL	ES, Tres Cantos/ Madrid	100.00	EUR	25,000	22	–3
Beiersdorf Middle East FZCO	AE, Dubai	100.00	AED	25,000,000	18,451	9,792
Beiersdorf Nordic Holding AB	SE, Gothenburg	100.00	SEK	100,000	145,751	22,902
Beiersdorf North America Inc.	US, Wilton, C.T.	100.00	USD	125,170,000	117,990	4,772
Beiersdorf NV	NL, K.J. Baarn	100.00	EUR	13,650,000	35,404	20,898
Beiersdorf OOO	RU, Moscow	100.00	RUB	100,000,000	24,131	13,159
Beiersdorf OÜ	EE, Tallinn	100.00	EEK	40,000	1,962	455
Beiersdorf Oy	FI, Kaarina	100.00	EUR	2,020,000	8,084	3,927
Beiersdorf Portuguesa, Limitada	PT, Queluz	100.00	EUR	4,788,000	18,837	8,793
Beiersdorf Romania SRL	RO, Bucuresti	100.00	ROL	1,564,000	3,814	2,534
Beiersdorf S.A.	CO, Bogota D.C.	100.00	COP	8,598,996,000	11,398	656
Beiersdorf S.A.	AR, Buenos Aires	100.00	ARS	15,988,000	6,824	–325
Beiersdorf S.A.	EC, Quito	100.00	USD	1,783,000	2,780	1,040
Beiersdorf S.A.	MA, Casablanca	100.00	MAD	13,800,000	2,524	267
Beiersdorf S.A.	PY, Asunción	100.00	PYG	3,195,000,000	2,361	1,192
Beiersdorf S.A.	ES, Argentona	100.00	EUR	11,721,000	30,509	3,962
Beiersdorf S.A.	UY, Montevideo	100.00	UYU	7,541,000	1,364	598
Beiersdorf S.A.	VE, Caracas	100.00	VEB	1,564,000	9,785	5,702
Beiersdorf S.A.	CL, Santiago de Chile	100.00	CLP	5,278,910,000	30,245	4,190
Beiersdorf S.A.C.	PE, Lima	99.81	PEN	6,412,000	2,457	897
Beiersdorf s.a.s.	FR, Paris	99.89	EUR	26,705,000	58,896	15,824
Beiersdorf S.R.L.	BO, Santa Cruz de la Sierra	100.00	BOB	2,050,000	1,846	676
Beiersdorf Shared Services GmbH[1]	DE, Hamburg	100.00	EUR	12,000,000	30,643	–
Beiersdorf Singapore Private Limited	SG, Singapore	100.00	SGD	2,200,000	–2,658	–11,111
Beiersdorf Slovakia, s.r.o.	SK, Bratislava	100.00	EUR	200,000	4,059	2,541
Beiersdorf SpA	IT, Milano	100.00	EUR	25,800,000	59,175	18,226
Beiersdorf spol. s.r.o.	CZ, Prague	100.00	CZK	50,000,000	6,884	4,163
Beiersdorf UAB	LT, Vilnius	100.00	LTL	10,000	1,093	53
Beiersdorf UK Ltd.	GB, Birmingham	100.00	GBP	12,000,000	27,657	5,826
Beiersdorf Ukraine LLC	UA, Kiev	100.00	UAH	8,012,000	982	824
Beiersdorf Vietnam LLC	VN, Ho Chi Minh City	100.00	VND	9,750,000,000	200	-179
Beiersdorf, Inc.	US, Wilton, CT.	100.00	USD	162,142,000	49,875	–1,203
Beiersdorf, S.R.L	DO, Santo Domingo	100.00	DOP	1,000,000	1,109	386

Beiersdorf AG's shareholdings

Name of the Company	Registered Office	Equity Interest (in %)	Currency	Share Capital (in local currency)	Equity as of Dec. 31, 2010 (in accordance with IFRS) in € thousand	Profit/Loss for Fiscal Year2010 (in accordance with IFRS) in € thousand
C-BONS Cosmetics Chemical (Wuhan) Co. Ltd.	CN, Wuhan	100.00	CNY	82,800,000	19,310	2,259
Comet SpA	IT, Concagno Salbiate	100.00	EUR	7,500,000	18,102	2,393
Decenta Vertriebs GmbH[2]	DE, Waldheim	100.00	EUR	25,565	14	2
EBC Eczacibasi-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.S.	TR, Levent-Istanbul	50.00	TRY	400,000	3,677	1,861
Eucerin International Trading Company[2]	CN, Shanghai	100.00	USD	200,000	1,168	–
Florena Cosmetic GmbH[1]	DE, Waldheim	100.00	EUR	2,045,000	13,099	–
Guangzhou C-BONS Chemical Commodity Co. Ltd.	CN, Guangzhou	100.00	CNY	20,000,000	6,291	122
Guhl Ikebana Cosmetics B.V.	NL, Amsterdam	10.00	EUR	226,890	20,264	66
GUHL IKEBANA GmbH	DE, Griesheim	10.00	EUR	5,112,919	41,417	9,843
HUB LIMITED S.A.[2]	PA, Panama City	100.00	USD	10,000	8	–
Hubei C-BONS Daily Chemical Co., Ltd.	CN, Xiangtao City	100.00	CNY	1,260,000,000	–10,140	-54,251
IKEBANA-Kosmetik GmbH[2]	DE, Hamburg	100.00	EUR	25,565	35	–
Juvena (International) AG	CH, Volketswil-Zurich	100.00	CHF	46,600,000	81,899	23,920
Juvena La Prairie GmbH[1]	Baden-Baden	100.00	EUR	10,500,000	33,459	–
Juvena Produits de Beauté GmbH	AT, Vienna	100.00	EUR	300,000	116	43
Juvena Produits de Beauté GmbH[1]	DE, Baden-Baden	100.00	EUR	8,500,000	13,927	–
La Prairie (Shanghai) Co. Ltd.	CN, Shanghai	100.00	USD	5,000,000	2,010	711
La Prairie Group Australia Pty. Ltd.	AU, North Ryde, NSW	100.00	AUD	4,000,000	3,819	549
La Prairie Group Deutschland GmbH[1]	DE, Baden-Baden	100.00	EUR	1,300,000	3,774	–
La Prairie Japan K.K.	JP, Tokyo	100.00	JPY	100,000,000	1,023	36
La Prairie Korea Ltd	KR, Seoul	100.00	KRW	100,000,000	7,160	3,686
La Prairie S.p.A.	IT, Milano	100.00	EUR	774,000	6,333	1,052
La Prairie, Inc.	US, New York	100.00	USD	14,288,000	11,140	2,828
Laboratoires La Prairie AG	CH, Volketswil-Zurich	100.00	CHF	400,000	22,898	4,809
Labtec Gesellschaft für technologische Forschung und Entwicklung mbH	DE, Langenfeld	100.00	EUR	55,000	2,764	2,658
LaPrairie.com LLC	US, Edison	100.00	USD	–	–	–
Medical-Latex (DUA) SDN. BHD.	MY, Senai, Johor	100.00	MYR	7,500,000	3,779	-186
NIVEA (Shanghai) Company Limited	CN, Shanghai	100.00	CNY	632,027,000	1,406	–34,925
NIVEA (Taiwan) Ltd.	TW, Taipeh	100.00	TWD	225,300,000	7	–908
Nivea Haus GmbH[1]	DE, Hamburg	100.00	EUR	25,000	2,002	12
Nivea India Pvt. Ltd.	IN, Mumbai	100.00	INR	1,602,150,000	3,247	–2,000
NIVEA Polska sp. z.o.o.	PL, Poznán	100.00	PLN	4,654,000	60,595	80,787
NIVEA Polska Sp.z.o.o.s.k.	PL, Poznán	100.00	PLN	262,608,000	68,322	2,240
NIVEA Seoul Ltd.	KR, Seoul	100.00	KRW	12,500,000,000	2,285	1,485
Nivea-Kao Co., Ltd.	JP, Tokyo	60.00	JPY	200,000,000	23,055	17,288
Phanex Handelsgesellschaft mbH[1+2]	DE, Hamburg	100.00	EUR	25,565	28	–
Produits de Beauté Juvena SA	ES, Madrid	100.00	EUR	903,000	2,862	10
PT. Beiersdorf Indonesia	ID, Jakarta	80.00	IDR	5,197,498,000	8,381	3,095
SA Beiersdorf NV	BE, Bruxelles	100.00	EUR	4,958,000	24,598	12,070
SA tesa	BE, Bruxelles	100.00	EUR	1,862,000	2,805	749
SIA Beiersdorf	LV, Riga	100.00	LVL	200,000	–1,111	–48
Singapore Plastic Products Pte. Ltd.	SG, Singapore	100.00	SGD	7,000,000	5,455	–
SODICOS S.A.S.	FR, Boulogne Cedex	100.00	EUR	40,000	5,166	909

Beiersdorf AG's shareholdings

Name of the Company	Registered Office	Equity Interest (in %)	Currency	Share Capital (in local currency)	Equity as of Dec. 31, 2010 (in accordance with IFRS) in € thousand	Profit/Loss for Fiscal Year2010 (in accordance with IFRS) in € thousand
Tape International GmbH[1]	DE, Hamburg	100.00	EUR	26,000	26	–
Tartsay Beruházó Kft.	HU, Budapest	99.66	HUF	146,000,000	1,937	223
Technical Tape Mexico SA de CV	MX, Mexico City	100.00	MXN	43,040,000	2,329	816
tesa (Shanghai) Trd. Co. Ltd.	CN, Shanghai	100.00	CNY	1,655,000	30,904	15,719
tesa A/S	DK, Birkerød	100.00	DKK	30,000,000	4,839	723
tesa AB	SE, Kungsbacka	100.00	SEK	5,000,000	866	277
tesa AS	NO, Oslo	100.00	NOK	1,200,000	281	118
tesa Bandfix AG	CH, Bergdietikon	100.00	CHF	4,000,000	20,417	–1,368
tesa Bant Sanayi ve Ticaret A.S.	TR, Maslak-Istanbul	100.00	TRY	106,000	5,233	1,736
tesa Brasil Limitada	BR, Curitiba, Parana	100.00	BRL	3,871,000	4,653	1,018
tesa BV	NL, Almere	100.00	EUR	18,000	815	434
tesa Converting Center GmbH [1]	DE, Hamburg	100.00	EUR	1,000,000	3,957	–
tesa Etikettendruckerei GmbH[1]	DE, Stuttgart	100.00	EUR	26,000	203	–
tesa s.a.s.	FR, Savigny-le-Temple	100.00	EUR	250,000	2,174	666
tesa GmbH	AT, Vienna	100.00	EUR	35,000	810	533
tesa Grundstücksverwaltungsges. mbH & Co. KG Hamburg	DE, Hamburg	100.00	EUR	50,000	13,363	–201
tesa Oy	FI, Turku	100.00	EUR	20,000	332	110
tesa Plant (Singapore) Pte. Ltd.	SG, Singapore	100.00	SGD	5,500,000	3,271	59
tesa plant (Suzhou) Co., Ltd.	CN, Suzhou	100.00	CNY	98,606,000	9,461	2,999
tesa Portugal - Produtos Adhesivos, Lda.	PT, Queluz	100.00	EUR	500,000	998	374
tesa scribos GmbH[1]	DE, Heidelberg	100.00	EUR	2,000,000	2,081	–
tesa SE	DE, Hamburg	100.00	EUR	25,800,000	295,972	48,420
tesa SpA	IT, Vimodrone	100.00	EUR	250,000	4,052	746
tesa tape (Hong Kong) Ltd.	CN, Hongkong	100.00	HKD	100,000	6,578	3,887
tesa tape (Malaysia) Sdn. Bhd.	MI, Kajang, Selangor	100.00	MYR	36,000,000	3,490	230
tesa tape (Shanghai) Co., Ltd.	CN, Shanghai	100.00	CNY	6,622,000	2,957	905
tesa tape (Thailand) Ltd.	TH, Bangkok	90.10	THB	4,000,000	652	356
tesa tape AE	GR, Gerakas/Attikis	100.00	EUR	69,000	595	–8
tesa tape Argentina S.R.L.	AR, Buenos Aires	99.75	ARS	999,000	678	402
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100.00	SGD	10,000,000	8,015	10,308
tesa tape Australia Pty. Ltd	AU, Sydney	100.00	AUD	3,100,000	4,982	1,279
tesa tape Centro América S.A.	GT, Guatemala City	100.00	GTQ	9,929,000	652	138
tesa tape Chile S.A.	CL, Santiago de Chile	100.00	CLP	381,388,000	1,296	257
tesa Tape Colombia Ltda.	CO, Cali - Valle	100.00	COP	2,808,778,000	4,540	1,391
tesa tape posrednistvo in trgovina d.o.o.	SI, Ljubljana	100.00	EUR	417,000	671	100
tesa tape inc.	US, Charlotte, NC.	100.00	USD	122,000,000	22,488	6,512
tesa tape Industries (Malaysia) Sdn. Bhd.	MY, Kajang, Selangor	99.99	MYR	25,000	900	301
tesa tape K.K.	JP, Tokyo	100.00	JPY	300,000,000	7,790	2,085
tesa tape Ragasztószalag Termelö ès Kereskedelmi Kft.	HU, Budapest	100.00	HUF	500,000,000	2,642	845
tesa tape Korea Ltd.	KR, Seoul	100.00	KRW	410,000,000	3,162	2,513
tesa tape Mexico SRL de CV	MX, Vallejo	100.00	MXN	3,000	–	–
tesa tape New Zealand Limited	NZ, Auckland	100.00	NZD	100,000	–691	–7
tesa tape OOO	RU, Moscow	100.00	RUB	32,585,000	2,310	1,157
tesa tape S.A.	ES, Argentona	100.00	EUR	1,000,000	3,978	910

Beiersdorf AG's shareholdings

Name of the Company	Registered Office	Equity Interest (in %)	Currency	Share Capital (in local currency)	Equity as of Dec. 31, 2010 (in accordance with IFRS) in € thousand	Profit/Loss for Fiscal Year2010 (in accordance with IFRS) in € thousand
tesa tape s.r.l.	RO, Cluj-Napoca	100.00	ROL	1,502,000	916	445
tesa tape s.r.o.	CZ, Prague	100.00	CZK	151,203,000	4,087	689
tesa tape sp. z.o.o	PL, Poznán	100.00	PLN	4,400,000	1,936	804
tesa Tapes (India) Private Limited	IN, Navi Mumbay	100.00	INR	126,814,000	4,892	1,230
tesa UK Ltd.	GB, Milton Keynes	100.00	GBP	2,300,000	4,240	464
tesa Werk Hamburg GmbH[1]	DE, Hamburg	100.00	EUR	1,000,000	33,529	–
tesa-Werk Offenburg GmbH[1]	Offenburg	100.00	EUR	3,100,000	17,588	–
TRADICA Pharmazeutische GmbH[2]	DE, Hamburg	100.00	EUR	25,565	54	–
Tuck Tape Ltd.	GB, Milton Keynes	100.00	GBP	10,000	10	–
tWH GmbH[1]	DE, Harrislee	100.00	EUR	1,550,000	4,652	–
Ultra Kosmetik GmbH[2]	DE, Hamburg	100.00	EUR	25,565	59	8

1 Since these companies have entered into a profit and loss transfer agreement, the accounting profit is presented after the transfer of profit and loss.
2 No financial statements for 2010 are available yet for these companies; the data therefore refers to 2009.

29 • Shareholdings in Beiersdorf AG

Beiersdorf AG received the following notifications by shareholders of the Company in accordance with the provisions of the Wertpapierhandelsgesetz (German Securities Trading Act, *WpHG*), by the preparation date of the balance sheet (February 8, 2011):

1. Capital Research and Management Company, Los Angeles, USA, informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company fell below the threshold of 3% on September 29, 2010 and amounted to 2.75% (6,939,012 voting rights) as of this date. These 2.75% of the voting rights (voting rights from 6,939,012 ordinary shares) were attributed to Capital Research and Management Company in accordance with § 22 (1) sentence 1 no. 6 *WpHG*.

2 We were also informed of the following:

a) Voting right notifications in accordance with § 21 (1) *WpHG* dated April 2, 2004, April 14, 2004, and April 16, 2004.
The persons subject to the disclosure requirement (the "disclosers") listed in the table on the next page notified Beiersdorf Aktiengesellschaft on April 2, 2004, April 14, 2004, and April 16, 2004 in accordance with § 21 (1) *WpHG* that they had, for the first time, exceeded the 50% threshold and held 50.46% (42,386,400 voting rights) of Beiersdorf Aktiengesellschaft as of March 30, 2004.

After adjustment for Beiersdorf Aktiengesellschaft's share buyback program, which was implemented on February 3, 2004, and the now performed attribution of the 9.99% (8,393,672 own shares) held by Beiersdorf Aktiengesellschaft in accordance with 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG*, the disclosers in accordance with 2 (1) *WpHG* each exceeded the 50% threshold for the first time as of February 3, 2004 and each held a 59.95% share (50,360,072 voting rights) in Beiersdorf Aktiengesellschaft as of this date. This increase was solely the result of the attribution of the own shares held by Beiersdorf Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 WpHG.

The disclosers' total share of voting rights as of March 30, 2004 amounted to 60.45% (50,780,072 voting rights) in each case instead of 50.46% (42,386,400 voting rights).

All shares of voting rights are attributable to the disclosers, with the exception of maxingvest ag, in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG*. 30.36% (25,500,805 voting rights) is attributable to maxingvest ag (which at the time traded under the name of Tchibo Holding AG) in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 WpHG; at the time, the company directly held 20.10% (16,884,000 voting rights).

The chains of controlled companies are as follows

Discloser	Discloser's domicile and country of residence or of domicile	Disclosures in accordance with § 17 (2) Verordnung zur Konkretisierung von Anzeige, Mitteilungs und Veröffentlichungspflichten sowie der Pflicht zur Führung von Insiderverzeichnissen nach dem Wertpapierhandelsgesetz (Regulation to concretize the disclosure, notification and announcement duty as well as the duty to issue a list of insiders in accordance with the WPHG, WpAIV) (controlled companies via which the voting rights are effectively held and whose attributable share of the voting rights amounts to 3% or more) at the time of § 17 (1) no. 6 WpAIV
SPM Beteiligungs- und Verwaltungs GmbH	Norderstedt, Germany	Trivium Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
EH Real Grundstücksgesellschaft mbH & Co. KG (disclosed on March 12, 2008 that it held 0% (0 voting rights) as of January 15, 2007)	Norderstedt, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
EH Real Grundstücksverwaltungsgesellschaft mbH	Norderstedt, Germany	Scintia Vermögensverwaltungs GmbH, EH Real Grundstücksgesellschaft mbH & Co. KG, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Scintia Vermögensverwaltungs GmbH	Norderstedt, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Trivium Vermögensverwaltungs GmbH	Norderstedt, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Michael Herz	Germany	SPM Beteiligungs- und Verwaltungs GmbH, Trivium Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Wolfgang Herz	Germany	EH Real Grundstücksverwaltungsgesellschaft mbH, EH Real Grundstücksgesellschaft mbH & Co. KG, Scintia Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Agneta Peleback-Herz (disclosed on March 11, 2008 that she held 0% (0 voting rights) as of January 15, 2007)	Germany	EH Real Grundstücksgesellschaft mbH & Co. KG, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Ingeburg Herz GbR	Norderstedt, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Max und Ingeburg Herz Stiftung	Norderstedt, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Ingeburg Herz	Germany	Ingeburg Herz GbR, Max und Ingeburg Herz Stiftung, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Joachim Herz, represented by the Joachim Herz Stiftung as his legal successor (disclosed on August 30, 2007 that he held 0% (0 voting rights) as of January 1, 2005)	Hamburg, Germany	Coro Vermögensverwaltungsgesellschaft mbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Coro Vermögensverwaltungsgesellschaft mbH (disclosed on August 30, 2007 that it held 0% (0 voting rights) as of January 1, 2005)	Hamburg, Germany	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
maxingvest ag (trading under the name of Tchibo Holding AG until September 12, 2007)	Hamburg, Germany	Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft

To clarify: The own shares held by Beiersdorf Aktiengesellschaft do not carry voting or dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

b) Voting right notification in accordance with § 21 (1) *WpHG* dated December 29, 2004
The voting right notification issued on December 29, 2004 by maxingvest ag (which at the time traded under the name of Tchibo Holding AG) in accordance with § 21 (1) *WpHG* disclosed that Tchibo Beteiligungsgesellschaft mbH exceeded the 50% threshold for the first time when it acquired 20.10% of voting rights in Beiersdorf Aktiengesellschaft from Tchibo Holding AG, and that it held 50.46% (42,386,400 voting rights) in Beiersdorf Aktiengesellschaft as of December 22, 2004.
After adjustment for Beiersdorf Aktiengesellschaft's share buyback program, which was implemented on February 3, 2004, and the now performed attribution in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* of the 9.99% (8,393,672 own shares) acquired as part of the buyback program performed, Tchibo Beteiligungsgesellschaft mbH exceeded the 50% threshold in accordance with § 21 (1) WpHG for the first time as of December 22, 2004 and held 60.45% (50,780,072 voting rights) of Beiersdorf Aktiengesellschaft as of this date. A total of 40.35% (33,894,477 voting rights) was attributable to Tchibo Beteiligungsgesellschaft mbH. The chain of controlled companies is as follows: Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft. The increase was solely the result of the attribution of the own shares held by Beiersdorf Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG*.

c) Voting right notification in accordance with § 21 (1) *WpHG* dated March 11, 2008
E.H. Real Grundstücksverwaltungsgesellschaft mbH's voting right notification dated March 11, 2008 is hereby revoked.

E.H. Grundstücksverwaltungsgesellschaft mbH's share of voting rights also exceeded the 3, 5, 10, 15, 20, 25, 30, and 50% thresholds as of January 15, 2007 and continued to do so thereafter and, including the 9.99% held by Beiersdorf Aktiengesellschaft (25,181,016 own shares after adjustment for the increase of the share capital from retained earnings without the issue of new shares and the 1:3 reclassification of the share capital (share split) in 2006) continues to amount to 60.45% in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (152,340,216 voting rights after the adjustment for the increase of the share capital from retained earnings without the issue of new shares and the 1:3 reclassification of the share capital (share split) in 2006).

3. In accordance with § 25 (1) sentence 3 in conjunction with § 21 (1) sentence 1 *WpHG* (former version), Beiersdorf AG also announced that it had exceeded the threshold of 5% of the voting rights in its own company on February 3, 2004, and that a share of 9.99% has been attributable to it since then. The own shares held by the Company do not carry voting or dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

30 • Declaration of Compliance with the German Corporate Governance Code

At the end of December 2010, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code for fiscal year 2010 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*).

The Declaration of Compliance was made permanently accessible to shareholders on the Company's website at www.Beiersdorf.com/Declaration_of_Compliance.

31 • Proposal on the Utilization of Beiersdorf AG's Net Retained Profits

(in €)

	2010
Profit after tax of Beiersdorf AG	288,846,387.51
Transfer to other retained earnings	–112,446,387.51
Net retained profits	**176,400,000.00**

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that the net retained profits for fiscal year 2010 of €176,400,000.00 million should be utilized as follows:

(in €)

	2010
Distribution of a dividend of €0.70 per no-par value share carrying dividend rights (226,818,984 no-par value shares)	158,773,288.80
Transfer to other retained earnings	17,626,711.20
Net retained profits	**176,400,000.00**

The amounts specified for the total dividend and for the transfer to other retained earnings reflect the shares carrying dividend rights at the time of the Executive Board's proposal on the utilization of the net retained profits. The own shares held by the Company do not carry dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

If the number of own shares held by the Company at the time of the resolution by the Annual General Meeting on the utilization of the net retained profits is higher or lower than at the time of the Executive Board's proposal on the utilization of the net retained profits, the total amount to be distributed to the shareholders shall be reduced or increased by the portion of the dividend attributable to the difference in the number of shares. The amount to be appropriated to the other retained earnings shall be adjusted inversely by the same amount. In contrast, the dividend to be distributed per no-par value share carrying dividend rights remains unchanged. If necessary, an appropriately modified draft resolution will be presented to the Annual General Meeting.

Beiersdorf AG Boards

Honorary Chairman of the Company: Georg W. Claussen

Supervisory Board

Name	Place of residence	Profession	Memberships
Prof. Dr. Reinhard Pöllath Chairman	Munich	Lawyer P+P Pöllath + Partners	Chairman of the Supervisory Board: - maxingvest ag - EDOB Abwicklungs AG (until Dec. 13, 2010) - Wanzl GmbH & Co. Member of the Supervisory Board: - Tchibo GmbH
Thorsten Irtz Deputy Chairman	Stapelfeld	Chairman of the Works Council of Beiersdorf AG	
Thomas Holzgreve Deputy Chairman	Bad Oldesloe	Member of the Board of maxingvest ag	Member of the Supervisory Board: - Tchibo GmbH
Dr. Walter Diembeck	Hamburg	Research chemist, Beiersdorf AG	
Prof. Dr. Eva Eberhartinger	Vienna/ Austria	University professor/Vice Rector Finance, Vienna University of Economics and Business, Vienna, Austria	
Elke Gabriel (formerly Bruns)	Rosengarten GT Emsen	Member of the Works Council of Beiersdorf AG	
Michael Herz	Hamburg	Member of the Executive Board of maxingvest ag	Chairman of the Supervisory Board: - Tchibo GmbH Member of the Supervisory Board: - tesa SE (intragroup))
Dr. Rolf Kunisch	Überlingen	Former Chairman of the Executive Board of Beiersdorf AG	Member of the Supervisory Board: - maxingvest ag Member of the Supervisory Board: - Dr. August Oetker Nahrungsmittel KG
Tomas Nieber	Bad Münder	Head of Department – Economic and Industry Policy of Industrie-gewerkschaft Bergbau, Chemie, Energie	Member of the Supervisory Board: - Evonik Degussa GmbH - maxingvest ag Member of the Advisory Board: - Qualifizierungsförderwerk Chemie GmbH
Prof. Manuela Rousseau	Rellingen	Head of Corporate Social Responsibility at Beiersdorf AG	Professor at the Academy of Music and Theater, Hamburg Member of the Supervisory Board: - maxingvest ag
Volker Schopnie	Halstenbek	Deputy Chairman of the Works Council of Beiersdorf AG	Member of the Supervisory Board: - maxingvest ag
Thomas Siemsen	Hamburg	Tax advisor/SES Siemsen Eder Steuerberatungsgesellschaft mbH	Deputy Chairman of the Supervisory Board: - TROST Auto Service Technik SE (until Nov. 30, 2010) Member of the Board: - Joachim Herz Holding Inc., Atlanta, USA (until Nov. 30, 2010)

Supervisory Board Committees*

Members of the Executive Committee	Members of the Audit Committee*	Members of the Finance Committee*	Members of the Nomination Committee	Members of the Mediation Committee
- **Prof. Dr. Reinhard Pöllath** (Chairman) - **Michael Herz** - **Thomas Holzgreve** - **Thorsten Irtz**	- **Prof. Dr. Eva Eberhartinger** (Chairwoman) - **Dr. Walter Diembeck** - **Thomas Holzgreve** - **Prof. Dr. Reinhard Pöllath** - **Volker Schopnie**	- **Thomas Holzgreve** (Chairman) - **Dr. Walter Diembeck** - **Prof. Dr. Eva Eberhartinger** - **Prof. Dr. Reinhard Pöllath** - **Volker Schopnie**	- **Prof. Dr. Reinhard Pöllath** (Chairman) - **Prof. Dr. Eva Eberhartinger** - **Thomas Holzgreve** - **Dr. Rolf Kunisch**	- **Prof. Dr. Reinhard Pöllath** (Chairman) - **Elke Gabriel** (formerly Bruns) - **Thomas Holzgreve** - **Thorsten Irtz**

* A joint Audit and Finance Committee existed in the period up to December 31, 2010. Effective January 1, 2011, this was split to form a Audit Committee and a Finance Committee. The members of fhe former joint Audit and Finance committee were identical with the members of the current Audit Committee and the current Finance Committee. Thomas Holzgreve was chairman of the former Audit and Finance Committee.

Executive Board*

Name	Functions/Responsibilities		Memberships
Thomas-B. Quaas	Chairman/CEO	Corporate Development/Corporate Communications/Internal Audit, Japan, La Prairie Group	Chairman of the Supervisory Board: - tesa SE (intragroup) Member of the Supervisory Board: - Euler Hermes SA, France (from May 21, 2010) - Euler Hermes Kreditversicherungs-AG (until October 5, 2010)
Dr. Bernhard Düttmann	Finance/CFO/ Human Recources/CHRO (Human Resources from May 1, 2010 until Dec. 31, 2010)	Finance/Controlling/Legal/IT/ Africa, Middle East, Turkey	Member of the Supervisory Board: - tesa SE (intragroup)
Peter Feld (from August 1, 2010)	Europe		
Peter Kleinschmidt (until April 30, 2010)	Human Resources	Human Resources/Labor Director/ Sustainability	
Pieter Nota (until May 31, 2010)	Brands	Marketing/Research & Development/ Sales	Member of the Board of Directors: - GfK e.V.
Markus Pinger	Brands/Supply Chain (Brands since June 1, 2010)	Brand launches/Innovations / Research & Development/ Sales Coordination/Procurement/ Production/Logistics	
Dr. Ulrich Schmidt (from January 1, 2011)	Human Recources/CHRO	Human Resources/Labor Director	
James C. Wei	Asia (excluding Japan)		Member of the Board: - Li Ning Company Limited, VR China

* In connection with their Group management and supervisory duties, the members of the Executive Board of Beiersdorf AG also hold offices in comparable supervisory bodies at Group companies and investees.

Hamburg, February 8, 2011

Beiersdorf AG
The Executive Board

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the annual financial statements, together with the bookkeeping system and the management report of Beiersdorf Aktiengesellschaft, Hamburg, for the fiscal year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany, *IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements, and the management report are examined primarily 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 annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the statutory requirements and give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hamburg, February 9, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	**Opaschowski**
German Public Auditor	German Public Auditor

Responsibility Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Hamburg, February 8, 2011

The Executive Board

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Beiersdorf

Financial Calendar

April 21, 2011	Annual General Meeting
April 26, 2011	Dividend Payment
May 5, 2011	Interim Report January to March 2010
August 4, 2011	Interim Report January to June 2010
November 3, 2011	Interim Report January to September 2010, Financial Analyst Meeting
January 2012	Publication of Preliminary Group Results
February/March 2012	Publication of Annual Report 2010, Annual Accounts Press Conference, Financial Analyst Meeting

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The online version of the Annual Financial Statements and Management Report of Beiersdorf AG are available on the Internet at **www.Beiersdorf.com/Financial_Reports**.