NIVEA

Annual Report 2010

Facing Markets

BDF

Beiersdorf

2010: Facing Markets

— The Earth is home to some 6.9 billion people – a figure that is constantly growing. No two people are alike. Everyone is unique, with their own wishes, needs, and distinguishing features – including when it comes to skin care. — Beiersdorf is aware of this and has been responding to these multifacetted requirements for more than 125 years with an individual and constantly expanding portfolio of products that are tailored to consumers. This includes globally successful skin care brands such as NIVEA, Eucerin, and La Prairie. — An extremely high degree of closeness to consumers, a global presence, and a focus on market-specific developments, and the specific features shown by skin in the various regions are among the cornerstones of our sustainable success. — As a growth-oriented company, Beiersdorf mainly focuses on Europe, Asia, and the Americas and in particular on the growth markets within these regions. — On the following pages, we will introduce you to some of the people for whom we develop and continuously enhance our innovative skin care products. Beiersdorf has updated its Consumer Business Strategy so as to be able to delight consumers all over the world with innovative products at fair prices. This has guided our actions since the beginning of 2010 under the motto:

"Focus on Skin Care. Closer to Markets."

It entails concentrating on skin care and getting even closer to our markets.

Contents

Facing Markets

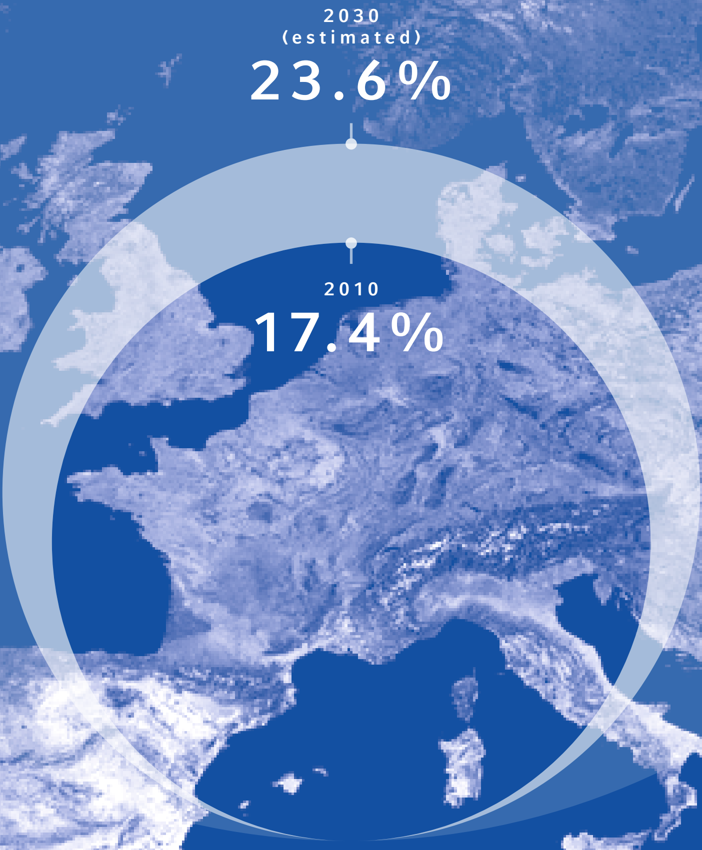
Stina Svensson (25)
Gothenburg, Sweden

→ *"I want my skin to still appear young and fresh in 20 years' time. That's why I've already started to look after it properly now."*

Focus Market

Europe

Graphic:
Share of the population over the age of 65.



Beiersdorf Reporting Region:
Europe

102	affiliates
10,523	employees
€3,843 m	sales
62.1%	share of Group sales

Europe

Increasing number of products for maturer skin: Demographic trends are affecting product development for Europe.

Europeans are getting older. Life expectancies for the almost 500 million people living in the European Union have risen by an average of eight years over the past four decades. Today, 17 percent of citizens are already aged 65 years or more. By 2030, this figure is expected to rise to around 23 percent. As a result, Beiersdorf needs to focus more on the special requirements of older skin.

Differences make us special: Beiersdorf's "Focus on Skin Care. Closer to Markets." strategy is what sets it apart from the competition.

Europe continues to be our strongest region in terms of sales. We are doing everything to consolidate and expand the excellent market position enjoyed by Beiersdorf's products. This is why we are also continuing to extend our range of customized skin care products for the older generation. Our product development benefits from our closeness to consumers, which is well above average, and the speed with which we react to the market. In fiscal year 2010, we relaunched the well-known Q10 product range by introducing the highly successful NIVEA Q10 Plus face care line. And with Eucerin Aquaporin Active, we used research that was awarded the Nobel Prize in the development of a moisturizer. It is product developments such as these that have allowed us to satisfy our consumers for many years – over and over again.

Matteo Di Lauro (49)
Ravenna, Italy

→ *"In the last couple of years I have noticed that my skin needs more moisturizing and takes more looking after than before. That's why skin care is becoming increasingly important for me."*

Isabel Alisia de Souza (8)
Salvador da Bahia, Brazil

→ *"I like creams that smell nice and don't make your skin sticky."*

Focus Market

Americas

Graphic:

Per capita spending on cosmetics in North and Latin America.

Beiersdorf Reporting Region:

Americas

33 affiliates

2,086 employees

€1,030 m sales

16.6% share of Group sales

Americas

One continent, multiple markets: Beiersdorf's strategy is the same everywhere, despite the great diversity.

Nowhere are more cosmetics sold as in North America. That is why the region is particularly important for us. However, the cosmetics market in North America is already widely developed. In contrast, the picture in Latin and South America is completely different, with high growth potential. This area is home to 545 million people, some 60 percent more than in North America. The people living here have an awareness of body care that is almost unparalleled anywhere else on Earth. Beiersdorf meets these varied market requirements by developing innovative products based on our closeness to markets and consumers.

Differences make us special: The LATAM laboratory only develops products for Latin and South America.

While the products we sell in North America are similar to those in Europe, consumers in Latin and South America have different needs and wishes. This is why Beiersdorf created the LATAM laboratory for Latin America, which creates special products for these regions. The laboratory uses the findings of our Consumer Insights department in its work, which establishes what consumers think and feel, and what expectations they have in relation to innovative skin care. Close cooperation with our local affiliates provides us with additional information on the market and consumers. In addition, growth markets differ significantly from saturated markets such as Western Europe or North America. This is why we have a separate member of the Executive Board who is responsible for Emerging Markets, including Latin America.

Jacob Bennett (33)
Anaheim, California, USA

→ *"A well-groomed appearance is very important to me, which is why I make sure I get a healthy diet, lots of exercise, and the right body care – it's really quite easy."*

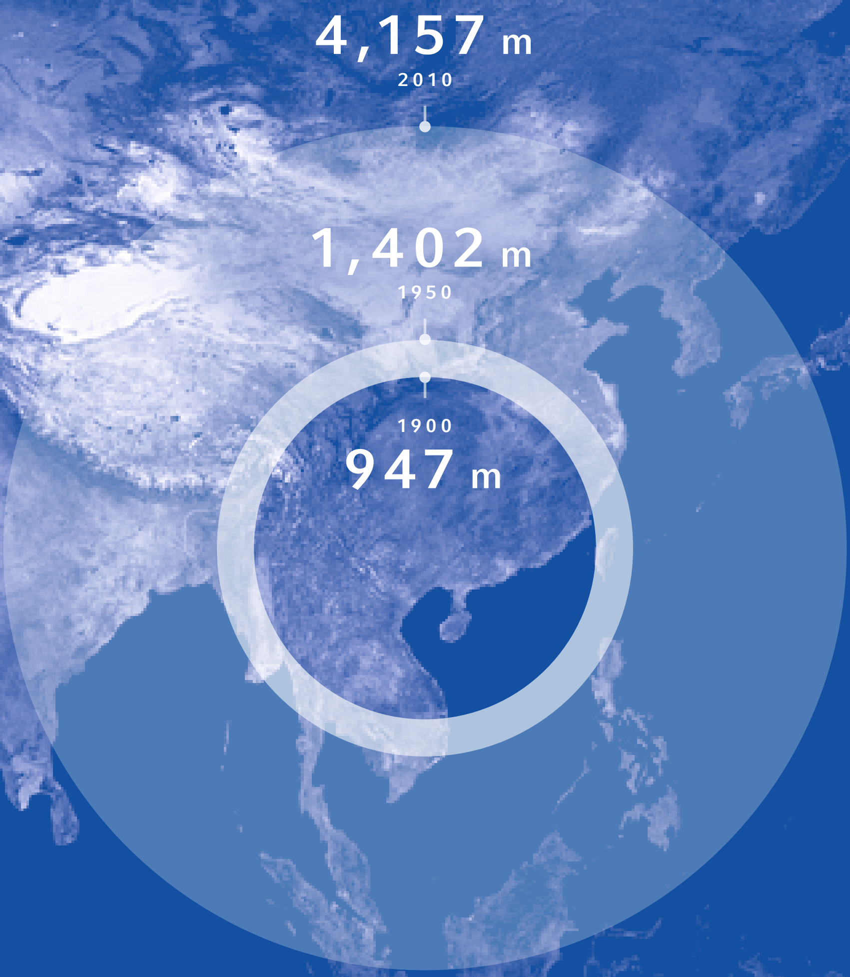
May Ling Xu (54)
Tianjin, China

→ *"My delicate, fair complexion means that people often think I am younger than I actually am. Is there any better compliment?"*

Focus Market

Asia

Graphic:
Population growth in Asia 1900 – 2010.



Beiersdorf Reporting Region:
Africa / Asia / Australia

41	affiliates
6,519	employees
€1,321 m	sales
21.3 %	share of Group sales

Asia

Massive potential for local products: The population is growing, and with it the skin care market.

Today, the Asian continent is home to more than four billion people. The number continues to grow rapidly, just like their purchasing power. To profit sustainably from this trend, Beiersdorf has to meet highly specific wishes that are quite different to those in our German domestic market. For example, fair skin is a beauty ideal in Asia, which is why demand is high for special whitening products. There are also significant differences in skin and hair structure, which Beiersdorf takes into account when developing products.

Differences make us special: The Asian Laboratory focuses on Asian consumer needs.

We responded early on to the specific needs of Asian consumers and set up an Asian Laboratory, which develops products exclusively for the local markets, in 2005. Close cooperation with local colleagues provides us with the necessary direct insight into the relevant markets. Dedicated members of the Executive Board with responsibility for Asia and the Emerging Markets develop strategies to reach everyone on the continent. While NIVEA products have to date been positioned in the medium and upper price range, a new basic face care range has now been launched for the mass market. This reaches all Asians, both in the cities and in the countryside.

Liang Thiangthon (21)
Bangkok, Thailand

→ *“I do lots of sports, often outside. My sensitive skin needs to be well protected and cared for.”*

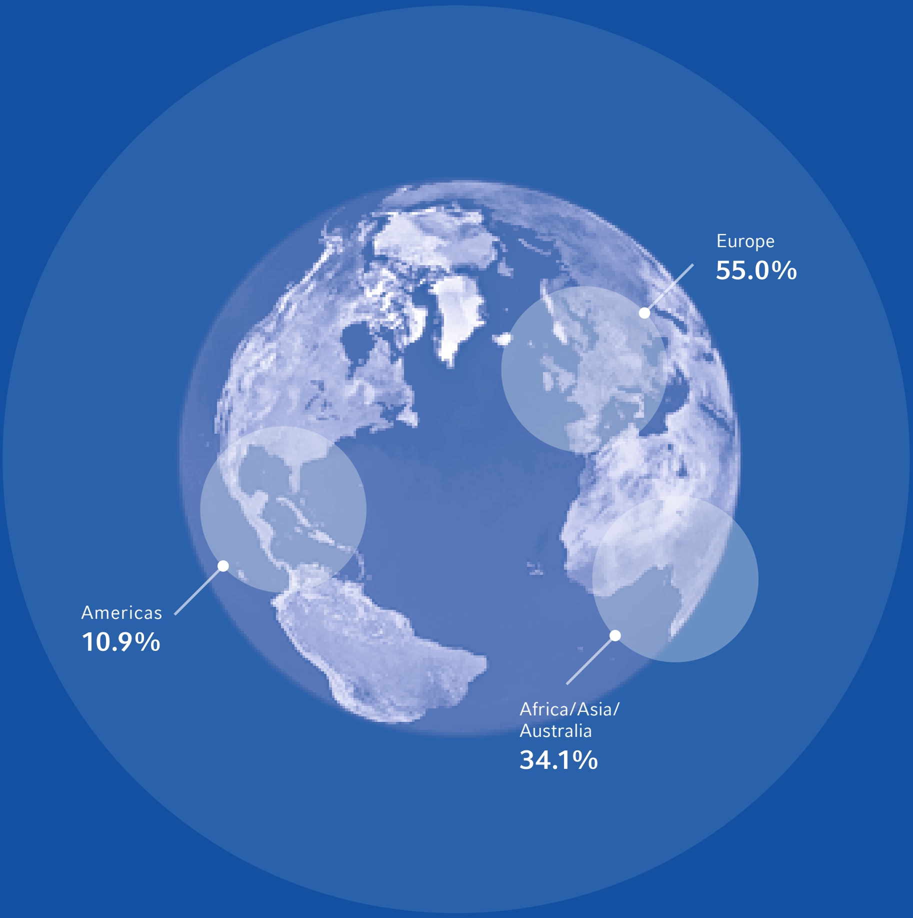
Julia Frankenberger
Senior International Brand Manager

→ *"I have been at Beiersdorf for almost ten years. I started off in local marketing and then spent two years in Wuhan, China. With this experience under my belt, I am now developing our long-term global deodorant focus in line with NIVEA's overall strategy. Concepts for products and communications have to be as consumer-oriented as possible, which is why I am in close contact with the regions. For example, consumers in Korea find it much more awkward to admit they use deodorants, even to friends, than consumers in Europe do. We take regional and local market requirements and cultural factors into consideration during research and development, for the packaging, and of course in our communications. The challenge now is to continue this cooperative approach and achieve at least double-digit global growth again like we did in 2010."*

Focus

Our Employees

Graphic:
Breakdown of employees by Beiersdorf reporting region.



Facts & Figures:
Employee figures as of December 31, 2010

6,180	production employees
8,607	sales and marketing employees
4,341	employees in other functions
19,128	total number of employees

Our Employees

The broad basis for our sustained success: A team that delivers top performance for consumers.

More than 19,000 people work for Beiersdorf around the world in a wide range of areas. Despite this, they all feel part of a single team with a common goal: to delight consumers all over the world with high-quality, innovative products at fair prices. Our employees are proud of their Company, its brands, and its values. Such enthusiasm is not automatic, which is why we take great pains to nurture it – for example by ensuring open communication in a flat hierarchy, by giving staff significant responsibility, and by repeatedly providing new challenges.

Differences make us special:
Our strong brands and our optimized supply chain are key reasons for the high level of trust shown by our consumers and customers.

Beiersdorf, with its strong brands, is one of the world's leading skin care companies. We are proud of this achievement. However, we are well aware that a brand's sustained success depends on a large number of factors. We work continually to enhance consumer trust in our brands even further, thanks to our dedicated employees, exemplary research and development activities, and innovative products. By bundling the Brands and Supply Chain functions within a single Executive Board position, we can successfully manage the entire product workflow – from development through to production, marketing, and delivery – even more efficiently. Among other things, this will allow us to increase innovation speeds and further improve product and service quality.

Eugen Obermann
Production employee

→ *"I don't enjoy doing something unless I have some responsibility for it, even though this can be challenging at times. I have been at Beiersdorf for six years and am now responsible for all stages in aerosol deodorant production, from batch delivery, through control down to sealing, packaging, and dispatching the products. And all in a three-shift operation. This couldn't be done without a well-functioning team. We can rely on each other – we have to. An average of 250,000 cans are filled every shift, and the entire plant has to be cleaned every two to three shifts."*

NIVEA

100 Years of NIVEA: Success of a Brand Family

A Companion for Life

The skin is not just our largest organ; it is also the mirror of our souls. If we feel at home in our skin then we are at one with ourselves and others. Correct skin care is therefore vital for men and women, young and old, for every skin color and type – in short, for everyone. NIVEA accompanies people throughout their lives and helps them to be at home in, and happy with, their skin. The products bearing this famous name enjoy extremely high levels of consumer trust; they stand for quality, reliability, tradition, and honesty. Today, NIVEA is the world's largest skin and body care brand.

A Perfect Protective Coating

The unique success story started back in 1911, when the young pharmacist Dr. Oscar Troplowitz and the inventor of modern dermatology, Prof. Paul Gerson Unna, created the first stable oil and water emulsion with the aid of the emulsifier Eucerit, which had been discovered shortly before by chemist Isaac Lifschütz. They named their skin cream NIVEA, meaning snow white, from the Latin word "*nix, nivis*" for snow. Never before had there been anything like this. And since this perfect protective coating for the skin has satisfied consumers down to today, some 150 million units of NIVEA Creme are now sold each year. Above all, however, it is now the heart of a large and extremely successful brand family to which we have systematically applied our skin care expertise.

A Feel for Consumers' Wishes

Beiersdorf's scientists have shown an acute feeling for social changes and consumer wishes over the past 100 years, by regularly coming up with successful innovations. As early as the beginning of the 1920s, they recognized men's need for specialist skin care when shaving and came up with a shaving soap, the origins of today's NIVEA FOR MEN range. NIVEA sun protection products were launched as ever more cities built outdoor swimming pools in the 1930s and people increasingly wanted to sunbathe. NIVEA Milk revolutionized cosmetics in the 1960s – it was easy to use, and absorbed quickly into the skin, making it smooth and supple. We launched the first NIVEA shower gel at the end of the 1970s. This was followed at the beginning of the 1990s by NIVEA Deodorant, which combines outstanding efficiency with unique care, and at the end of the 1990s by the innovative skin care product NIVEA Q10, which today is bought somewhere in the world every two seconds.

Trusted for 100 years

Thanks to our innovation leadership, we have been offering high-quality products at fair prices for 100 years now, gaining consumer trust every year. Our NIVEA products are now sold in more than 200 countries. Their unique blend of traditional values and constant innovation guarantees that NIVEA's success story will continue in the years to come.

Focus

100 Years of NIVEA

Graphic:
Global production volume for NIVEA Creme tins.

1911

1920

1924

1925

1928

1959

1970

1988

1993

2007

Dr. Joachim Ennen
Head of the Beiersdorf Test Center

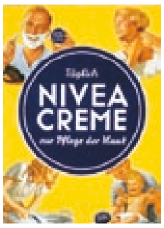
→ *"I am a biologist specializing in measurement technology. I have been at Beiersdorf for 17 years and for ten of these I have been the head of our Test Center. This is where we test our products for effectiveness and tolerance. For the tests we have access to a database of 11,000 test subjects from various target groups. Our Test Center is one of the best-equipped in the world. For example, we developed the device next to me ourselves together with the manufacturer. It measures eye wrinkle depth and represents the global state of the art in today's technology. Working for the innovation leader and trendsetter in the area of skin care is extremely exciting."*

100 Years of NIVEA.

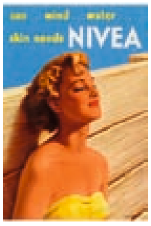
From Hamburg…

— 1911 —

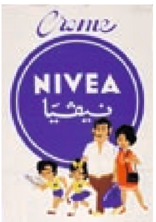
— 1937 —



— 1958 —

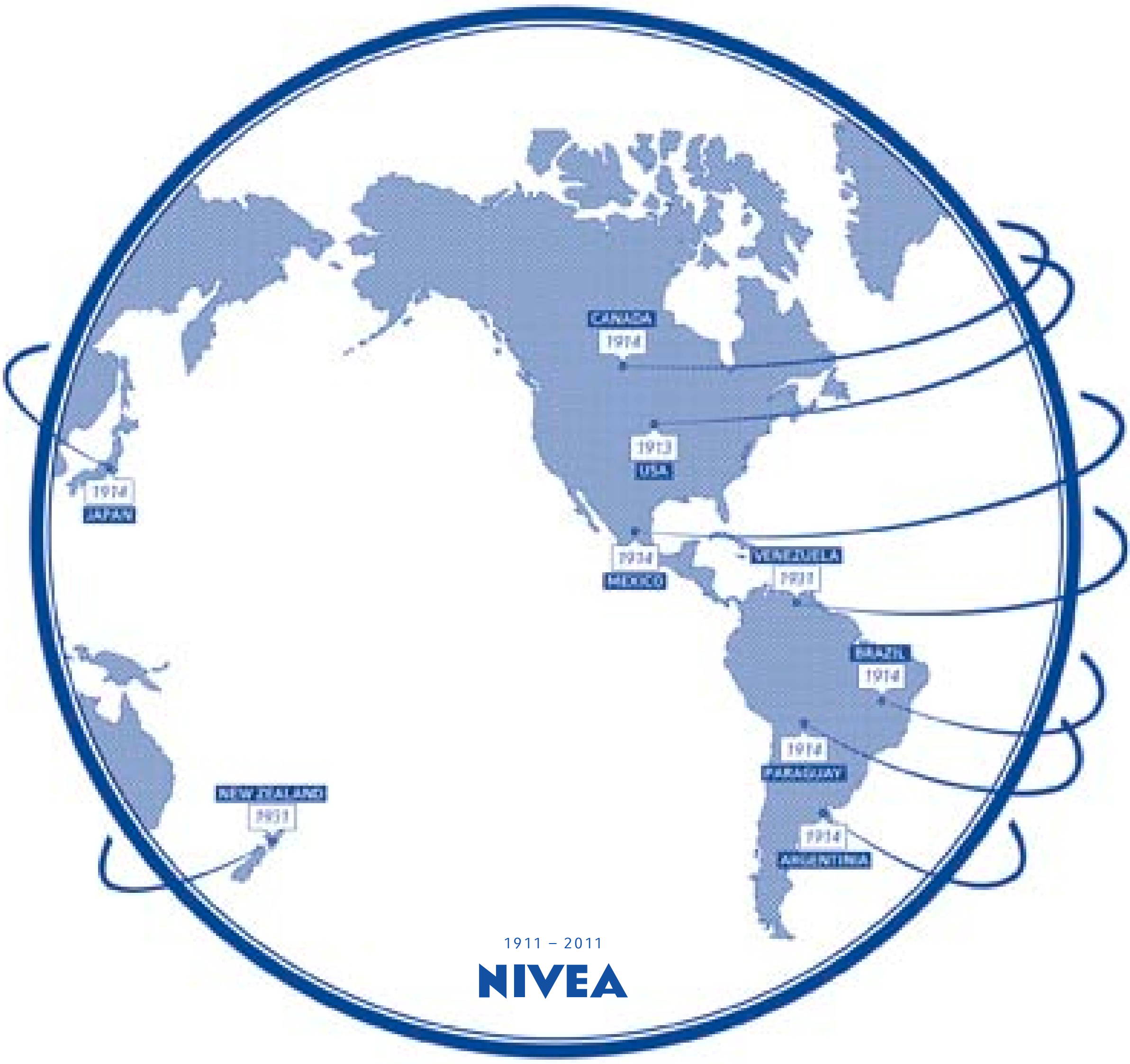


— 1967 —



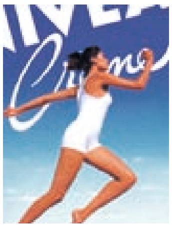
100 Years of NIVEA.

...all around the world.



— 1967 —

— 1986 —



— 1994 —

— 2011 —

Highlights in 2010

January 2010

NIVEA Q10 – fit for the future.

The Q10 products from NIVEA Visage and NIVEA Body Care have been global bestsellers for more than ten years. In order to secure its strong position, Beiersdorf implemented a major international relaunch of its NIVEA Q10 product line at the beginning of the year, while at the same time driving forward the expansion of the product range and providing communications support.

February 2010

NIVEA again named the most trusted brand.

Beiersdorf's classic brand was named the "Most Trusted Brand" in the skin care segment for the sixth time in a row according to the high-profile consumer study conducted by "Reader's Digest" magazine. Consumers in the 16 European countries participating in the study gave it top marks in the price/performance ratio, quality, and image categories. And in Poland NIVEA was even voted the most trusted brand in three categories.

April 2010

"Jogi's 11": successful communications campaign by NIVEA FOR MEN and German national soccer team coach Jogi Löw.

To mark the Soccer World Cup, NIVEA FOR MEN and cooperation partner Jogi Löw launched a number of promotional and retail campaigns. The new NIVEA FOR MEN television ad featuring Jogi Löw was aired as of April 22 in support of the "Jogi's 11" campaign. Consumers who bought NIVEA FOR MEN products worth €11 were given an official DFB shirt.

August 2010

New Eucerin Men Silver Shave product line.

In August, Eucerin launched its first series for men that helps prevent skin irritation after shaving even in the case of problem skin. The rollout of the new Eucerin Men Silver Shave product line, which comprises two classic shaving products, an aftershave balm, and two care products, started in August in Thailand, Italy, and the CEE region. The product range is now also available in many other European countries, Latin America, and South Africa since 2011. In-depth marketing support is being provided for the product launch, which is designed to raise awareness of the products among doctors, pharmacists, and consumers.

October 2010

Global Travel Retail strategy for NIVEA

Beiersdorf presented its Travel Retail strategy for the NIVEA brand at the world's largest travel retail show in Cannes. Going forward, 65 NIVEA products and a range of travel sets will be sold at border shops in various European airports. NIVEA Visage, NIVEA FOR MEN, NIVEA Body, and products such as deodorants, shower gels, NIVEA Sun, and NIVEA Lipcare products will soon also be available to passengers in Asia and America.

November 2010

Own affiliate in Vietnam.

On November 11, Beiersdorf established a new affiliate in Vietnam. The company sources its products from the NIVEA plant in Thailand. Thirty staff are employed at the headquarters in Ho Chi Minh City (Saigon), where they are responsible with immediate effect for the sale of NIVEA products in more than 40,000 Vietnamese stores. The company was formed to improve and accelerate our response to local market developments in Asia and to expand the existing trust in the NIVEA brand.

December 2010

Realignment of the Executive Board completed.

As part of Beiersdorf's "Focus on Skin Care. Closer to Markets." strategy, the Company's Executive Board has reorganized itself in the period since March 2010. It has created two functional (Finance & Human Resources and Brands & Supply Chain) and three regional areas of responsibility (Europe/North America, Asia/Australia, and Emerging Markets) in addition to the CEO's area of responsibility. Peter Feld assumed responsibility for the Europe/North America position within the Executive Board as of August 1, 2010. As of July 1, 2010 the Brands & Supply Chain function has been is managed by Markus Pinger. Ümit Subaşı has been appointed to the Executive Board effective March 1, 2011, where he will be responsible for the Emerging Markets region. James Wei is the Executive Board member responsible for the Asia/Australia region. Dr. Bernhard Düttmann, responsible for Finance & Human Resources, has left the Company after the preparation of the annual and consolidated Group financial statements for 2010. His successor is Dr. Ulrich Schmidt.

Package of strategic measures and investments adopted.

Beiersdorf has adopted a package of measures and investments to implement its updated "Focus on Skin Care. Closer to Markets." Consumer Business Strategy. The package includes, among other things, investments in its skin and body care brands, streamlining the product range, and modifications to the product portfolio. For example, Beiersdorf will exit the decorative cosmetics business in Germany, has sold the regional Juvena and Marlies Möller brands, and will focus less on hair care. Conversely, it will be launching innovative new products for its skin and body care brands.

(Proposal for the Dividend per Share in €)
– 2010 –

Chapter

01
To Our Shareholders

Chapter

01 To Our Shareholders

Beiersdorf Annual Report 2010

Shareholders are people who hold shares in stock corporations. Beiersdorf has always felt committed to its shareholders' best interests. In Germany, primarily the *Aktiengesetz* (German Stock Corporation Act, *AktG*) governs shareholders' rights and duties.

Contents

Letter from the Chairman

Ladies and gentlemen,

2010 was a time of realignment for Beiersdorf; the Company underwent deep changes. Our two business segments performed very differently in fiscal year 2010. While tesa returned to its former strength after the economic crisis and generated outstanding sales, the Consumer business segment recorded only a slight increase in sales. Although fiscal year 2010 was better overall than the previous year, which was dominated by the economic crisis, the Consumer business segment failed to live up to our expectations and its usual rate of growth. Group sales increased by 3.1% on a like-for-like basis compared with the previous year. In nominal terms, sales rose by 7.8% to €6,194 million.

The package of measures and investments for the Consumer business segment that was resolved in December already impacted results in 2010. Consumer EBIT after adjustment for special factors amounted to €699 million (previous year: €587 million), while the corresponding profit after tax was €425 million (previous year: €380 million). The Executive Board and the Supervisory Board will propose a dividend of €0.70 (previous year: €0.70) per no-par value share carrying dividend rights to shareholders at the Annual General Meeting.

Business in the tesa business segment, which was hit hard by the slump in its sales markets in 2009, was very encouraging. Sales in all regions saw double-digit growth, and the industry segment in particular generated significant increases in the automotive and electronics sectors. Adjusted for currency translation effects, tesa generated sales growth of 13.3% and sales in excess of the figure for pre-crisis year 2008.

The recovery in results shows that the restructuring measures taken were correct and that they are fully effective. They played a key part in strengthening tesa for the long term. EBIT rose to €100 million and the EBIT margin exceeded 11% for the first time. The business segment also successfully entered brand new, attractive business areas with pioneering innovations, which tesa continued to work on even in its difficult phase. These strengthen the basis for its continued dynamic growth in the future.

Performance in the global Consumer markets was extremely varied. The business in North America and Latin America saw clear double-digit growth. Sales in the Africa/Asia/Australia region were up only slightly on the previous year. In Europe, only the United Kingdom and Russia achieved good growth, while other countries failed to meet expectations. Most of our markets in Western Europe not only declined during the economic crisis, but have also undergone fundamental change. As a result we are not satisfied with the overall performance by the Consumer business segment in 2010. As part of our updated strategy, we resolved significant investments in the market and restructuring measures for this segment in December. Although the effects of these measures will impact our results in the transitional phase, they will systematically restore our previous momentum.

In spring last year, we updated our Consumer Business Strategy and adapted our structures to match the change in overall conditions. Our "Focus on Skin Care. Closer to Markets." strategy represents a renewed focus on our core competency, skin and body care. To implement this efficiently, we redefined the areas of responsibility for our Executive Board members and introduced a clear distinction between functional and regional responsibilities. The two functional Executive Board responsibilities now bundle Finance and Human Resources on the one hand and all product-related areas on the other. This will ensure a significantly accelerated, effective innovation process. More-over, each region – Europe and North America, Asia and Australia, and the so-called Emerging Markets – now has an Executive Board member responsible for it. The new Emerging Markets Board position underlines the importance that global growth markets have for our Company. This regional focus puts us even closer to consumers and our direct customers, the retailers. This allows us to learn more – and in particular even more quickly – about their needs and wishes.

We analyzed our entire skin and body care range within the context of our advanced strategy. As part of our package of investments and measures, we are streamlining our global product portfolio, are exiting the decorative cosmetics business in Germany, and are disposing of the brands Juvena and Marlies Möller, which are only sold in some regions. We will also invest heavily in our skin and body care brands. 2011 will therefore be another year of transition in which we will systematically implement our updated strategy in the Company and on the markets using our package of investments and measures.

My Executive Board colleagues and I are sure that Beiersdorf's realignment will allow us to meet market requirements quickly and efficiently. This will put us back on a dynamic growth path.

On behalf of the entire Executive Board, I would like to extend my sincere thanks to all employees worldwide for their dedication, which has enabled Beiersdorf to be successful even in these difficult times. Your great openness to change and your high level of identification with the Company guarantee our continued positive development. We would also like to thank our retail and business partners, with whom we work very closely. And, last but not least, we would like to thank our shareholders and consumers for their trust in our Company and our brands.

Sincerely,

Thomas-B. Quaas
Chairman of the Executive Board

Thomas-B. Quaas

Born in 1952 in Glauchau (Germany)
Member of the Executive Board since 1999, Chairman of the Executive Board since 2005

Responsible for:

- Strategic Corporate Development
- Corporate Communications, Internal Audit
- Sustainability

Dr. Bernhard Düttmann

Born in 1959 in Düsseldorf (Germany)
Member of the Executive Board since 2006

Responsible for Finance/Human Resources:

- Finance/Controlling (until February 9, 2011)
- Legal/IT (until February 9, 2011)
- Human Resources (until December 31, 2010)

Dr. Ulrich Schmidt

Born in 1953 in Bad Bevensen (Germany)
Member of the Executive Board since January 1, 2011

Responsible for Finance/Human Resources:

- Finance/Controlling (since February 10, 2011)
- Legal/IT (since February 10, 2011)
- Human Resources (since January 1, 2011)

Ümit Subaşı

Born in 1967 in Istanbul (Turkey)
Member of the Executive Board since March 1, 2011

Responsible for:

- Emerging Markets

Peter Feld

Born in 1965 in Gummersbach (Germany)
Member of the Executive Board since August 1, 2010

Responsible for:

- Europe / North America

Markus Pinger

Born in 1963 in Leverkusen (Germany)
Member of the Executive Board since 2005

Responsible for Brands / Supply Chain:

- Marketing / Sales / Research & Development
- Procurement / Production / Logistics
- Quality Management

James C. Wei

Born in 1957 in Kao-Hsiung (Taiwan)
Member of the Executive Board since 2009

Responsible for:

- Asia (excluding India and Japan)
- Australia

Change of Management.

The Supervisory Board of Beiersdorf AG would like to thank Peter Kleinschmidt, Pieter Nota, and Dr. Bernhard Düttmann for their long-standing commitment to the Company.

→ Peter Kleinschmidt was responsible for Human Resources until April 30, 2010. Pieter Nota was responsible for Brands until May 31, 2010. Dr. Bernhard Düttmann managed Finance up to the preparation of the annual and consolidated financial statements for 2010.

Beiersdorf's Shares and Investor Relations

Beiersdorf.com/ Shares

Beiersdorf.com/ IR

Beiersdorf's shares turned in a frequently mixed performance over the course of 2010 that for long periods was out of sync with the DAX, Germany's key index. In the first quarter, this was due among other things to differing assessments by observers and investors of future developments in the HPC (Household and Personal Care) sector to which Beiersdorf also belongs. The Company's business performance over the previous year, and in particular the improvement in sales and EBIT seen in the course of the individual quarters, was the key issue in its market communications activities during this period.

In the second quarter, discussions focused on current business developments, although market players were also very interested in Beiersdorf's new strategy and the reorganization of the Executive Board by function and region. Our shares rose sharply in this period and outperformed the benchmark index up to the end of the quarter.

Beiersdorf's share price performance in the third quarter was mixed; one important factor for this was ongoing capital market skepticism regarding the recovery of the HPC sector, while the figures for the first half of the year that were published in August led to a mixed reaction on the stock exchange. Beiersdorf has been in a transitional phase since the introduction of its new business model, and this was reflected in the performance of its shares. Speculative elements also influenced our share price performance, leading to a sudden increase at the end of the quarter that continued for several weeks and meant that our stock outperformed the benchmark index.

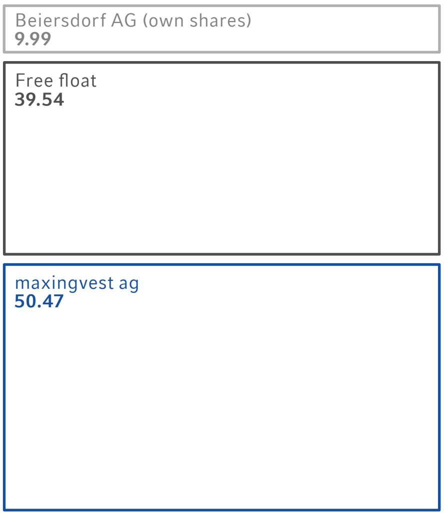
Our medium-term goals in implementing the enhanced strategy for Beiersdorf's Consumer business are to increase our sales growth and operating profit. In the short term, the reorganization requires significant investments in our business and in the market; our management team informed the capital markets of these financial effects in the fourth quarter. Our share price performance towards the end of the quarter reflected the capital markets' reassessment of Beiersdorf's medium-term business prospects. A number of market players used this phase to take positions in the Company or increase their existing holdings. This resulted in our shares ending the year on a stable note at €41.53.

01 **Beiersdorf's Share Price Performance 2010**
Jan. 1 – Dec. 31 / relative change in %

02 **Basic Share Data**

Company name	Beiersdorf Aktiengesellschaft
WKN	520000
ISIN	DE 0005200000
Stock trading venues	**Official Market:** Frankfurt and Hamburg **Open Market:** Berlin-Bremen, Düsseldorf, Hanover, Munich and Stuttgart
Number of shares	252,000,000
Share capital in €	252,000,000
Class	No-par value bearer shares
Market segment/Index	Prime Standard/DAX
Stock exchange symbol	BEI
Reuters	BEIG.DE
Bloomberg	BEI:GR

03 **Shareholder Structure (in %)**
As of Dec. 31, 2010



Report by the Supervisory Board

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 Prof. 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

Beiersdorf
Annual Report 2010

(Declaration of Compliance with § 161 *AktG*)
– 2010 –

Chapter

02
Corporate Governance

Chapter

02 Corporate Governance

Beiersdorf Annual Report 2010

Good company management has a name: Corporate Governance. Beiersdorf welcomes the German Corporate Governance Code, also in its version last updated in May 2010.

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Corporate Governance Report 2010

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.

Beiersdorf.com/Declaration_of_Compliance

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

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

Prof. Dr. Reinhard Pöllath
Chairman
of the Supervisory Board

For the Executive Board

Thomas-B. Quaas
Chairman
of the Executive 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 two-thirds 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 131 of this Annual Report.

Beiersdorf.com/ Boards

see **Page 131**

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).

Beiersdorf.com/
Executive_Board

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 2010 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 long-term 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 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.

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

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.

ff) Overviews of Individual Executive Board Remuneration

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

	Fixed basic remuneration		Variable remuneration			
			Bonus[3]		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, 2010)[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**

[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.
[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.

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.

Total variable remuneration		Other (Non-cash benefits arising from the provision of company cars and the payment of insurance premiums, 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 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.

05 (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
Gesamt	**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.

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:

06 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:

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

	Fixed[16]		Variabele		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
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:

Beiersdorf.com/ Compliance_ Principles

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.

Beiersdorf.com/ Code_of_Conduct

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.

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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.

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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.

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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.

**Annual_Report.
Beiersdorf.com/**
Risk_Report

see
Page 31ff.

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 31ff.

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.

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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

Chapter

03
Group Management Report

Chapter

03 Group Management Report

Beiersdorf Annual Report 2010

The Group management report must include a fair review of the development of the business and the position of the Group. The risks of future development must also be discussed.

Contents

Beiersdorf's Brands

08 **Our Brands Portfolio**

BDF ●●●● Beiersdorf

NIVEA

Eucerin

La Prairie

SBT

SLEK

Florena

Labello

8x4

Hansaplast

tesa

Business and Strategy

Beiersdorf.com

Beiersdorf is a global company with more than 150 affiliates worldwide and over 19,000 employees. Two separate business segments are responsible for operations in their respective areas: The Consumer business segment – the focus of our business – with its strong brands concentrates on the international skin and body care markets, while the tesa business segment with its innovative offerings is one of the world's leading manufacturers of self-adhesive products and solutions for industry, craft businesses, and consumers.

Consumer Business Segment: Updated Strategy for Success

Beiersdorf has been setting skin and body care standards for more than 125 years. An excellent technical basis and a high level of research and development expertise ensure that Beiersdorf's innovative products meet the highest standards of quality. The NIVEA brand, which celebrates its 100th anniversary in 2011, is the world's largest mass-market skin and body care brand. In the pharmacy segment, Eucerin enjoys worldwide success and is increasing its market share every year. La Prairie, our luxury segment brand, meets the highest standards in anti-aging care around the world. Thanks to these global brands, Beiersdorf is represented in all relevant segments of the skin and body care market. In addition, it has strong regional brands such as Labello, 8x4, Hansaplast/Elastoplast, and SLEK.

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.

Focus on Skin Care. Closer to Markets.

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.

Executive Board Structure and Organization

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.

Streamlined Product Portfolio and Investments in Core Brands

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.

Beierdorf's Executive Board is confident that this realignment of the Consumer business segment 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 updated 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 competency 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.

tesa Business Segment: Innovative Product Solutions

With operations in more than 100 countries, the tesa business segment is the international number two among the world's leading manufacturers of self-adhesive system and products solutions for industry, craft businesses, and consumers. Reliable quality, strong innovative ability, and the use of superior technology are core elements of our brand philosophy and strategy. We focus on the customers for whom tesa develops effective solutions.

In the industrial segment, which accounts for around three-quarters of sales, tesa offers system solutions for the electronics, printing, paper, packaging, and automotive industries in particular. The main strategic focus is on establishing and expanding profitable businesses in technologically sophisticated application areas.

In addition, we want to establish ourselves in a further high-growth segment with our new business area named Pharma. This segment develops and manufactures innovative drug delivery systems for the pharmaceutical industry. Transdermal systems – medicated plasters for the pharmaceuticals industry, as well as so-called oral films, foils including medicine, that are dissolved in the mouth without addition of water.

Our industrial distribution business supplies technical dealers with state-of-the-art product ranges for professional craftsmen and industrial customers.

Just under one-quarter of tesa's sales are attributable to innovative product solutions that are designed for daily use in the office, home, and garden. Consumers in Europe and Latin America can find a wide range of products under the tesa umbrella brand. In addition to office products such as the classic tesafilm adhesive tape, these also include individual solutions for insulation, painting and masking, repairing, packaging, and temporary and permanent mounting. tesa also offers household insect protection products.

Our in-depth knowledge of production processes, market requirements, and industry trends enables us to develop superior, market-driven products. The ongoing training given to our employees and the continuous improvement of our business processes enable us to implement the solutions we have found rapidly and efficiently. Reliable quality, a strong track record for innovation, and the use of forward-looking technology are core elements of our brand philosophy and our success. Management of tesa's international business activities focuses on the following factors:

– expanding the industrial business with the aim of offering our customers homogenous solutions of consistently high quality,
– expanding the consumer business with a focus on Europe, and in particular Eastern Europe, to offer tesa's trade partners market-driven product ranges,
– ensuring uniform global quality standards while also using environmentally friendly technology.

Management and Control

The Executive Board manages the Company 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.

see **page 65ff.**

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" in the Remuneration Report, which forms part of the Group Management Report and the consolidated 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.

Beiersdorf.com/ Corporate_Governance_Statement

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 Group's 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.

The tesa business segment forms a separate, independent unit within the Group. It is also managed on the basis of the sales growth, EBIT, and EBIT margin performance indicators, as well as the return on capital.

Economic Environment

see
Chart 09
Chart 10
Chart 11

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.

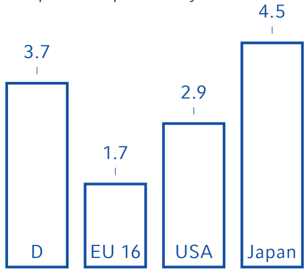
In the euro zone, the government debt crisis in certain countries escalated. The EMU states implemented bailout programs to provide financial support initially for Greece and subsequently for Ireland as well. In return, the governments had to introduce drastic austerity measures and structural reforms,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

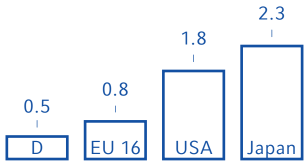
In the United States, high unemployment in particular acted as a drag on economic recovery. Although GDP growth in 2010 was close to the rates seen in recent years, it remained below potential growth rates. As a result, the Federal Reserve continued to support the economy with unconventional liquidity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

09 **Gross Domestic Product 2010 (in %)**
Change compared to previous year



10 **Consumer Spending (in %)**
Change compared to previous year



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.

The recovery in the adhesive tape markets that started to take hold at the end of 2009 continued in 2010. The industrial sales markets recorded strong growth in all regions, although they did not fully return to the levels seen in 2008. The automotive industry business was the main driver. The electronics market, which is focused on Asia, also made a significant contribution.

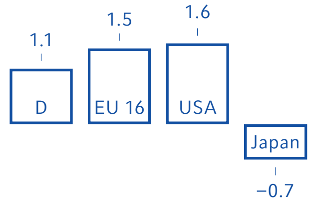
Procurement Market

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

The tesa business segment was able to increase sales significantly, due to the recovery in its industrial markets in particular. 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.

11 **Inflation Rate 2010 (in %)**
Change compared to previous year



Results of Operations, Balance Sheet Structure, and Financial Position

Results of Operations – Group

12 **Income Statement (in € million)**
Jan. 1 – Dec. 31

	2009	2010	% change
Sales	**5,748**	**6,194**	**7.8**
Cost of goods sold	–1,882	–2,016	7.1
Gross profit	**3,866**	**4,178**	**8.1**
Marketing and selling expenses	–2,766	–2,959	7.0
Research and development expenses	–149	–152	2.0
General and administrative expenses	–283	–278	–1.8
Other operating result (excluding special factors)	–81	–90	12.3
Operating result (EBIT, excluding special factors)	**587**	**699**	**19.1**
Special factors relating to strategic package of measures	–	–116	–
Operating result (EBIT)	**587**	**583**	**–0.8**
Financial result	–4	–30	–
Profit before tax	**583**	**553**	**–5.1**
Taxes on income	–203	–227	11.4
Profit after tax	**380**	**326**	**–14.0**

The changes in percent are calculated based on thousands of euros.

Sales

see Chart 13 Chart 14

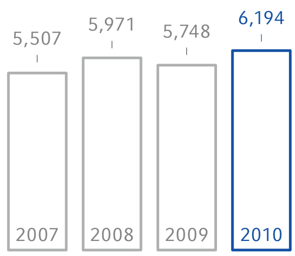
Organic Group sales in 2010 were up 3.1% on the prior-year figure. Organic growth in the Consumer business segment was 1.6% above the previous year. tesa experienced a significant recovery, recording a 13.3% rise in sales. At current exchange rates, Group sales increased by 7.8% to €6,194 million (previous year: €5,748 million).

In Europe, sales were down –0.2% (organic) on the prior year. At current exchange rates, sales amounted to €3,843 million (previous year: €3,767 million), 2.0% above the prior-year value.

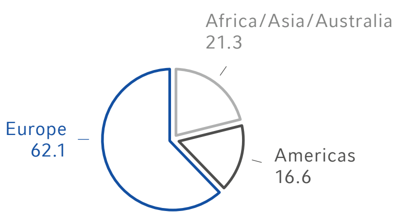
In the Americas region, sales in both North America and Latin America achieved double-digit growth rates. Overall, sales in the Americas rose by 15.4% (organic). At current exchange rates, sales increased by 21.0% to €1,030 million (previous year: €851 million).

The Africa/Asia/Australia region experienced moderate organic growth of 4.7%. At current exchange rates, we achieved growth of 16.9% to €1,321 million (previous year: €1,130 million).

13 **Group Sales (in € million)**



14 **Group Sales by Region (in %)**



Expenses/Other Operating Result

Cost of goods sold rose by 7.1%, slightly less fast than sales. Marketing and selling expenses rose somewhat more slowly than sales, to €2,959 million (previous year: €2,766 million). Spending on advertising, trade marketing, and similar items contained in this item amounted to €1,955 million (previous year: €1,842 million). Research and development expenses rose by 2.0% to €152 million (previous year: €149 million). General and administrative expenses were reduced to €278 million (previous year: €283 million). The other operating result (excluding special factors) deteriorated to €–90 million (previous year: €–81 million).

Operating Result (EBIT) Excluding Special Factors

EBIT excluding special factors increased to €699 million (previous year: €587 million), while the EBIT margin was 11.3% (previous year: 10.2%). In the Consumer business segment, EBIT excluding special factors rose to €599 million (previous year: €558 million), while the EBIT margin was 11.3% (previous year: 11.1%). EBIT in the tesa business segment climbed from €29 million in 2009 to €100 million in the past fiscal year; the EBIT margin was 11.4% (previous year: 3.9%).

The Group operating result before special factors in Europe was €589 million (previous year: €535 million). The EBIT margin rose to 15.3% (previous year: 14.2%). The operating result before special factors in the Americas was €78 million (previous year: €20 million), while the EBIT margin was 7.6% (previous year: 2.4%). In Africa/Asia/Australia, EBIT excluding special factors amounted to €32 million (previous year: €32 million). The EBIT margin was 2.4% (previous year: 2.8%).

see Chart 15

Special Factors

The special factors are mainly due to the impairment of intangible assets (€79 million) relating to the Chinese business. The other special factors primariliy concern the streamlining of product ranges performed as part of the package of measures and investments resolved in December.

see Table 16

Operating Result (EBIT)

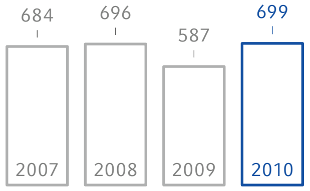
Group EBIT amounted to €583 million (previous year: €587 million). The EBIT margin was 9.4% (previous year: 10.2%).

Financial Result

The financial result amounted to €–30 million (previous year: €–4 million). This item was mainly influenced by increased interest expenses, the sharp decline in interest rates for financial investments as well as currency losses.

see Table 12

15 **Group EBIT (in € million)**
Excluding special factors



Taxes on Income

Taxes on income amounted to €227 million (previous year: €203 million). The tax rate was 41.0% (previous year: 34.9%). The increase primarily results from the non-tax-deductability of the impairment of the China Group's goodwill.

see Chart 17

Profit after Tax

Profit after tax amounted to €326 million (previous year: €380 million). The return on sales after tax was 5.3% (previous year: 6.6%). Excluding special factors, profit after tax amounted to €425 million. The corresponding return on sales after tax was 6.9%.

Earnings per Share – Dividends

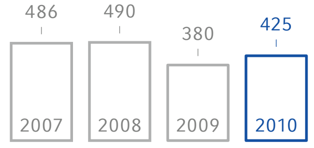
Earnings per share amounted to €1.40 (previous year: €1.65). Exluding special factors earnings per share amounted to €1.84. These figures were calculated on the basis of the weighted number of shares carrying dividend rights of 226,818,984. The Executive Board and Supervisory Board will propose a dividend of €0.70 per share carrying dividend rights to the Annual General Meeting (previous year: €0.70).

16 **Reconciliation to EBIT Excluding Special Factors**
Jan. 1 – Dec. 31

	in € million	in % of sales
Group		
Operating result (EBIT) for 2010	**583**	**9.4**
Special factors included in the other operating result	116	–
Operating result (EBIT, excluding special factors) for 2010	**699**	**11.3**
Operating result (EBIT) for 2009	**587**	**10.2**
Consumer		
Operating result (EBIT) for 2010	**483**	**9.1**
Special factors included in the other operating result	116	–
Operating result (EBIT, excluding special factors) for 2010	**599**	**11.3**
Operating result (EBIT) for 2009	**558**	**11.1**

Beiersdorf Group's results of operations are determined on the basis of the operating result excluding special factors. This figure is not part of IFRSs and should be treated merely as voluntary additional information. The special factors are one-time, non-operating transactions that only affect the Consumer business segment. They consist of a €56 million goodwill impairment for the China Group cash-generating unit, an impairment loss of €23 million on the Chinese hair care brands, and expenses relating to the streamlining of the product range as part of the package of measures and investments resolved in December.

17 **Group Profit After Tax (in € million)**
Excluding special factors



Results of Operations – Business Segments

Consumer

18 Key Figures – Consumer Business Segment

		Europe	Americas	Africa/Asia/ Australia	Total
Sales 2010	(in € million)	3,248	922	1,151	5,321
Change (organic)	(in %)	–1.8	14.9	2.5	1.6
Change (adjusted for currency translation effects)	(in %)	–1.8	14.9	2.5	1.6
Change (nominal)	(in %)	0.4	19.7	14.5	6.2
EBIT 2010*	(in € million)	548	61	–10	599
EBIT margin 2010*	(in %)	16.9	6.6	–0.8	11.3
EBIT 2009	(in € million)	533	14	11	558
EBIT margin 2009	(in %)	16.5	1.9	1.1	11.1

* Excluding special factors (see reconciliation to EBIT excluding special factors on page 60).

Sales by the Consumer business segment recorded organic growth of 1.6% in 2010. In nominal terms, sales amounted to €5,321 million, up 6.2% on the previous year (€5,011 million). EBIT excluding special factors totaled €599 million (previous year: €558 million), while the corresponding EBIT margin was 11.3% (previous year: 11.1%).

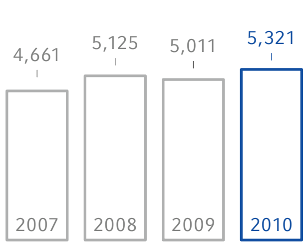
see
Chart 19
Chart 20

Successful innovations and international relaunches of existing products to reflect the latest findings from our research activities enabled us to generate strong growth rates in individual categories. In other categories, sales growth in some countries was difficult. In line with this, we decided to exit the NIVEA Make-up business in Germany, and certain other countries, among other things. The NIVEA Hair Care and Styling business was realigned in other countries.

In 2010, NIVEA achieved organic growth of 1.8% worldwide. The key growth drivers were NIVEA Deodorant, NIVEA FOR MEN, and NIVEA Sun. NIVEA Deodorant Calm & Care, the NIVEA FOR MEN Silver Protect series, and NIVEA Sun Protect & Bronze were especially successful in these categories. NIVEA Hair Care and NIVEA Hair Styling in particular recorded declines in sales.

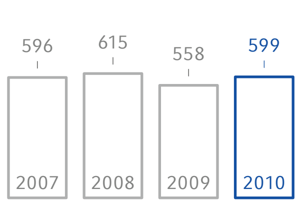
Our brand Eucerin generated extremely strong growth of 9.0%. Sales in the United States, Thailand, and Chile were particularly good.

19 Consumer Sales (in € million)



20 Consumer EBIT (in € million)

Excluding special factors



In the exclusive cosmetics segment, La Prairie showed clear signs of recovery following the global economic crisis in the previous year, recording an increase in sales of 7.5%. The new La Prairie Platinum Rare Serum and the newly launched La Prairie White Caviar Illuminating Système series performed particularly well.

Our plaster brands came under pressure especially due to the strong growth of private label products, but were able to increase sales slightly as against the previous year. While the wound care business grew, the remaining areas of the business, such as heat plasters and foot products, recorded a decline in sales. Sales growth was achieved in the Africa/Asia/Australia region in particular.

Europe

21 **Consumer Sales in Europe**

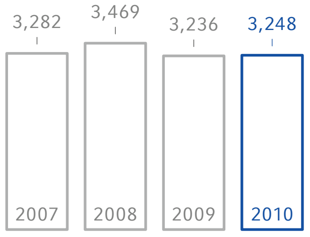
		Germany	Western Europe (excluding Germany)	Eastern Europe	**Total**
Sales 2010	(in € million)	912	1,751	585	3,248
Change (organic)	(in %)	–2.3	–1.4	–2.2	–1.8
Change (adjusted for currency translation effects)	(in %)	–2.3	–1.4	–2.2	–1.8
Change (nominal)	(in %)	–2.3	0.9	3.2	0.4

see
Chart 22
Chart 23

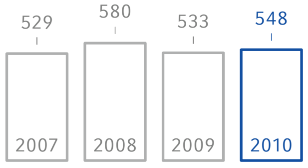
In **Europe**, sales in the Consumer business segment were down 1.8% on the previous year on a like-for-like (organic) basis. At current exchange rates, sales increased slightly by 0.4% to €3,248 million (previous year: €3,236 million). EBIT for the Consumer business segment totaled €548 million (previous year: €533 million), while the corresponding EBIT margin was 16.9% (previous year: 16.5%).

The Consumer business segment recorded a decline in sales of 2.3% in **Germany**. NIVEA Sun and NIVEA FOR MEN made key contributions to sales. Strong declines in sales were seen in NIVEA Hair Care, NIVEA Hair Styling, NIVEA Make-up, and NIVEA Body Care in particular. Sales of the brand Florena were also down on the previous year.

22 **Consumer Sales in Europe (in € million)**



23 **Consumer EBIT in Europe (in € million)**
Excluding special factors



At –1.4%, organic sales in **Western Europe** (excluding Germany) were below the prior-year figure. The UK/Ireland Group, Switzerland, and the La Prairie Group achieved sales growth. Sales declined in particular in Italy and in the Portugal/Spain Group. The Benelux/France Group recorded a less pronounced decrease. NIVEA Sun performed very well. Eucerin achieved encouraging growth of 5.9%. Sales of NIVEA Hair Care, NIVEA Make-up, and NIVEA Body Care declined.

In **Eastern Europe**, we saw a decline in sales of 2.2%. NIVEA FOR MEN and NIVEA Deodorant recorded a rise in sales in the region, while NIVEA Visage and NIVEA Baby recorded declines. The Russia/Ukraine Group saw encouraging growth. The main growth engines in Russia were NIVEA FOR MEN and NIVEA Deodorant. Sales in Poland did not match the prior-year level.

Americas

24 **Consumer Sales in the Americas**

		North America	Latin America	Total
Sales 2010	(in € million)	364	558	922
Change (nominal)	(in %)	14.2	15.3	14.9
Change (adjusted for currency translation effects)	(in %)	14.2	15.3	14.9
Change (nominal)	(in %)	22.3	18.1	19.7

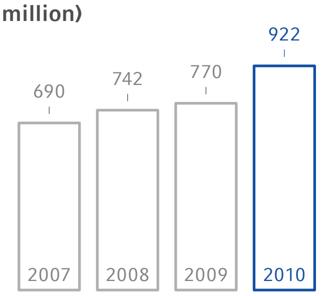
In the **Americas**, organic sales grew by 14.9%. Nominal sales rose by 19.7% to €922 million (previous year: €770 million). EBIT amounted to €61 million (previous year: €14 million). The EBIT margin was 6.6% (previous year: 1.9%).

see
Chart 25
Chart 26

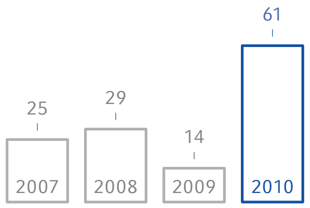
Organic sales growth in **North America** was up 14.2% on the previous year. NIVEA Body Care, NIVEA Shower, and NIVEA FOR MEN significant boosted growth. La Prairie returned to its former clear growth path after being badly hit by the economic crisis in the United States in the previous year. Eucerin maintained its high rate of growth.

In **Latin America**, we recorded double-digit organic growth of 15.3%. In addition to the key markets of Mexico and Brazil, the Andean Group and Argentina made especially strong contributions to this growth. NIVEA Soap, NIVEA Deodorant, NIVEA Sun, and NIVEA Visage reported the highest growth rates in this region. Eucerin also saw high double-digit growth.

25 **Consumer Sales in the Americas (in € million)**



26 **Consumer EBIT in the Americas (in € million)** Excluding special factors



Africa/Asia/Australia

27 **Consumer Sales in Africa / Asia / Australia**

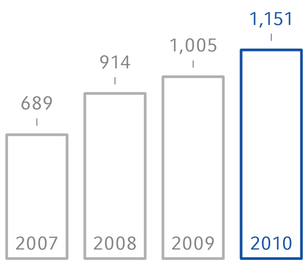
		Total
Sales 2010	(in € million)	1,151
Change (organic)	(in %)	2.5
Change (adjusted for currency translation effects)	(in %)	2.5
Change (nominal)	(in %)	14.5

see
Chart 28
Chart 29

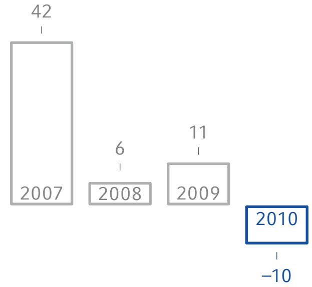
The **Africa/Asia/Australia** region generated (organic) sales growth of 2.5% on a like-for-like basis. At current exchange rates, sales amounted to €1,151 million, up 14.5% on the previous year (€1,005 million). Consumer EBIT in this region amounted to €–10 million (previous year: €11 million), while the EBIT margin was –0.8% (previous year: 1.1%).

NIVEA Deodorant, NIVEA FOR MEN, and NIVEA Sun performed very well in this region. Eucerin and La Prairie achieved double-digit growth. Beiersdorf's companies in the Middle East and Thailand performed well in this region. NIVEA Deodorant and NIVEA FOR MEN were particularly strong at both affiliates. Sales in Japan were also up on the previous year. NIVEA Sun performed extremely well here. 8x4 maintained its market leadership position. Sales by the China Group were below the figure for the previous year. Sales growth at NIVEA FOR MEN and NIVEA Deodorant was unable to offset sales declines by NIVEA Body Care and our Chinese hair care brands. This is mainly due to stock reductions by our retail partners. The latters' sales of our products to consumers continued to develop positively.

28 **Consumer Sales in Africa / Asia / Australia (in € million)**



29 **Consumer EBIT in Africa / Asia / Australia (in € million)** Excluding special factors



tesa

30 **Key Figures – tesa Business Segment**

		Europe	Americas	Africa/Asia/ Australia	Total
Sales 2010	(in € million)	595	108	170	873
Change (organic)	(in %)	9.8	20.9	23.0	13.3
Change (adjusted for currency translation effects)	(in %)	9.8	20.9	23.0	13.3
Change (nominal)	(in %)	12.0	32.6	36.5	18.4
EBIT 2010	(in € million)	41	17	42	100
EBIT margin 2010	(in %)	6.9	15.3	24.7	11.4
EBIT 2009	(in € million)	2	6	21	29
EBIT margin 2009	(in %)	0.3	7.6	16.9	3.9

Adjusted for currency translation effects, sales in the tesa business segment were up 13.3% on the previous year. At current exchange rates, sales increased by 18.4% to €873 million (previous year: €737 million). EBIT increased to €100 million (previous year: €29 million). The EBIT margin was 11.4% (previous year: 3.9%).

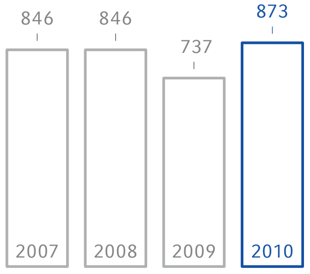
see Chart 31 Chart 32

tesa Industrial Segment

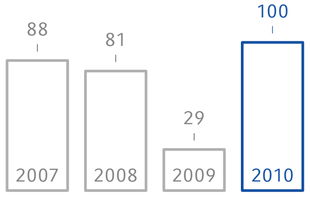
The industrial segment, which accounted for 73.3% (previous year: 70.7%) of sales, recorded clear sales growth of 22.4% to €647 million in 2010 (previous year: €529 million). Both the direct customer business and the distribution business played a role in the positive performance by all regions. Business in Asia and the United States was especially dynamic. The rapid recovery by the automotive and electronics industries was the main growth driver here.

In the electronics industry business, we responded to the key trend for repositionable adhesive tapes for mounting electronic devices with new products. Asia's system suppliers in particular increasingly value products with which elements can be disassembled and repositioned, repaired, or recycled during the manufacturing process. An optimized surface protection film was well received in the automotive industry. It adheres even better to the vehicle bodywork but does not leave behind a residue when it is removed, thus protecting delicate new vehicle paintwork against damage and dirt on the way to the dealership. For the print industry we launched a new version of our successful splicing tape for joining together rolls of film when printing packaging. It enables printed plastic film to be laminated onto aluminum foil even at high print speeds, increasing manufacturing efficiency for sophisticated pouch packaging. We successfully manufactured the first clinical samples of oral films for the new business area Pharma. These pharmaceutical films dissolve in the mouth without the need for additional fluids, making it easier for the ingredients to be taken. We plan to

31 **tesa Sales (in € million)**



32 **tesa EBIT (in € million)**

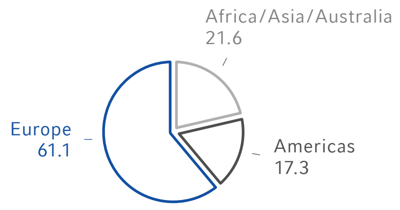


produce these innovative drug delivery systems for the pharmaceuticals industry at tesa's Hamburg plant once the expansion of the clean room facility there has been completed. Ondansetron, an oral film developed by our affiliate Labtec, is the world's first prescription medication in this form to receive approval in both Europe and the United States. Labtec has also developed a new form of topical plaster to treat cold sores. We entered into a licensing agreement with GlaxoSmithKline for this, under which the global pharmaceutical group will market the product going forward. In the distribution business, we enhanced our expertise with new ranges tailored to specialist applications, thus acquiring new customer groups. Products for the fast-growing entertainment industry provided a major boost. The adhesive tapes are used, among other things, for stage construction, laying cables, and marking the stage. The latest innovation is a special adhesive tape with a black adhesive mass that reduces light reflection to such an extent that it can be used as almost invisible marking for dance floors, for example.

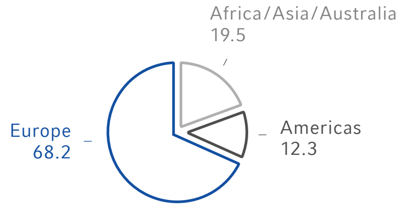
tesa Consumer Segment

The consumer products business performed very well, too, contributing 21.2% of sales (previous year: 23.6%). At current exchange rates, sales increased by 6.3% from €176 million in the previous year to €187 million. Both strategic business areas – home improvement solutions and products for the office supplies and stationery sector – played a role in this dynamic development. More innovations were added to the range of particularly environmentally friendly products that were successfully launched to retailers at the end of 2008 under the EcoLogo sub-brand. The products for the office supplies and stationery sector, which are mainly produced from recycled and biologically based raw materials, were also very well received by consumers. We successfully established a new and attractive product category with the launch of a clean air filter for laser printer particulates that reflects the strong trend toward sustainability and a healthy working environment. We supported the new sales channels with a wide range of communications activities and were able to generate awareness both of the problem of particulates and of our solution, particularly with buyer groups in corporate and institutional offices. The repositioning of our adhesive tapes for paint masking and repair work in the home improvement sector led to new highlights. We added innovative products to both ranges, especially in the premium segment. We optimized our product display systems on the basis of a comprehensive study on purchasing behavior in home improvement stores. The new system provides consumers with more specific information and a better overview, allowing them to select the right product more rapidly. Initial experiences with the system at our trading partners led to clear sales growth.

33 **Consumer Sales by region (in %)**



34 **tesa Sales by region (in %)**



Balance Sheet Structure – Group

35 **Balance Sheet Structure (in € million)**

Assets	Dec. 31, 2009	**Dec. 31, 2010**
Non-current assets	1,177	1,110
Inventories	561	632
Other current assets	2,089	2,380
Cash and cash equivalents	767	973
	4,594	**5,095**

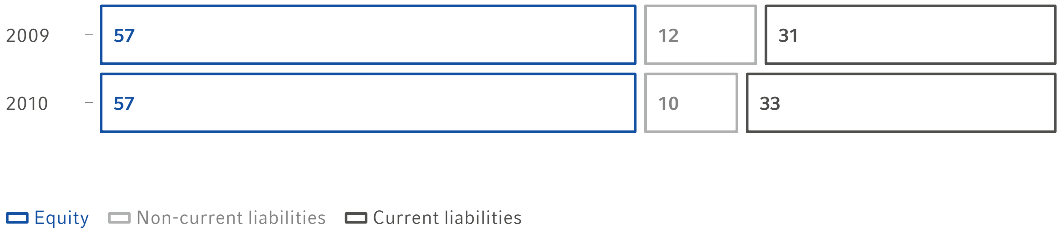
Equity and liabilities	Dec. 31, 2009	**Dec. 31, 2010**
Equity	2,636	2,920
Non-current provisions	359	326
Non-current liabilities	173	168
Current provisions	391	486
Current liabilities	1,035	1,195
	4,594	**5,095**

Non-current assets fell slightly to €1,110 million. Capital expenditure amounted to €96 million, €63 million of which was attributable to the Consumer business segment and €33 million to tesa. Depreciation, amortization, and impairment losses amounted to €142 million (previous year: €135 million). In addition, impairment losses on intangible assets of €79 million were recorded. Inventories increased to €632 million. Other current assets rose slightly to €2,380 million. They include securities of €1,132 million (previous year: €955 million). Cash and cash equivalents increased to €973 million. Net liquidity (cash, cash equivalents, and short-term securities less current financial liabilities) amounted to €1,970 million (previous year: €1,564 million).

see **Chart 36**

The equity ratio was on a level with the previous year at 57%. The share of non-current liabilities amounted to 10% (previous year: 12%) and the share of current liabilities to 33% (previous year: 31%).

36 **Financing Structure (in %)**



Financial Position – Group

37 Cash Flow Statement – Group (in € million)

	2009	2010
Gross cash flow	507	518
Change in working capital	59	102
Net cash flow from operating activities	566	620
Net cash flow from investing activities	–130	–228
Free cash flow	436	392
Net cash flow from financing activities	–285	–212
Other changes	3	26
Net change in cash and cash equivalents	154	206
Cash and cash equivalents as of Jan. 1	**613**	**767**
Cash and cash equivalents as of Dec. 31	**767**	**973**

Gross cash flow amounted to €518 million in the year under review, up €11 million on the prior-year value.

The change in working capital led to an inflow of €102 million (previous year: €59 million). This was caused in particular by the €164 million rise in trade payables. Overall net cash flow from operating activities reached €620 million, €54 million higher than the prior-year value.

The net cash outflow from investing activities amounted to €228 million in the year under review (previous year: outflow of €130 million). Capital expenditure of €96 million and net payments of €180 million for the purchase of securities were partially offset by income from the sale of non-current assets of €12 million, and interest and other financial cash inflows of €36 million.

Free cash flow fell by €44 million against the previous year and reached €392 million. Based on the dividend payment of €159 million, net repayments of financial liabilities of €9 million as well as interest and other financial cash outflows of €45 million, the net cash outflow from financing activities amounted to €212 million, €73 million below the prior-year level. Cash and cash equivalents amounted to €973 million.

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 Group’s basic operating and financial business. Scenarios and rolling 12-month cash flow planning are used to establish liquidity requirements.

The Group's Economic Situation – Summary

For Beiersdorf, 2010 was a year of radical change and of a fresh start in the Consumer business segment in particular. The business segments performed very differently. While tesa saw an extremely encouraging increase in sales, sales in the Consumer business segment were up only slightly on the previous year. Group sales amounted to €6,194 million (previous year: €5,748 million). After adjustment for currency translation effects and on a like-for-like basis, this figure was up 3.1% on the sales reported in 2009.

The Consumer business segment had to adapt to a new reality in fiscal year 2010. Beiersdorf announced its updated "Focus on Skin Care. Closer to Markets." strategy in February 2010. This is designed to restore the Company's customary rates of growth in the medium term.The Executive Board was not satisfied with business developments in 2010. Sales growth failed to meet our expectations and one-time expenses relating to our package of investment and measures at the end of the fiscal year impacted earnings. The Consumer business segment saw overall sales growth of 1.6%.

The tesa business segment made a clear recovery following the economic crisis in the previous year, reporting sales growth of 13.3%. tesa continued to expand its market position.

Group EBIT amounted to €583 million (previous year: €587 million). After adjustment for special factors, EBIT was €699 million. Excluding special factors, the EBIT margin in the Consumer business segment was 11.3% (previous year: 10.2%).

Judgments by Management

No accounting policies were applied and related options were exercised in the consolidated financial statements that differ from those in prior years and that, if applied or exercised differently, would have had a material effect on the results of operations, balance sheet structure, and financial position. Information on the effects of the use of estimates, assumptions, and judgments by management can be found in the notes to the consolidated financial statements.

Research and Development

Beiersdorf.com/
Research

see
Chart 38

Intensive research is one of the keys to Beiersdorf's success. Groundbreaking innovations have allowed us to build a strong international position. In the Consumer business segment, we are working to meet the needs of the individual markets and are developing forward-looking products that are tailored to different consumer wishes and that offer excellent quality and outstanding tolerance. At tesa, we are focusing on developing environmentally friendly, solvent-free products and processes.

940 people were employed in this area worldwide (previous year: 868), 575 (previous year: 551) of whom were in the Consumer business segment and 365 (previous year: 317) at tesa.

Consumer

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.

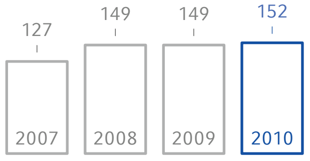
The research performed in the Consumer business segment in fiscal year 2010 continued to focus on our core area, skin. Improving our understanding of the biological processes taking place in skin enables Beiersdorf's researchers to ensure targeted product development. For example, recent findings have 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 clear 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

38 **R&D Expenses (in € million)**
(R&D = Research & Development)



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.

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 DNAge 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 100%, 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 wash, 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. The most important product launches included the La Prairie White Caviar Illuminating Système series and the SBT Age Care Firming Cream.

The La Prairie White Caviar Illuminating Système series combines the firming effects of caviar with lightening agents. The collection is based on two major innovations:

- **Golden Imperial Caviar Extracts**, which are especially rich in omega-3 fatty acids and are derived from carefully regulated, farmed sources that respect the environment.
- **La Prairie's Clarifying Whitening Complex**.

The SBT Age Care Firming Cream offers a unique combination of two other innovations:

- **CCP, Cell Culture Phase**, the unique nutrition phase for SBT care products.
- **IDP-2**, an innovative latest-generation peptide that firms the skin and helps to protect it against signs of aging.

tesa

Solvent-free Adhesives

The development of environmentally friendly, solvent-free adhesive masses and production processes continues to be at the heart of tesa's research and development. In fiscal year 2010, we commissioned a new plant for the solvent-free coating of high-performance double-sided adhesive tape. The procedure opens the door to attractive uses in a variety of industrial sectors. For example, the new technology allows us to produce double-sided tape for outdoor mounting, such as for mounting signs, solar module components, and for automobile emblems and trimming elements. The new procedure is also being used for products that are assembled in the electronics industry, such as for the construction of LCD television frames. The first products have already been launched on the market and others are currently being tested by customers worldwide.

Special Products for Maximum Precision

New processes for manufacturing special products requiring maximum precision, transparency, and absence of particles are another research and development focus. The clean room facility at our Hamburg plant developed new procedures for manufacturing adhesive masses and coating that enable the production of optically clear adhesive films, among other things. We are also working on a special procedure for extremely precise coatings with adhesive masses such as are used in diagnostic strips.

tesa has also developed and started large-scale production of high-performance adhesive masses that allow plate mounting tapes for the paper and print industry to be matched even better to specific printer requirements.

The use of renewable and recycled raw materials in products for consumers allows the increasing sustainability requirements for industrialized adhesive tape production to be met.

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, both in the Consumer business segment and at tesa. 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.

Sustainability. Beiersdorf.com

Consumer

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.

Sustainability. Beiersdorf.com/ Environmental_ Protection

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 in the Consumer business segment 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.

Sustainability.
Beiersdorf.com/
Society

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’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.

tesa

Significant Progress in Environmental Protection

We continued to make substantial progress in implementing our environmental program in fiscal year 2010. Since the beginning of 2007, for example, we have reduced VOC (volatile organic compound) emissions materially. To save even more energy, we installed a new and highly efficient ventilation system in the building in Hamburg that houses our central research and development department. The new system is supported by the city of Hamburg as part of its eco-partnership and will allow us to clearly reduce CO_2 emissions.

In the occupational safety area, we continued our positive trend of recent years and further reduced the number of days lost due to accidents at work, helped by the systematic implementation of our global occupational safety management activities. The key measures are regular inspections of facilities worldwide, the harmonization of safety standards at a high level, and local training on specific safety issues. We successfully integrated the Converting Center, that was opened in Chennai, India in June into this process right from the start.

In-depth Corporate Citizenship Activities

In 2010, tesa again took part in numerous projects that meet the criteria laid down in its “tesa Corporate Giving Policy.” We focused mainly on helping disadvantaged children and young people by providing donations and sponsorship, and by doing voluntary work. To ensure a long-term approach, we continued and expanded on our activities from the previous year. For example, additional employees signed up to mentor schoolchildren under the “MENTOR – die Leselernhelfer Hamburg e.V.” initiative. The association, which we have supported since 2009, was awarded the Deutsche Vorlese-Preis by reading promotion group Stiftung Lesen in the year under review.

We also took part in the “Das macht Schule e.V.” initiative. This association brings together schools and companies in projects to renovate and design schools that are then implemented by schoolchildren and teachers together with employees from the companies involved. tesa employees helped renovate classrooms in Hamburg in five joint projects.

tesa.com/
Responsibility

In addition, employees at our Polish affiliate took part in projects at a school for deaf-mute children. Among other things, they organized a sports competition and a party at the beginning of the school year, and helped build a special playground. The affiliate also assists the institution with donations and teaching support. All tesa’s activities are documented in an annual report that is available at www.tesa.com/responsibility.

Employees

High Employment Level

On December 31, 2010, the Beiersdorf Group employed 19,128 people worldwide (previous year: 20,346). 5,966 people, or 31.2%, were employed in Germany. At the end of the fiscal year, 15,506 people worked in the Consumer business segment (previous year: 16,648). The tesa business segment accounted for 3,622 staff (previous year: 3,698).

see
Chart 39
Chart 40

Consumer

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. Large parts of the Consumer business segment were 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.

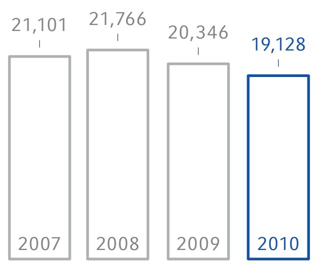
In addition to the reorganization of Beiersdorf's Consumer business, two other human resources issues took center stage in 2010: the optimization of performance-based pay and the development of junior staff.

Remuneration Linked More Strongly to Performance

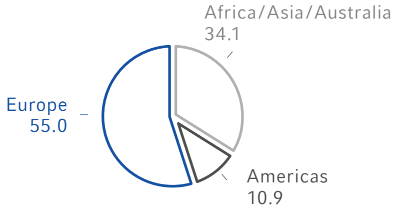
Ensuring employees receive fair remuneration that encourages performance and enabling them to share in the Company's success are key components of Beiersdorf's human resources policy, as they play a major part in improving commitment and motivation. As part of the implementation of the enhanced Consumer 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.

39 **Group Employees**
as of Dec. 31



40 **Employees by Region (in %)**
as of Dec. 31, 2010; total 19,128 employees



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 highly 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. As of December 31, 2010, Beiersdorf employed a total of 519 vocational trainees worldwide.

In addition to the "BEYOND BORDERS" trainee program, Beiersdorf partners with universities to establish and maintain contact with highly qualified students early on. Our global "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.

tesa

Rapid Capacity Adjustment

The rapid economic recovery in almost all countries was the main factor affecting human resources activities in the tesa business segment in 2010. After short-time working and reductions in working hours were discontinued at the end of 2009, we ensured that capacities were quickly adjusted to reflect increasing capacity utilization at our production plants in the year under review.

Qualifications are Extremely Important

We not only implemented in full the qualification programs for our workforce, we also enhanced them. For example, sales employee training was expanded to include new functions and was intensified in all countries. New modules are being planned. Since many sales employees have taken part in various courses over the past four years, the training focus is now increasingly shifting more towards applying what has been learned in their day-to-day sales work.

Together with the Rotterdam School of Management at the Erasmus University Rotterdam (the Netherlands), we launched an international management development program that is specifically tailored to tesa. It offers management personnel the opportunity to familiarize themselves with modern management methods, both in theory and at a practical level, in projects. Participants are supported by faculty members and experienced management from our company.

A Word of Thanks to Our Employees.

The Executive Board would like to thank all employees in the Consumer business segment and at tesa for their flexibility and their hard work.

In fiscal year 2010, the Company underwent substantial restructuring that required staff to be willing to change and that also caused uncertainty. This would have been much more difficult if it had not been for the commitment shown by our employees. Having a highly motivated workforce is essential to Beiersdorf's renewed successful development in the future.

Risk Report

Integrated Risk and Opportunity Management

Annual_Report.
Beiersdorf.com

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 consolidated financial statements and the Group management report. This integral element of the consolidated 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 Group accounting data. Procedural instructions, standardized reporting formats, and IT-based reporting and consolidation processes support Group accounting and financial reporting for the companies included in the consolidated financial statements.

Beiersdorf Shared Services GmbH provides uniform processing of the core accounting processes at Beiersdorf AG and a majority of its European affiliates. The basic principles and processes and the reporting structure for Group 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 the Group's Risk Situation

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

Report by the Executive Board on Dealings Among Group Companies

see **page 127ff.**

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 § 315 (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.

Change in the Presentation of Sales and Marketing Costs as of 2011

Under IFRSs, there are as yet no concrete requirements on how to present expenses for consideration payable to trading partners for services supplied. As a result, no uniform accounting practices for reporting these expenses in the statement of income have been established. However, a trend can be observed in the consumer goods industry towards presenting these expenses as a sales reduction. In June 2010, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) released a joint exposure draft "Revenue from Contracts with Customers." This exposure draft addresses revenue recognition and, among other things, is designed to govern the presentation of expenses for consideration payable to trading partners for services supplied. In view of this development and the clarification of presentation, Beiersdorf Group will voluntarily change its policy for accounting for these expenses. Effective January 1, 2011, expenses for consideration payable to trading partners will no longer be presented in marketing and selling expenses, but will rather be deducted from sales revenue in those cases where the consideration is not matched by a distinct good or service supplied whose fair value can be estimated reliably.

The prior-period (2010) comparatives will be adjusted in the 2011 financial reports, which will reduce the reported 2010 sales by approximately 10% and marketing and selling expenses by the same absolute amount. These changes will only impact sales and marketing and selling expenses, and will not impact EBIT, net income, earnings per share, the balance sheet, or the cash flow statement. All sales-related ratios will also change.

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.

We believe that the positive trend on the global adhesive tape market will continue, albeit in a more moderate form. Asia, Latin America, and Eastern Europe will continue to record the highest growth. We predict that growth in Western Europe will be moderate overall; in contrast, the North American automotive industry will remain a strong growth driver, albeit a more uncertain one.

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.

In 2011, the **Group** aims to match its 2010 sales, while in 2012 it expects to see renewed sales growth. The EBIT margin from operations at Group level will be below the prior-year figure in 2011, but is expected to increase again the following year.

Sales growth in the **Consumer** business segment will be significantly affected by the plans to streamline the product range. However, sales growth in our core areas is expected to more or less offset the effects caused by the streamlining of our product range. As a result, sales in the business segment should be on a par with 2010 levels. The EBIT margin from operations will not match the prior-year level. However, it should rise again in 2012.

tesa anticipates that its sales growth in both customer segments will be slightly in excess of the market in the coming years. Its sustained high innovation rate and continued investments in research & development, marketing, and sales are sustainably strengthening its overall market position. The measures initiated in 2009 have now been completed and are fully effective. On this basis, we expect earnings to improve slightly on 2010.

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

€696 million
2008

€587 million
2009

€699 million
2010

(Operating Result / EBIT excluding special factors)
– 2008 – 2010 –

Chapter

04
Consolidated Financial Statements

Chapter

04 Consolidated Financial Statements

Beiersdorf Annual Report 2010

Consolidated financial statements are the annual financial statements of a group. The consolidated financial statements are prepared by consolidating the annual financial statements – that were prepared using unique methods – of the individual companies belonging to the group.

Contents

Consolidated Income Statement

(in € million)

	Note	2009	2010
Sales	**01**	**5,748**	**6,194**
Costs of goods sold		–1,882	–2,016
Gross profit		**3,866**	**4,178**
Marketing and selling expenses	02	–2,766	–2,959
Research and development expenses		–149	–152
General and administrative expenses	03	–283	–278
Other operating income	04	94	86
Other operating expenses	05	–175	–292
Operating result (EBIT)		**587**	**583**
Interest income	06	21	19
Interest expense	06	–15	–13
Net pension result	06	–2	–6
Other financial result	06	–8	–30
Financial result	**06**	**–4**	**–30**
Profit before tax		**583**	**553**
Taxes on income	07	–203	–227
Profit after tax		**380**	**326**
Profit attributable to equity holders of Beiersdorf AG		374	318
Profit attributable to minority interests	08	6	8
Basic/diluted earnings per share (in €)	**09**	**1.65**	**1.40**

Statement of Comprehensive Income

(in € million)

	2009	2010
Profit after tax	**380**	**326**
Remeasurement gains and losses on cash flow hedges	–38	–6
Deferred taxes on remeasurement gains and losses on cash flow hedges	16	2
Remeasurement gains and losses on cash flow hedges recognized in other comprehensive income	–22	–4
Remeasurement gains and losses on available-for-sale financial assets	2	–
Deferred taxes on remeasurement gains and losses on available-for-sale financial assets	–1	–
Remeasurement gains and losses on available-for-sale financial assets recognized in other comprehensive income	1	–
Exchange differences	27	128
Other comprehensive income net of tax	**6**	**124**
Total comprehensive income	**386**	**450**
Of which attributable to		
– Equity holders of Beiersdorf AG	380	440
– Non-controlling interests	6	10

Consolidated Balance Sheet

(in € million)

Assets	Note	Dec. 31, 2009	Dec. 31, 2010
Intangible assets	11	382	306
Property, plant, and equipment	12	725	716
Non-current financial assets		10	10
Other non-current assets		2	2
Deferred tax assets		58	76
Non-current assets		**1,177**	**1,110**
Inventories	13	561	632
Trade receivables	14	906	1,001
Other current financial assets		91	72
Income tax receivables		41	63
Other current assets		96	112
Securities	15	955	1,132
Cash and cash equivalents	16	767	973
Current assets		**3,417**	**3,985**
		4,594	**5,095**

Equity and liabilities	Note	Dec. 31, 2009	Dec. 31, 2010
Share capital	18	252	252
Additional paid-in capital	21	47	47
Retained earnings	22	2,450	2,609
Accumulated other consolidated income		–123	–1
Equity attributable to equity holders of Beiersdorf AG		**2,626**	**2,907**
Non-controlling interests		10	13
Equity	28	**2,636**	**2,920**
Provisions for pensions and other post-employment benefits	25	221	209
Other non-current provisions	26	138	117
Non-current financial liabilities	27	7	8
Other non-current liabilities	27	5	5
Deferred tax liabilities	07	161	155
Non-current liabilities		**532**	**494**
Other current provisions	26	391	486
Income tax liabilities		107	126
Trade payables	27	699	863
Other current financial liabilities	27	158	135
Other current liabilities	27	71	71
Current liabilities		**1,426**	**1,681**
		4,594	**5,095**

Consolidated Cash Flow Statement

(in € million)

	2009	2010
Operating result (EBIT)	**587**	**583**
Income taxes paid	–205	–247
Depreciation and amortization	135	221
Change in non-current provisions (excluding interest)	–9	–38
Gain/loss on disposal of property, plant, and equipment, and intangible assets	–1	–1
Gross cash flow	**507**	**518**
Change in inventories	73	–71
Change in receivables and other assets	–2	–52
Change in liabilities and current provisions	–12	225
Net cash flow from operating activities	**566**	**620**
Investments	–125	–96
Proceeds from divestments and the sale of non-current assets	12	12
Payments for the purchase of securities	–804	–814
Proceeds from the sale of securities	751	634
Interest received	18	20
Proceeds from dividends and other financing activities	18	16
Net cash flow from investing activities	**–130**	**–228**
Free cash flow	**436**	**392**
Proceeds from loans	75	143
Loan repayments	–109	–152
Interest paid	–15	–6
Other financing expenses paid	–26	–31
Cash dividends paid (Beiersdorf AG)	–204	–159
Cash dividends paid (non-controlling interests)	–6	–7
Net cash flow from financing activities	**–285**	**–212**
Effect of exchange rate fluctuations on cash held	3	26
Net change in cash and cash equivalents	**154**	**206**
Cash and cash equivalents as of Jan. 1	**613**	**767**
Cash and cash equivalents as of Dec. 31	**767**	**973**

Statement of Changes in Equity

(in € million)

	Share capital	Additional paid-in capital	Retained earnings*	Accumulated other consolidated income: Currency translation adjustment	Accumulated other consolidated income: Hedging instruments from cash flow hedges	Accumulated other consolidated income: Available-for-salbe financial assets	Total attributable to equity holders	Non-controlling interests	Total
Jan. 1, 2009	**252**	**47**	**2,280**	**–154**	**21**	**4**	**2,450**	**10**	**2,460**
Total comprehensive income for the period	–	–	374	27	–22	1	380	6	386
Dividend of Beiersdorf AG for previous year	–	–	–204	–	–	–	–204	–	–204
Dividend of non-controlling interests for previous year	–	–	–	–	–	–	–	–6	–6
Dec. 31, 2009	**252**	**47**	**2,450**	**–127**	**–1**	**5**	**2,626**	**10**	**2,636**
Jan. 1, 2010	**252**	**47**	**2,450**	**–127**	**–1**	**5**	**2,626**	**10**	**2,636**
Total comprehensive income for the period	–	–	318	126	–4	–	440	10	450
Dividend of Beiersdorf AG for previous year	–	–	–159	–	–	–	–159	–	–159
Dividend of non-controlling interests for previous year	–	–	–	–	–	–	–	–7	–7
Dec. 31, 2010	**252**	**47**	**2,609**	**–1**	**–5**	**5**	**2,907**	**13**	**2,920**

* The cost of treasury shares amounting to €955 million has been deducted from retained earnings.

Consolidated Segment Reporting

(in € million)

Business segments 2010		Consumer	tesa	Group
Net sales		5,321	873	6,194
Change (nominal)	(in %)	6.2	18.4	7.8
Change (adjusted for currency translation effects)	(in %)	1.6	13.3	3.1
Share of Group sales	(in %)	85.9	14.1	100.0
EBITDA		668	136	804
Operating result (EBIT)		483	100	583
As % of sales		9.1	11.4	9.4
Operating result (EBIT, excluding special factors)*		599	100	699
As % of sales		11.3	11.4	11.3
Gross operating capital		2,262	513	2,775
Operating liabilities		1,383	177	1,560
EBIT return on net operating capital	(in %)	54.9	29.5	47.9
Gross cash flow		424	94	518
Capital expenditure		63	33	96
Depreciation and amortization		106	36	142
Impairment losses on trademarks and goodwill		79	–	79
Research and development expenses		114	38	152
Employees	(as of Dec. 31, 2010)	15,506	3,622	19,128

* Excluding special factors (please refer to page 60).

Business segments 2009		Consumer	tesa	Group
Net sales		5,011	737	5,748
Change (nominal)	(in %)	–2.2	–12.8	–3.7
Change (adjusted for currency translation effects)	(in %)	–1.0	–12.2	–2.6
Share of Group sales	(in %)	87.2	12.8	100.0
EBITDA		654	68	722
Operating result (EBIT)		558	29	587
As % of sales		11.1	3.9	10.2
Gross operating capital		2,237	477	2,714
Operating liabilities		1,175	160	1,335
EBIT return on net operating capital	(in %)	52.6	9.1	42.6
Gross cash flow		440	67	507
Capital expenditure		84	41	125
Depreciation, amortization, and impairment losses		96	39	135
Research and development expenses		116	33	149
Employees	(as of Dec. 31, 2009)	16,648	3,698	20,346

(in € million)

Regions 2010		Europe	Americas	Africa/Asia/ Australia	Group
Net sales		3,843	1,030	1,321	6,194
Change (nominal)	(in %)	2.0	21.0	16.9	7.8
Change (adjusted for currency translation effects)	(in %)	–0.2	15.4	4.7	3.1
Share of Group sales	(in %)	62.1	16.6	21.3	100.0
EBITDA		661	90	53	804
Operating result (EBIT)		555	78	–50	583
As % of sales		14.4	7.6	–3.8	9.4
Operating result (EBIT, excluding special factors)*		589	78	32	699
As % of sales		15.3	7.6	2.4	11.3
Gross operating capital		1,746	427	602	2,775
Operating liabilities		1,053	187	320	1,560
EBIT return on net operating capital	(in %)	78.0	32.2	–13.0	47.9
Gross cash flow		432	62	24	518
Capital expenditure		72	8	16	96
Depreciation and amortization		106	12	24	142
Impairment losses on trademarks and goodwill		–	–	79	79
Research and development expenses		148	1	3	152
Employees	(as of Dec. 31, 2010)	10,523	2,086	6,519	19,128

* Excluding special factors (please refer to page 60).

Regions 2009		Europe	Americas	Africa/Asia/ Australia	Group
Net sales		3,767	851	1,130	5,748
Change (nominal)	(in %)	–7.9	2.3	7.6	–3.7
Change (adjusted for currency translation effects)	(in %)	–4.9	2.6	2.4	–2.6
Share of Group sales	(in %)	65.5	14.8	19.7	100.0
EBITDA		640	31	51	722
Operating result (EBIT)		535	20	32	587
As % of sales		14.2	2.4	2.8	10.2
Gross operating capital		1,765	358	591	2,714
Operating liabilities		910	152	273	1,335
EBIT return on net operating capital	(in %)	62.6	10.0	9.9	42.6
Gross cash flow		477	10	20	507
Capital expenditure		93	13	19	125
Depreciation, amortization, and impairment losses		105	11	19	135
Research and development expenses		146	1	2	149
Employees	(as of Dec. 31, 2009)	10,741	2,152	7,453	20,346

Significant Accounting Policies

Information on the Company and on the Group

The registered office of Beiersdorf AG is at Unnastrasse 48 in Hamburg (Germany) and the Company is registered with the commercial register of the Hamburg Local Court under the number HRB 1787. The ultimate parent of the Company is maxingvest ag, Hamburg (Germany).

The activities of Beiersdorf AG and its affiliates ("Beiersdorf Group") consist primarily of the manufacture and distribution of branded consumer goods in the area of skin and body care, and of the manufacture and distribution of technical adhesive tapes.

The consolidated financial statements of Beiersdorf AG for the fiscal year from January 1 to December 31, 2010 were prepared by the Executive Board on February 8, 2011 and subsequently submitted to the Supervisory Board for examination and approval.

General Principles

The consolidated financial statements of Beiersdorf AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under § 315a (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*). All IFRSs and IFRICs endorsed by the European Commission and required to be applied as of December 31, 2010 were applied.

The consolidated financial statements were prepared using the historical cost convention. Exceptions to this rule relate to financial instruments assigned to the "available for sale" and "at fair value through profit or loss" category and derivative financial instruments, which are all measured at fair value where such fair value can be reliably determined.

The consolidated income statement was prepared using the cost of sales method. Individual line items have been summarized in the income statement and the balance sheet to aid clarity of presentation. These items are disclosed and explained separately in the notes.

Estimates and Assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. Such estimates and assumptions reflect all currently available information. Significant estimates and assumptions were made in particular in relation to the following accounting policies: the impairment of goodwill and indefinite-lived intangible assets (Note 11 "Intangible Assets"), write-downs of doubtful receivables (Note 14 "Trade Receivables"), the parameters for the actuarial computation of the expenses for defined benefit plans as well as the present value of pension commitments (Note 25 "Provisions for Pensions and Other Post-Employment Benefits"), the determination of the amount of eligible deferred tax assets (Note 7 "Income Taxes"), and the calculation of other provisions (Note 26 "Other Provisions"). Furthermore, estimates and assumptions are made in particular when determining the useful lives of intangible assets and property, plant, and equipment that are tested annually for impairment, and when measuring inventories.

Actual amounts may differ from these estimates. Changes are recognized in profit or loss when more recent knowledge becomes available.

Consolidation Principles

Acquisition accounting uses the purchase method, under which the cost of the business combination is allocated to the identifiable assets acquired and identifiable liabilities and contingent liabilities assumed, measured at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair values of identifiable assets, liabilities, and contingent liabilities is recognized as goodwill.

Profit and equity of subsidiaries attributable to non-controlling interests are presented separately in the consolidated income statement and as a component of equity in the consolidated balance sheet. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a negative balance. In the case of successive purchases of the shares of subsidiaries, the difference between the cost of the new shares and the non-controlling interests previously recognized in the Group for these shares is recognized in other comprehensive income. In a business combination in stages, the effects from acquisition-date fair value remeasurements of previously held equity interest in the acquiree are recognised in the statement of income. An adjustment of a contingent consideration is recognised in the statement of income.

All intercompany balances, transactions, income, and expenses, and gains and losses on intragroup transactions that are contained in the carrying amounts of assets, are eliminated in full.

Currency Translation

The consolidated financial statements have been prepared in euros. The euro is Beiersdorf AG's functional and presentation currency. Unless otherwise indicated, all amounts are rounded to millions of euros (€ million). Each company in the Group defines its own functional currency. As the foreign subsidiaries operate as financially, economically, and organizationally independent entities, their functional currency is always the local currency. The items contained in the financial statements of the company concerned are measured using this functional currency. Foreign currency transactions are initially translated from the foreign currency into the functional currency at the spot rate at the transaction date. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate at the transaction date. Exchange differences from the translation of monetary items are recognized in income. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate.

At the balance sheet date, the assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate. Income and expenses are translated at average exchange rates for the fiscal year. Exchange differences arising on this are recognized as a separate component of equity.

The following tables show the development of the exchange rates of the currencies material to the consolidated financial statements:

Exchange Rate Changes (1 € =)

		Average rates	
	ISO Code	2009	**2010**
Swiss franc	CHF	1.5076	1.3700
Chinese yuan	CNY	9.5370	8.9277
Pound sterling	GBP	0.8900	0.8560
Japanese yen	JPY	130.6283	115.2592
Polish zloty	PLN	4.3469	4.0049
US dollar	USD	1.3963	1.3207

Exchange Rate Changes (1 € =)

		Closing rates	
	ISO Code	2009	**2010**
Swiss franc	CHF	1.4836	1.2504
Chinese yuan	CNY	9.8350	8.8220
Pound sterling	GBP	0.8881	0.8608
Japanese yen	JPY	133.1600	108.6500
Polish zloty	PLN	4.1045	3.9750
US dollar	USD	1.4406	1.3362

Changes in Accounting Policies

The accounting policies correspond to those applied in the previous year. The following standards were required to be applied for the first time in the fiscal year:

- IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations"
  (as from/after July 1, 2009)
  The new standards provide option to measure non-controlling interests at their fair value or at their proportionate share of the identifiable net assets. Changes in the ownership interest that do not result in a loss of control are accounted for in equity; changes that result in a loss of control are recognized in profit or loss. Acquisition-related costs will are accounted as expenses.
- "Annual Improvement Project 2009"
  (as from/after January 1 or July 1, 2010)
  This resulted in 15 amendments to twelve existing IFRSs. The idea behind the Annual Improvement project is to make necessary but non-urgent amendments to existing IFRSs that are not implemented in other major projects.

With the exception of extended disclosure requirements there were no material effects on the consolidated financial statements from the first-time application of the revised standards in fiscal year 2010. Further changed respecitely new standards and interpretations, that were also required to be applied for in the fiscal year 2010, did not have an impact on the consolidated financial statements.

The following Standards and Interpretations relevant for the Beiersdorf Group's business operations have been issued as of December 31, 2010, but are not yet required to be applied for the fiscal year then ended:

- IFRS 9 "Financial Instruments: Classification and Measurement" (as from/after January 1, 2013)
  The Standard contains primarly rules on classifying financial assets (for which there will only be two measurement categories in future instead of four) and financial liabilities. In addition the new rules change the measurement of financial liabilities that are designated to the so called Fair-Value-Option.
- IFRS 7 "Financial Instruments: Disclosure"
  (as from/after July 1, 2011)
  The extended rules should provide improved disclosures regarding the nature and risk of transactions that are conducted to tranfer assets.
- "Annual Improvement Project 2010"
  (as from/after January 1 or July 1, 2011)
  This project comprises amendments to six IFRSs and one IFRIC. The idea behind the Annual Improvement Project is to make non-urgent but necessary amendments to existing IFRSs that are not implemented in other major projects.

These Standards will be applied at the latest in the year in which they are first required to be applied. The effects of IFRS 9 are currently still being analyzed. With the exception of additional or modified disclosure requirements, we do not expect any material effects on the consolidated financial statements from the the first-time application of the "Annual Improvement Project 2010." and the cahnges to IFRS 7.

Significant Accounting Policies

Sales are recognized when goods and products are delivered and the significant risks and rewards incidental to ownership have been transferred to the buyer. Discounts, customer bonuses, and rebates are deducted from sales. The existence of return rights is reflected in the recognition and measurement of sales.

Cost of goods sold comprises the cost of internally produced goods sold and the purchase price of merchandise sold. The cost of internally produced goods includes directly attributable costs such as the cost of direct materials, direct labor, and energy costs, as well as production overheads, including depreciation of production facilities. The cost of goods sold includes write-downs of inventories.

Marketing and selling expenses comprise the cost of marketing, the sales organization, and distribution logistics. Marketing expenses include expenses for benefits to trading partners for provided services. This item also includes write-downs of trade receivables.

Research costs are recognized in profit or loss for the period. Development costs for new products are not capitalized as their expected future economic benefits cannot be measured reliably. Until the products are market-ready, there is no reliable evidence that positive cash flows will be generated. Other development costs (especially for information systems) are capitalized if an asset can be identified that will generate economic benefits in the future in the form of savings or synergies.

Purchased **intangible assets** such as patents, trademarks, and software are measured at cost. The carrying amounts of finite-lived intangible assets are generally reduced by straight-line amortization over their expected useful lives. The useful lives, residual values, and amortization methods are reviewed regularly. Goodwill and indefinite-lived intangible assets are not amortized.

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually. The following useful lives are generally applied to the depreciation of items of property, plant, and equipment:

Useful Lives of Property, Plant, and Equipment

Production buildings	25 to 33 years
Other buildings	10 to 25 years
Technical equipment and machinery	5 to 15 years
Vehicles	4 years
Office and other equipment	3 to 15 years

Production costs of internally manufactured items of property, plant, and equipment are calculated on the basis of attributable direct costs plus an appropriate share of production-related overheads. Interest on borrowings is recognized as current expense where this does not relate to the production of qualifying assets. Repair and maintenance costs for property, plant, and equipment are also expensed as incurred. Substantial renewals or enhancements that materially increase production capacity or significantly extend the economic life of an asset are capitalized. Correspondingly, components that were previously capitalized and have been replaced by new expenditures to be capitalized are accounted for as disposals. Government grants and subsidies reduce historical cost.

Goodwill and indefinite-lived intangible assets are **tested for impairment** at least once a year; such impairment tests are only conducted for finite-lived intangible assets and property, plant, and equipment if there are indications of impairment. An impairment loss is recognized in profit or loss if the recoverable amount of the asset is lower than its carrying amount. Recoverable amount is identified separately for each asset. If an asset does not generate cash inflows that are largely independent from other assets, recoverable amount is identified on the basis of a group of assets designated as the cash-generating unit. Recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Value in use is calculated on the basis of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life, using the discounted cash flow method. Cash flows are derived from the business plans and reflect current developments. They are discounted to the date of the impairment test using capitalization rates for equivalent risks.

If the reasons for an impairment test recognized in previous years no longer apply, the impairment loss (except for goodwill) is reversed up to a maximum of amortized cost.

Inventories are carried at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is measured using the average cost method. Production cost is calculated as the direct costs plus an appropriate allocation of materials and production overheads, as well as production-related depreciation. It also includes the proportionate costs of company pension arrangements and voluntary social benefits, as well as production-related administrative expenses.

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. Financial assets and financial liabilities are measured at fair value on initial recognition. At Beiersdorf, the financial instruments are allocated to the "loans and receivables" (LaR), "available for sale" (AfS), "held to maturity" (HtM), "other financial liabilities" (OFL), and "at fair value through profit or loss" (FVPL) categories. In accordance with IAS 39, derivative financial instruments used for hedges are not assigned to a separate category; within the Beiersdorf Group, they are subsumed under "derivative financial instruments" (DFI).

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are carried at amortized cost using the effective interest method.

Financial assets available for sale are those non-derivative financial assets that do not fall under other categories and that were classified as "available for sale." They are measured at fair value. The resulting gains and losses are recognized in other comprehensive income. When these financial assets are sold or written down for impairment, the cumulative gains and losses recognized in other comprehensive income are recognized in the income statement. They are measured on the basis of corresponding market prices or by applying appropriate valuation methods. Financial investments in equity instruments for which there is no active market and whose fair value cannot be reliably determined are measured at historical cost.

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. They are carried at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss are structured financial instruments for which the Beiersdorf Group has chosen to exercise the fair value option. The use of this option produces more relevant information and reduces the complexity of assessment.

Financial assets are tested for **impairment** as of each reporting date. Any impairment established or appreciation in value in following periods is generally recognized immediately in profit or loss. For financial assets available for sale, an impairment loss is only recognized in the case of significant or permanent impairment. Reversals of impairment losses on equity instruments are recognized directly in other comprehensive income. Appropriate valuation allowances are charged for identifiable risks relating to trade receivables and other financial assets that are classified as "loans and receivables." The estimated valuation allowance on receivables is based primarily on the results of previous payment behavior and reflects the age structure, any substantial deterioration in creditworthiness, or a high probability of debtor insolvency, as well as changes in the political and macroeconomic environment.

Other financial liabilities are carried at amortized cost using the effective interest method after their initial recognition. Gains and losses resulting from amortization using the effective interest method and from derecognition of liabilities are recognized in income. Liabilities with remaining contractual maturities of more than one year are classified as non-current.

Financial assets and financial liabilities are **derecognized** when control is lost of the contractual rights or the obligation specified in the contract is discharged, cancelled, or expired.

The Beiersdorf Group uses **derivative financial instruments** to manage current and future currency risks. The instruments concerned are mainly currency forwards. Derivative financial instruments are recognized at fair value. They are reported in the balance sheet in other financial assets or other financial liabilities.

The recognition of changes in the fair values of derivative financial instruments depends on whether these instruments are used as hedging instruments and meet the criteria for hedge accounting under IAS 39. If the criteria are not met, despite the existence of an economic hedge, changes in the fair values of derivative financial instruments are recognized immediately in profit or loss.

Derivatives classified as fair value hedges are measured at their fair value. Any resulting changes in fair value are recognised in profit or loss. The carrying amount of the hedged asset or liability is adjusted for the changes in fair value attributable to the hedged risk. Gains or losses resulting from changes in fair value are recognised in profit or loss for the period.

For derivative financial instruments which are designated as hedging instruments and qualify for hedging accounting as a cash flow hedge, the effective portion of the change in the fair value is recognized in other comprehensive income, net of the related tax effect. The ineffective portion is recognized in profit or loss. When the hedged item (underlying) is settled, the effective portion is also recognized in the income statement.

The **fair value of financial instruments** is determined on the basis of corresponding market prices or the application of suitable valuation techniques. The fair value of financial instruments carried at amortized cost is determined on the basis of the expected future cash flows, using the benchmark interest rates for matching risk and maturities at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of the forward exchange rates, using the benchmark interest rates at the balance sheet date for matching risk and maturities.

Non-current assets and disposal groups held for sale and directly associated provisions and liabilities are presented as separate items in the balance sheet if their sale is probable and they are available for immediate sale in their present condition. Non-current assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell.

Pension provisions under defined contribution plans are recorded in the income statement. Those under defined benefit plans are calculated using the projected unit credit method. The expected benefits are spread over the entire length of service of the employees. The actuarial computation of pension provisions is based on market rates of interest as well as projected wage/salary and pension increases, and staff turnover trends.

Measurement is governed by the country-specific conditions. The amount recognized as provisions for pensions contains the sum of the present values of defined benefit obligations and the net cumulative unrecognized actuarial gains and losses, less not yet recognized past service cost and the fair value of plan assets available for immediate settlement of obligations.

Actuarial gains and losses are recognized if they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. The amounts exceeding 10% are amortized over the average remaining working lives of the employees beginning in the following year. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

Other provisions take account of all identifiable future payment obligations, risks, and uncertain obligations of the Group resulting from current legal or constructive obligations arising from past events where the amount of the obligation can be measured reliably. Such other provisions are mainly due within one year. Non-current provisions expected to be settled after more than one year are discounted as far as the interest effect is material.

Provisions for partial retirement arrangements are accounted for as obligations arising from termination benefits in the consolidated financial statements. They are recognized at the present value of the expected future additional payments. Measurement of the provisions reflects the partial retirement arrangements agreed with the employees.

Provisions are recognized for restructurings if there is a detailed formal restructuring plan and there is a valid expectation on the part of those affected that the restructurings will be implemented. Measurement of restructuring provisions only includes expenses that are necessarily entailed by the restructuring and are not associated with the ongoing activities of the entity.

Current **income tax** assets and liabilities for current and future periods are recognized at the expected amount. The tax rates and tax legislation enacted at the reporting date are used to calculate the amount.

Deferred taxes result from temporary differences between the tax base of assets and liabilities and their carrying amounts in the balance sheets of the Group companies, and from tax loss carryforwards. Deferred taxes are measured using the balance sheet liability method on the basis of the tax rates expected to be enacted in the individual countries when the temporary differences reverse. These rates are based on the legislation in force at the balance sheet date. No deferred taxes are recognized for differences arising on the initial recognition of assets and liabilities that are not the result of company acquisitions and do not affect either accounting or taxable profit.

Deferred taxes on temporary differences, tax loss carryforwards, and tax credits are recognized where it is probable that sufficient taxable profit will be available in future periods against which they can be utilized. Recognized deferred taxes are tested for recoverability every year. Income taxes relating to items recognized in other comprehensive income are not recognized in the income statement. Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authorities and are expected to be realized and settled in the same period.

Substantially all the risks and rewards incidental to ownership of the assets for which **leases** have been entered into and the Group is the lessee remain with the lessor. The leases are therefore classed as operating leases. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease as expenses for the period in the consolidated income statement.

Summary of Selected Measurement Polices

Balance sheet item	Measurement policy
Assets	
Goodwill	Lower of cost or recoverable amount
Other intangible assets	
indefinite-lived	Lower of cost or recoverable amount
finite-lived	(Amortized) cost
Property, plant, and equipment	(Amortized) cost
Financial assets	
"Loans and receivables"	(Amortized) cost
"Held to maturity"	(Amortized) cost
"Available for sale"	At fair value in other comprehensive income
"At fair value through profit or loss"	At fair value through profit or loss
Inventories	Lower of cost or net realizable value
Trade receivables	(Amortized) cost
Cash and cash equivalents	Nominal amount
Equity and liabilities	
Provisions	
Provisions for pensions and other post-employment benefits	Benefit obligation method
Other provisions	Settlement amount (best estimate)
Financial liabilities	(Amortized) cost
Trade payables	(Amortized) cost
Other liabilities	Settlement amount

Consolidated Group, Acquisitions, and Divestments

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 19 German and 145 international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly, and from whose activities it can derive economic benefits.

In the year under review, six companies that are included in the consolidated financial statements, were newly established.

Beiersdorf AG's shareholdings

Germany

Name of the Company	Registered Office	Equity Interest (in %)
Allgemeine Immobilien- und Verwaltungsgesellschaft m.b.H.	Baden-Baden	100.00
Juvena La Prairie GmbH	Baden-Baden	100.00
Juvena Produits de Beauté GmbH	Baden-Baden	100.00
La Prairie Group Deutschland GmbH	Baden-Baden	100.00
Beiersdorf Manufacturing Berlin GmbH	Berlin	100.00
Beiersdorf Beteiligungs GmbH	Gallin	100.00
GUHL IKEBANA GmbH	Griesheim	10.00
tesa Converting Center GmbH	Hamburg	100.00
Beiersdorf Customer Supply GmbH	Hamburg	100.00
Beiersdorf Manufacturing Hamburg GmbH	Hamburg	100.00
Beiersdorf Shared Services GmbH	Hamburg	100.00
IKEBANA-Kosmetik GmbH	Hamburg	100.00
Nivea Haus GmbH	Hamburg	100.00
Phanex Handelsgesellschaft mbH	Hamburg	100.00
Tape International GmbH	Hamburg	100.00
tesa Grundstücksverwaltungsges. mbH & Co. KG Hamburg	Hamburg	100.00
tesa SE	Hamburg	100.00
tesa Werk Hamburg GmbH	Hamburg	100.00
TRADICA Pharmazeutische GmbH	Hamburg	100.00
Ultra Kosmetik GmbH	Hamburg	100.00
tWH GmbH	Harrislee	100.00
tesa scribos GmbH	Heidelberg	100.00
Labtec Gesellschaft für technologische Forschung und Entwicklung mbH	Langenfeld	100.00
tesa-Werk Offenburg GmbH	Offenburg	100.00
tesa Etikettendruckerei GmbH	Stuttgart	100.00
Decenta Vertriebs GmbH	Waldheim	100.00
Florena Cosmetic GmbH	Waldheim	100.00

Western Europe

Name of the Company	Registered Office	Equity Interest (in %)
BEIERSDORF FINANCE SCS	BE, Bruxelles	100.00
SA Beiersdorf NV	BE, Bruxelles	100.00
SA tesa	BE, Bruxelles	100.00
tesa A/S	DK, Birkerød	100.00
Beiersdorf A/S	DK, Copenhagen	100.00
Beiersdorf Oy	FI, Kaarina	100.00
tesa Oy	FI, Turku	100.00
SODICOS S.A.S.	FR, Boulogne Cedex	100.00
Beiersdorf Holding France Sarl	FR, Paris	100.00
Beiersdorf s.a.s.	FR, Paris	99.89
tesa s.a.s.	FR, Savigny-le-Temple	100.00
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100.00
tesa tape A.E.	GR, Gerakas/Attikis	100.00
Beiersdorf UK Ltd.	GB, Birmingham	100.00
tesa UK Ltd.	GB, Milton Keynes	100.00
Tuck Tape Ltd.	GB, Milton Keynes	100.00
Beiersdorf Ireland Ltd.	IRL, Dublin	100.00
Beiersdorf ehf	IS, Reykjavik	100.00
Comet SpA	IT, Concagno Solbiate	100.00
Beiersdorf SpA	IT, Milano	100.00
La Prairie S.p.A.	IT, Milano	100.00
tesa SpA	IT, Vimodrone	100.00
tesa BV	NL, Almere	100.00
Guhl Ikebana Cosmetics B.V.	NL, Amsterdam	10.00
Beiersdorf Holding B.V.	NL, Baarn	100.00
Beiersdorf NV	NL, K.J. Baarn	100.00
Beiersdorf AS	NO, Oslo	100.00
tesa AS	NO, Oslo	100.00
Beiersdorf CEE Holding GmbH	AT, Vienna	100.00
Beiersdorf Ges mbH	AT, Vienna	100.00
Juvena Produits de Beauté GmbH	AT, Vienna	100.00
tesa GmbH	AT, Vienna	100.00
Beiersdorf Portuguesa, Limitada	PT, Queluz	100.00
tesa Portugal - Produtos Adhesivos, Lda.	PT, Queluz	100.00
Beiersdorf Aktiebolag	SE, Gothenburg	100.00
Beiersdorf Nordic Holding AB	SE, Gothenburg	100.00
tesa AB	SE, Kungsbacka	100.00
tesa Bandfix AG	CH, Bergdietikon	100.00
Beiersdorf AG	CH, Münchenstein	100.00
Juvena (International) AG	CH, Volketswil-Zurich	100.00
Laboratoires La Prairie AG	CH, Volketswil-Zurich	100.00
Beiersdorf S.A.	ES, Argentona	100.00
tesa tape S.A.	ES, Argentona	100.00
BDF Nivea S.A.	ES, Madrid	100.00
Produits de Beauté Juvena SA	ES, Madrid	100.00
Beiersdorf Manufacturing Tres Cantos SL	ES, Tres Cantos/Madrid	100.00

Beiersdorf Holding SL	ES, Tres Cantos/Madrid	100.00
Beiersdorf Manufacturing Argentona, S.L.	ES, Argentona	100.00
EBC Eczacibasi-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.S.	TR, Levent-Istanbul	50.00
tesa Bant Sanayi ve Ticaret A.S.	TR, Maslak-Istanbul	100.00

Eastern Europe

Name of the Company	Registered Office	Equity Interest (in %)
Beiersdorf Bulgaria EOOD	BG, Sofia	100.00
Beiersdorf OÜ	EE, Tallinn	100.00
Beiersdorf d.o.o.	HR, Zagreb	100.00
SIA Beiersdorf	LV, Riga	100.00
Beiersdorf UAB	LT, Vilnius	100.00
Beiersdorf Macedonia DOOEL	MK, Skopje	100.00
BDF-Nieruchomosci Spótka z.o.o.	PL, Poznán	100.00
Beiersdorf Manufacturing Poznán Sp. z.o.o.	PL, Poznán	100.00
NIVEA Polska sp. z o.o.	PL, Poznán	100.00
tesa tape sp. z.o.o	PL, Poznán	100.00
NIVEA Polska Sp.z.o.o.s.k.	PL, Poznán	100.00
Beiersdorf Romania SRL	RO, Bucuresti	100.00
tesa tape s.r.l.	RO, Cluj-Napoca	100.00
Beiersdorf OOO	RU, Moscow	100.00
tesa tape OOO	RU, Moscow	100.00
Beiersdorf d.o.o. Beograd	RS, Novi Beograd	100.00
Beiersdorf Slovakia, s.r.o.	SK, Bratislava	100.00
Beiersdorf d.o.o.	SI, Ljubljana	100.00
tesa tape posrednisto in trgovina d.o.o.	SI, Ljubljana	100.00
tesa tape s.r.o.	CZ, Prague	100.00
Beiersdorf spol. s r.o.	CZ, Prague	100.00
Beiersdorf Ukraine LLC	UA, Kiev	100.00
Beiersdorf Kft.	HU, Budapest	100.00
Tartsay Beruházó Kft.	HU, Budapest	99.66
tesa tape Ragasztószalag Termelö ès Kereskedelmi Kft.	HU, Budapest	100.00

North America

Name of the Company	Registered Office	Equity Interest (in %)
Beiersdorf Canada Inc.	CA, St. Laurent (Quebec)	100.00
tesa tape inc.	US, Charlotte, NC.	100.00
LaPrairie.com LLC	US, Edison	100.00
La Prairie, Inc.	US, New York	100.00
Beiersdorf North America Inc.	US, Wilton, CT.	100.00
Beiersdorf, Inc.	US, Wilton, CT.	100.00

Latin America

Name of the Company	Registered Office	Equity Interest (in %)
Beiersdorf S.A.	AR, Buenos Aires	100.00
tesa tape Argentina S.R.L.	AR, Buenos Aires	99.75
Beiersdorf S.R.L.	BO, Santa Cruz de la Sierra	100.00
tesa Brasil Limitada	BR, Curitiba, Parana	100.00
Beiersdorf Industria e Comercio Ltda.	BR, Itatiba - São Paulo	100.00
BDF NIVEA LTDA.	BR, São Paulo	100.00
Beiersdorf China Ltd.	VG, Tortola	100.00
Beiersdorf S.A.	CL, Santiago de Chile	100.00
tesa tape Chile S.A.	CL, Santiago de Chile	100.00
BDF Costa Rica, S.A.	CR, San José	100.00
Beiersdorf, S.R.L.	DO, Santo Domingo	100.00
Beiersdorf S.A.	EC, Quito	100.00
BDF El Salvador, S.A. de C.V.	SV, San Salvador	100.00
BDF Centroamérica, S.A.	GT, Guatemala City	100.00
tesa tape Centro América S.A.	GT, Guatemala City	100.00
Beiersdorf S.A.	CO, Bogota D.C.	100.00
tesa Tape Colombia Ltda.	CO, Cali - Valle	100.00
BDF México, S.A. de C.V.	MX, Mexiko City	100.00
BDF Corporativo, S.A. de C.V.	MX, Mexiko City	100.00
Technical Tape Mexico SA de C.V.	MX, Mexiko City	100.00
tesa tape Mexico SRL de C.V.	MX, Vallejo	100.00
BDF Panamá S.A.	PA, Panamá City	100.00
HUB LIMITED S.A.	PA, Panamá City	100.00
Beiersdorf S.A.	PY, Asunción	100.00
Beiersdorf S.A.C.	PE, Lima	99.81
Beiersdorf S.A.	UY, Montevideo	100.00
Beiersdorf S.A.	VE, Caracas	100.00

Africa / Asia / Australia

Name of the Company	Registered Office	Equity Interest (in %)
tesa tape Australia Pty. Ltd	AU, Sydney	100.00
Beiersdorf Australia Ltd	AU, North Ryde, NSW	100.00
La Prairie Group Australia Pty. Ltd.	AU, North Ryde, NSW	100.00
Guangzhou C-BONS Chemical Commodity Co. Ltd.	CN, Guangzhou	100.00
tesa tape (Hong Kong) Ltd.	CN, Hongkong	100.00
tesa tape (Shanghai) Co., Ltd.	CN, Shanghai	100.00
Eucerin International Trading Company	CN, Shanghai	100.00
La Prairie (Shanghai) Co. Ltd.	CN, Shanghai	100.00
NIVEA (Shanghai) Company Limited	CN, Shanghai	100.00
tesa (Shanghai) Trd. Co. Ltd.	CN, Shanghai	100.00
tesa plant (Suzhou) Co., Ltd.	CN, Suzhou	100.00
C-BONS Cosmetics Chemical (Wuhan) Co. Ltd.	CN, Wuhan	100.00
Hubei C-BONS Daily Chemical Co., Ltd.	CN, Xiangtao City	100.00
Beiersdorf India Pvt. Limited	IN, Mumbai	51.00
Nivea India Pvt. Ltd.	IN, Mumbai	100.00
tesa Tapes (India) Private Limited	IN, Navi Mumbai	100.00
PT. Beiersdorf Indonesia	ID, Jakarta	80.00
Beiersdorf Holding Japan Yugen Kaisha	JP, Tokyo	100.00
La Prairie Japan K.K.	JP, Tokyo	100.00
Nivea-Kao Co., Ltd.	JP, Tokyo	60.00
tesa tape K.K.	JP, Tokyo	100.00
Beiersdorf East Africa Limited	KE, Nairobi	100.00
La Prairie Korea Ltd	KR, Seoul	100.00
NIVEA Seoul Ltd.	KR, Seoul	100.00
tesa tape Korea Ltd.	KR, Seoul	100.00
tesa tape (Malaysia) Sdn. Bhd.	MY, Kajang, Selangor	100.00
tesa tape Industries (Malaysia) Sdn. Bhd.	MY, Kajang, Selangor	99.99
Beiersdorf (Malaysia) SDN. BHD.	MY, Senai, Johor	100.00
Medical-Latex (DUA) SDN. BHD.	MY, Senai, Johor	100.00
Beiersdorf S.A.	MA, Casablanca	100.00
tesa tape New Zealand Limited	NZ, Auckland	100.00
Beiersdorf Singapore Private Limited	SG, Singapore	100.00
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100.00
Singapore Plastic Products Pte. Ltd.	SG, Singapore	100.00
tesa Plant (Singapore) Pte. Ltd.	SG, Singapore	100.00
Beiersdorf Consumer Products (Pty.) Ltd.	SA, Westville	100.00
NIVEA (Taiwan) Ltd.	TW, Taipeh	100.00
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.00
tesa tape (Thailand) Ltd.	TH, Bangkok	90.10
Beiersdorf Middle East FZCO	AE, Dubai	100.00
Beiersdorf Vietnam LLC	VN, Ho Chi Minh City	100.00

Significant Acquisitions/Divestments in 2010

No significant acquisitions or divestments took place in the Beiersdorf Group in the year under review.

Significant Acquisitions/Divestments in 2009

No significant acquisitions or divestments took place in the Beiersdorf Group in the previous year.

Notes to the Income Statement

01 • Sales

Sales amounted to €6,194 million in fiscal year 2010 (previous year: €5,748 million). A breakdown of sales and their development by business segment and region can be found in the segment reporting.

02 • Marketing and Selling Expenses

Marketing and selling expenses were €2,959 million (previous year: €2,766 million). The item includes expenditure on advertising, retail marketing, and similar items amounting to €1,955 million (previous year: €1,842 million).

03 • General and Administrative Expenses

General and administrative expenses amounted to €278 million in fiscal year 2010 (previous year: €283 million), down 1.8% compared with the previous year. This item comprises personnel expenses and other administration costs, as well as the cost of external services that are not allocated internally to other functions.

04 • Other Operating Income

(in € million)

	2009	2010
Income from the reversal of provisions	43	32
Gains on disposal of non-current assets	3	3
Miscellaneous other income	48	51
	94	**86**

Miscellaneous other income includes among other things prior-period income as well as income from the reversal of valuation allowances on receivables.

05 • Other Operating Expenses

(in € million)

	2009	2010
Amortization and impairment of intangible assets	11	92
Exchange losses on operating activities	15	37
Restructuring expenses	52	36
Losses on disposal of non-current assets	2	2
Miscellaneous other expenses	95	125
	175	**292**

Restructuring expenses primarily contain personnel expenses. Amortization and impairments of intangible assets includes impairment losses of €79 million (previous year: €5 million). Miscellaneous other expenses include additions to provisions for litigation and other risks, as well as miscellaneous other operating expenses.

06 • Financial Result

(in € million)

	2009	2010
Interest income	21	19
Interest expense	–15	–13
Net pension result	–2	–6
Other financial result	–8	–30
	–4	**–30**

Interest income primarily results from the positions “cash and cash equivalents” and “securities.” Interest expense primarily results from financial liabilities. Net pension result nets the interest expense on pension as well as other entitlements acquired in previous years against the return on plan assets and the amortization of unrecognized actuarial gains and losses.

The other financial result relates in particular to currency gains and losses. In addition, the item includes a loss of €2 million (previous year: gain of €36 million) representing the net gains on the fair value measurement of derivative financial instruments that were previously recognized in other comprehensive income.

No gains or losses (previous year: €8 million) from the changes in fair value measurement of financial instruments classified as belonging to the “available for sale” category were recognized in other comprehensive income as of the balance sheet date. In the category “at fair value through profit or loss” losses of €1 million were incurred (previous year: immaterial). The net gains of financial assets „held to maturity“ amounted to €9 million (previous year: €12 million).

07 • Income Taxes

Income tax expense including deferred taxes can be broken down as follows:

(in € million)

	2009	2010
Current income taxes		
Germany	72	88
International	141	157
	213	**245**
Deferred taxes	**–10**	**–18**
	203	**227**

The deferred liablities include €0 million (previous year: €2 million) that were recognized in other comprehensive income in fiscal year 2010.

No deferred tax assets have been recognized for tax loss carryforwards and unused tax credits of €186 million (previous year: €107 million). Of this amount, €56 million (previous year: €56 million) can be carried forward with-out restriction; the remaining amount can primarily be carried forward for a limited period of longer than five years.

Deferred taxes are not recognized for retained earnings at foreign subsidiaries, as these profits are intended to be reinvested indefinitely in those operations from today's perspective. Where distributions are planned, the tax consequences are deferred accordingly. The liability is calculated based on the respective withholding tax rates, taking into account the German tax rate applicable to distributed corporate dividends, where applicable. Deferred tax liabilities of €7 million (previous year: €4 million) were recognized in the year under review.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

Deferred taxes relate to the following balance sheet items and matters:

Allocation of Deferred Taxes (in € million)

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
Non-current assets	22	43	74	73
Inventories	22	21	–	–
Receivables and other current assets	11	10	17	17
Provisions for pensions and other post-employment benefits	3	3	106	105
Other provisions	27	36	7	14
Liabilities	32	36	17	17
Retained earnings	–	–	4	7
Loss carryforwards	5	5	–	–
	122	**154**	**225**	**233**
Offset deferred taxes	–64	–78	–64	–78
Deferred taxes recognized in the balance sheet	**58**	**76**	**161**	**155**

Calculation of the Actual Tax Expense

For an effective tax rate of 41.0%, the actual tax expense is €69 million higher than the expected tax expense. The expected tax rate is calculated as the weighted average of the tax rates of the individual Group companies and amounts to 28.5% (previous year: 29.2%). The following table shows the reconciliation of expected to actual tax expense:

Actual Tax Expense (in € million)

	2009	2010
Expected tax expense at a tax rate of 28.5% (previous year: 29.2%	170	158
Tax deductions due to tax-free income	–1	–1
Tax increases due to non-deductible expenses	24	48
Prior-year taxes	1	18
Other tax effects	9	4
Actual tax expenses	**203**	**227**

08 • Profit Attributable to Non-controlling Interests

€8 million of profit after tax is attributable to non-controlling interests (previous year: €6 million). As of the reporting date, non-controlling shareholders primarily hold interests in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

09 • Basic/Diluted Earnings per Share

Earnings per share for 2010 amounted to €1.40 (previous year: €1.65). The basis for the calculation is the profit after tax excluding profit attributable to non-controlling interests. Beiersdorf AG holds 25,181,016 treasury shares (unchanged). These were deducted from the total of 252,000,000 shares when calculating earnings per share, which resulted in earnings being calculated on the unchanged basis of 226,818,984 shares. As there are no outstanding financial instruments that can be exchanged for shares, there is no difference between diluted and basic earnings per share.

10 • Other Disclosures

Cost of Materials

The cost of raw materials, consumables, and supplies, and of purchased goods and services, amounted to €1,370 million (previous year: €1,199 million).

Personnel Expenses

(in € million)

	2009	2010
Wages and salaries	762	794
Social security contributions and other benefits	114	106
Pension expenses	71	74
	947	**974**

Employees

The breakdown of employees by function is as follows:

Employees (as of December 31)

	2009	2010
Production	6,584	6,180
Marketing and sales	9,406	8,607
Other functions	4,356	4,341
	20,346	**19,128**

Average Number of Employees During the Year

	2009	2010
Production	6,849	6,424
Marketing and sales	10,041	9,734
Other functions	4,447	4,361
	21,337	**20,519**

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting.

Notes to the Balance Sheet

11 • Intangible Assets

(in € million)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	Total
Cost				
Opening balance Jan. 1, 2009	**376**	**151**	**193**	**720**
Currency translation adjustment	1	–	–3	–2
Additions	9	–	–	9
Disposals	–22	–	–	–22
Transfers	4	–	–	4
Closing balance Dec. 31, 2009	**368**	**151**	**190**	**709**
Amortization				
Opening balance Jan. 1, 2009	**318**	**–**	**4**	**322**
Currency translation adjustment	1	–	1	2
Additions	24	–	1	25
Disposals	–22	–	–	–22
Transfers	–	–	–	–
Closing balance Dec. 31, 2009	**321**	**–**	**6**	**327**
Carrying amount Dec. 31, 2009	**47**	**151**	**184**	**382**
Cost				
Opening balance Jan. 1, 2010	**368**	**151**	**190**	**709**
Currency translation adjustment	8	–	16	24
Additions	5	–	–	5
Disposals	–2	–	–	–2
Transfers	2	–	–	2
Closing balance Dec. 31, 2010	**381**	**151**	**206**	**738**
Amortization/Impairment losses				
Opening balance Jan. 1, 2010	**321**	**–**	**6**	**327**
Currency translation adjustment	5	–	1	6
Additions	22	23	56	101
Disposals	–2	–	–	–2
Transfers	–	–	–	–
Closing balance Dec. 31, 2010	**346**	**23**	**63**	**432**
Carrying amount Dec. 31, 2010	**35**	**128**	**143**	**306**

The carrying amount of intangible assets decreased by €76 million compared with the previous year to €306 million (previous year: €382 million). The decrease is mainly due to the impairment losses on the C-BONS Hair Care trademarks and the goodwill of the China Group.

Indefinite-lived intangible assets include the Chinese hair care brands that were acquired when the shares of C-BONS Hair Care were purchased. The trademarks have been recognized with an indefinite useful life since it is planned to continue using them for an unlimited period. The annual impairment test resulted in an adjustment of €23 million to the book value, which amounted to €128 million (previous year: €151 million). The impairment charge for the C-BONS Hair Care brands was based on the fair value less costs to sell approach derived from the royalty method. Costs to sell are assumed to be 1% of brand value. Calculation is based on a discount rate of 8.0% (previous year: 9.4%) and on a growth rate outside the planning horizon of 2.5% (previous year: 2.5%). The planning horizon was defined as twelve years, as the country is a growth market.

As in the previous year, no internally generated intangible assets were recognized in the fiscal year under review, since the conditions for recognition under IAS 38 "Intangible Assets" were not met for the development projects.

The goodwill results from the acquisition of C-BONS Hair Care and from the acquisition of the remaining shares in Beiersdorf AG (Switzerland). Goodwill from the purchase of C-BONS Hair Care decreased to €93 million as of the reporting date (previous year: €141 million) due to impairment losses of €56 million and an opposite currency translation effect of 8 million; the goodwill for Beiersdorf AG (Switzerland) increased due to currency effects to €46 million (previous year: €39 million).

For the purpose of impairment testing, goodwill resulting from business combinations is allocated to the cash-generating units of the Group that are to profit from the business combination, starting at the acquisition date. In the Beiersdorf Group these are the primarily the China Group (NIVEA Shanghai and C-BONS Hair Care) and Beiersdorf AG (Switzerland). The recoverable amounts of the cash-generating units were determined based on the calculation of the value in use (Beiersdorf AG Switzerland) and the net realizable value, which was in comparison higher than the value in use, (China Group) using cash flow projections. Costs to sell were assumed to be 1% of the enterprise value. The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of three years being used for Beiersdorf AG Switzerland and of twelve years for the China Group. Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account. A growth rate of 2.5% (previous year: 2.5%) was used for the China Group, while the figure for Beiersdorf AG (Switzerland) was 1.0% (previous year: 1.0%). The weighted average cost of capital taken into account for the after-tax discounted cash flows for the China Group was 8.0% (previous year: 9.4%). For Beiersdorf AG (Switzerland), the pre-tax discount rate used to discount the estimated cash flows amounted to 8.0% (previous year: 11.1%).

Planning for the cash-generating units is based on assumptions regarding the significant estimation parameters. The latter included gross margins, discount rates, commodity price trends, market share, and growth rates. In the case of Beiersdorf AG (Switzerland), the Group assumes that, although changes in these parameters are possible in principle in line with reasonable estimates, the recoverable amount will exceed the carrying amount of the goodwill. If the actual performance of the Chinese business is lower than outlined above, additional impairment losses on the goodwill of the China Group and of the C-BONS Hair Care trademarks may be necessary in the future.

12 • 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, 2009	**627**	**735**	**474**	**59**	**1,895**
Currency translation adjustment	4	2	3	–	9
Additions	11	29	41	35	116
Disposals	–8	–59	–60	–1	–128
Transfers	17	17	16	–54	–4
Closing balance Dec. 31, 2009	**651**	**724**	**474**	**39**	**1,888**
Depreciation					
Opening balance Jan. 1, 2009	**319**	**502**	**347**	**–**	**1,168**
Currency translation adjustment	1	–	3	–	4
Additions	20	45	45	–	110
Disposals	–5	–60	–54	–	–119
Transfers	–	–	–	–	–
Closing balance Dec. 31, 2009	**335**	**487**	**341**	**–**	**1,163**
Carrying amount Dec. 31, 2009	**316**	**237**	**133**	**39**	**725**
Cost					
Opening balance Jan. 1, 2010	**651**	**724**	**474**	**39**	**1,888**
Currency translation adjustment	26	16	16	1	59
Additions	7	27	37	20	91
Disposals	–6	–18	–28	–2	–54
Transfers	7	29	–2	–36	–2
Closing balance Dec. 31, 2010	**685**	**778**	**497**	**22**	**1,982**
Depreciation					
Opening balance Jan. 1, 2010	**335**	**487**	**341**	**–**	**1,163**
Currency translation adjustment	10	7	11	–	28
Additions	21	48	51	–	120
Disposals	–3	–13	–29	–	–45
Transfers	–	–	–	–	–
Closing balance Dec. 31, 2010	**363**	**529**	**374**	**–**	**1,266**
Carrying amount Dec. 31, 2010	**322**	**249**	**123**	**22**	**716**

The carrying amounts of property, plant, and equipment amounted to €716 million (previous year: €725 million). Investments in property, plant, and equipment totaled €91 million (previous year: €116 million). Depreciation amounted to €120 million (previous year: €110 million). No impairment losses were reversed in the year under review.

13 • Inventories

(in € million)

	2009	2010
Raw materials, consumables, and supplies	108	124
Work in progress	34	36
Finished goods and merchandise	415	467
Advance payments	4	5
	561	**632**

Inventories increased by €71 million compared with the previous year to €632 million, €108 million of which were carried at net realizable value (previous year: €145 million). Write-downs of inventories amounted to €54 million as of the reporting date (previous year: €61 million).

14 • Trade Receivables

(in € million)

			Of which not individually impaired and past due in the following time buckets.				
2009	Carrying amount	Of which neither individually impaired nor past due	Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade receivables	906	810	49	10	1	–	1
2010							
Trade receivables	**1,001**	**895**	**49**	**7**	**–**	**1**	**5**

The trade receivables are classified as "loans and receivables" in accordance with IAS 39. The following changes in specific valuation allowances on trade receivables were recorded:

(in € million)

	2009	2010
as of January 1	**10**	**14**
Additions	5	8
Utilized	–1	–2
Reversals	–1	–5
Currency translation adjustment	1	1
as of December 31	**14**	**16**

15 • Securities

In total, Beiersdorf has invested €1,132 million in government and corporate bonds, commercial paper, and near-money market retail funds (previous year: €955 million). All bonds are listed and have a residual maturity of up to three years. Government and corporate bonds and commercial paper are assigned to the "held to maturity" (HtM) category, while the near-money market retail funds are assigned to the "available for sale" (AfS) category. Please refer to Note 28 "Additional Disclosures on Financial Instruments".

16 • Cash and Cash Equivalents

(in € million)

	2009	2010
Cash	745	936
Cash equivalents	22	37
	767	**973**

Cash comprises bank balances, cash-on-hand, and checks. Cash equivalents are short-term liquid investments, such as overnight funds, that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value. In accordance with IAS 39, cash and cash equivalents are classified as "loans and receivables".

17 • Capital Management Disclosures

Beiersdorf pursues the goal of sustainably securing its capital base and generating an appropriate return on invested capital. As of December 31, 2010, the equity ratio was 57% (previous year: 57%), while the EBIT return on average net operating capital was 48% (previous year: 43%). The total dividends distributed in fiscal year 2010 amounted to €166 million (previous year: €210 million). For the dividend of Beiersdorf AG of €159 million (previous year: €204 million) this corresponds to a distribution of €0.70 per no-par value share carrying dividend rights (previous year: €0.90).

18 • Share Capital

The share capital amounts to €252 million and is composed of 252 million no-par value bearer shares. Since the settlement of the share buyback program on February 3, 2004, and following implementation of the share split in 2006, Beiersdorf AG has held 25,181,016 no par-value bearer shares, corresponding to 9.99% of the Company's share capital.

19 • 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) *Aktiengesetz* (German Stock Corporation Act, *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.

20 • 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 director 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.

21 • Additional Paid-in Capital

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

22 • Retained Earnings

Retained earnings comprise the net profit for the fiscal year and undistributed profits generated in prior periods by companies included in the consolidated financial statements. The retained earnings are reduced by the cost of the 25,181,016 treasury shares held by Beiersdorf AG amounting to €955 million.

23 • Accumulated Other Comprehensive Income

Currency Translation Adjustment

The currency translation adjustment equity account serves to recognize differences resulting from the translation of the financial statements of subsidiaries that do not prepare their financial statements in euros.

Differences from the Fair Value Measurement of Financial Instruments

The equity account for the fair value measurement of financial instruments contains the changes in the fair value of financial derivatives designated as hedging instruments of €–5 million (previous year: €–1 million), and the changes in the fair value of available for sale financial instruments of €5 million (previous year: €5 million), which are recognized in other comprehensive income after deduction of deferred taxes.

24 • Non-controlling Interests

Non-controlling shareholders hold interests primarily in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

25 • Provisions for Pensions and Other Post-Employment Benefits

The Group provides post-employment benefits for entitled employees either directly or through legally independent pension and welfare funds. Group companies provide retirement benefits under defined contribution and defined benefit plans. The structure of the plans varies depending on the legal, economic, and tax situation in the country in question, and the plans are generally based on length of service, salary, and the position held within the Company, as well as the employees' own contributions. The direct and indirect obligations comprise obligations arising from existing pensions as well as future pension and retirement obligations.

In Germany, calculations are based on Heubeck's 2005 mortality tables, and internationally they are based on locally recognized mortality tables. The discount rate for Germany of 5.25% (previous year: 5.75%) was determined at the year-end on the basis of the information available then. The use of a discount rate 0.5 percentage points lower (higher) would not have an impact on the consolidated balance sheet as of the reporting date, and would have only a minor impact on the income statement for the following year due to the application of the limit method. Defined benefit obligations react extremely sensitively to changes in these assumptions due to complexity of measurement, the underlying assumptions, and their long-term nature. All assumptions are reviewed at each reporting date. There was no extraordinary income or expense from the termination of pension plans or the curtailment and transfer of pension benefits in the year under review.

Measurement is based on the following assumptions:

Actuarial Assumptions (in %)

	2009		2010	
	Germany	Other countries	Germany	Other countries
Discount rates	5.75	2.00–10.00	5.25	2.00–10.00
Expected return on plan assets	5.00	4.00–9.00	5.00	2.40–8.10
Projected wage and salary growth	3.00	2.00–10.00	3.00–3.50	2.00–10.00
Projected pension growth	1.75–2.00	0.50–3.30	1.75–2.00	0.25–3.30
Projected staff turnover	2.00–4.50	0.30–10.00	2.00–4.50	0.30–10.00

These parameters also apply to each following year when calculating the costs of the obligations acquired in the year under review, the interest expense on obligations acquired in previous years, and the calculation of the expected return on plan assets.

The expected return on plan assets was derived from historical long-term returns on the plan assets and from projected long-term returns.

Pensions Benefit Expenses (in € million)

	2009			2010		
	Germany	Other countries	Group	Germany	Other countries	Group
Current service cost	13	6	19	13	9	22
Past service cost	3	–	3	–	–	–
Effects of curtailments and settlements	–1	–	–1	–	–	–
Defined benefit expense (EBIT)	**15**	**6**	**21**	**13**	**9**	**22**
Interest expense	38	9	47	37	9	46
Expected return on plan assets	–30	–8	–38	–30	–10	–40
Amortization of actuarial gains (–) and losses (+)	–8	1	–7	–6	6	–
Net interest income for defined benefit plans	**–**	**2**	**2**	**1**	**5**	**6**
Total expenses for defined benefit plans	**15**	**8**	**23**	**14**	**14**	**28**
Defined contribution expense (EBIT)	29	21	50	32	20	52
Total pension benefit expense	**44**	**29**	**73**	**46**	**34**	**80**

The defined benefit and defined contribution expenses are included in the costs of the respective functions. Defined contribution expenses also contain contributions to statutory or state pension insurance funds.

Interest expense on obligations acquired in previous years, the return on plan assets, and the amortization of unrealized actuarial gains and losses are reported under net interest income. Contributions totaling €9 million are expected to be made to the plan during the upcoming year.

Change in the Present Value of Defined Benefit Obligations (in € million)

	2009			2010		
	Germany	Other countries	Group	Germany	Other countries	Group
Present value of defined benefit obligations, opening balance	630	172	802	669	192	861
Current service cost	13	6	19	13	9	22
Interest expense	38	9	47	37	9	46
Actuarial gains (–) and losses (+)	20	13	33	48	11	59
Contributions by plan participants	3	2	5	3	3	6
Pensions benefits paid	–35	–11	–46	–36	–17	–53
Currency translation adjustment	–	2	2	–	15	15
Other changes	–	–1	–1	2	–3	1
Present value of defined benefit obligations, closing balance	**669**	**192**	**861**	**736**	**219**	**955**

Funding Status of Present Value of Defined Benefit Obligations (in € million)

	2009			2010		
	Germany	Other countries	Group	Germany	Other countries	Group
Partly or wholly funded defined benefit obligations	663	172	835	730	198	928
Unfunded defined benefit obligations	6	20	26	6	21	27
Present value of defined benefit obligations	**669**	**192**	**861**	**736**	**219**	**955**

Changes in Plan Asset Fair Value (in € million)

	2009			2010		
	Germany	Other countries	Group	Germany	Other countries	Group
Fair value of plan assets, opening balance	600	155	755	613	167	780
Expected return on plan assets	30	8	38	30	10	40
Actuarial gains (+) and losses (–)	–15	3	–12	–7	5	–2
Actual return on plan assets	**15**	**11**	**26**	**23**	**15**	**38**
Employer contributions	4	7	11	1	11	12
Contributions by plan participants	–	3	3	–	3	3
Pension benefits paid	–6	–11	–17	–7	–16	–23
Currency translation adjustment	–	2	2	–	14	14
Other changes	–	–	–	4	–	4
Fair value of plan assets, closing balance	**613**	**167**	**780**	**634**	**194**	**828**

Categories of Plan Asset Fair Value (in € million)

	2009			2010		
	Germany	Other countries	Group	Germany	Other countries	Group
Equity instruments	217	89	306	248	87	335
Debt instruments	355	63	418	355	86	441
Real estate	31	–	31	26	9	35
Cash and cash equivalents	10	10	20	5	10	15
Other	–	5	5	0	2	2
Fair value of plan assets	**613**	**167**	**780**	**634**	**194**	**828**

Recognized Provisions for Pensions and Other Post-employment Benefits (in € million)

	2006	2007	2008	2009	2010
Present value of defined benefit obligations	940	835	802	861	955
Fair value of plan assets	–767	–793	–755	–780	–828
Net obligation	**173**	**42**	**47**	**81**	**127**
Net cumulative unrecognized actuarial gains (+) and losses (–)	107	222	178	130	73
Other recognized amounts	8	11	10	10	9
Recognized provisions for pensions and other post-employment benefits	**288**	**275**	**235**	**221**	**209**

26 • Other Provisions

(in € million)

	Personnel expenses	Marketing and selling expenses	Restructuring	Miscellaneous	Total
Opening balance Jan. 1, 2010	**185**	**122**	**43**	**179**	**529**
Of which non-current	69	1	4	64	138
Currency translation adjustment	7	8	–1	8	22
Additions	127	131	20	146	424
Utilized	142	107	7	84	340
Reversals	16	4	1	11	32
Closing balance Dec. 31, 2010	**161**	**150**	**54**	**238**	**603**
Of which non-current	38	1	1	77	117

Provisions for personnel expenses primarily comprise provisions for partial retirement arrangements, annual bonuses, vacation pay, severance agreements, and anniversary payments. The provisions for marketing and selling expenses relate in particular to cooperative advertising allowances, rebates, and returns. The additions to restructuring provisions relate primarily to provisions in connection with the package of measures and investments concerning the business segment Consumer. The miscellaneous other provisions include provisions for litigation risks, among other things.

27 • Liabilities

The contractually agreed undiscounted interest payments on and repayments of non-current liabilities (not including deferred taxes) are as follows:

(in € million)

	2009			2010		
		Contractual maturities			Contractual maturities	
	Carrying amount Dec. 31	2011–2014	After 2014	Carrying amount Dec. 31	2012–2015	After 2015
Non-current financial liabilities	7	6	2	6	6	2
Non-current derivative financial instruments	–	–	–	2	2	–
Other non-current liabilities	5	3	3	5	3	3
	12	9	5	13	11	5

Non-current financial liabilities include financial instruments of €6 million (previous year: €7 million) assigned to the "other financial liabilities" (OFL) category and of €2 million (previous year: €0 million) assigned to the "derivative financial instruments" (DFI) category.

The following table gives a breakdown of current liabilities:

(in € million)

	2009	2010
Trade payables (OFL)	**699**	**863**
Other current financial liabilities	**158**	**135**
Other financial liabilities (OFL)	148	115
Negative fair value of derivatives (DFI)	10	20
Other current liabilities	**71**	**71**
Other tax liabilities	57	57
Social security liabilities	11	10
Advance payments received	3	4
	928	**1,069**

Other financial liabilities primarily relate to short-term bank loans amounting to €67 million (previous year: €75 million) as well as other financial obligations in the amount of €48 million (previous year: €45 million). Last year the position included the second tranche of the option to purchase the remaining minority interest in C-BONS Hair Care Group of €26 million. As the current liabilities have remaining contractual maturities of less than twelve months as of the reporting date, their carrying amounts at the balance sheet date correspond approximately to their fair value.

28• Additional Disclosures on Financial Instruments

(in € million)

2009	Carrying amount Dec. 31.	Measurement category under IAS 39 – Amortized cost	Measurement category under IAS 39 – Fair value recognized in OCI	Measurement category under IAS 39 – Fair value through profit or loss	Fair value Dec. 31
Assets					
Loans and receivables (LaR)	1,761	1,761	–	–	1,761
Non-current financial assets	5	5	–	–	5
Trade receivables	906	906	–	–	906
Other current financial assets	83	83	–	–	83
Cash and cash equivalents	767	767	–	–	767
Available-for-sale financial assets (AfS)	241	5	236	–	241
Non-current financial assets	5	5	–	–	5
Securities	236	–	236	–	236
Held-to-maturity financial investments (HtM)	699	699	–	–	701
Securities	699	699	–	–	701
Financial assets at fair value through profit or loss (FVPL)	20	–	–	20	20
Securities	20	–	–	20	20
Derivative financial instruments used for hedges (DFI)	8	–	8	–	8
Equity and liabilities					
Other financial liabilities (DFI)	854	854	–	–	854
Non-current financial liabilities	7	7	–	–	7
Trade payables	699	699	–	–	699
Other current financial liabilities	148	148	–	–	148
Derivative financial instruments used for hedges (DFI)	10	–	10	–	10
2010					
Assets					
Loans and receivables (LaR)	2,036	2,036	–	–	2,036
Non-current financial assets	5	5	–	–	5
Trade receivables	1,001	1,001	–	–	1,001
Other current financial assets	57	57	–	–	57
Cash and cash equivalents	973	973	–	–	973
Available-for-sale financial assets (AfS)	241	5	236	–	241
Non-current financial assets	5	5	–	–	5
Securities	236	–	236	–	236
Held-to-maturity financial investments (HtM)	896	896	–	–	896
Securities	896	896	–	–	896
Derivative financial instruments used for hedges (DFI)	15	–	9	6	15
Equity and liabilities					
Other financial liabilities (DFI)	984	984	17	5	984
Non-current financial liabilities	6	6	–	–	6
Trade payables	863	863	–	–	863
Other current financial liabilities	115	115	–	–	115
Derivative financial instruments used for hedges (DFI)	22	–	17	5	22

The existing financial instruments predominantly have remaining contractual maturities of less than twelve months as of the reporting date. Therefore, their carrying amounts at the balance sheet date correspond approximately to their fair value.

The following hierarchy is used to determine and report the fair values of financial instruments:

- **Level 1:** Fair values that are determined using quoted prices in active markets.
- **Level 2:** Fair values that are determined using valuation techniques whose significant inputs are based on observable market data.
- **Level 3:** Fair values that are determined using valuation techniques whose significant inputs are not based on observable market data.

In the Beiersdorf Group, securities carried at fair value are allocated to fair value hierarchy level 1 and derivative financial instruments to fair value hierarchy level 2.

29 • Contingent Liabilities and Other Financial Obligations

(in € million)

	2009	2010
Contingent liabilities		
Liabilities under bills	–	1
Liabilities under guarantees	1	1
Other financial obligations		
Obligations under rental and lease agreements:	124	95
– due within the next year	45	41
– due in 2 to 5 years	71	50
– due after more than 5 years	8	4
Obligations under purchase commitments:	130	25
– due within the next year	62	17
– due in 2 to 5 years	68	8

The aggregate nominal amount of the other financial obligations was €120 million (previous year: €254 million).

Beiersdorf has potential obligations arising from antitrust proceedings among other things. 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. However, no conclusive assessment of the risk from the Group perspective is possible at present.

30 • Financial Risk Management and Derivative Financial Instruments

Risk Management Principles

As a result of its operations, the Beiersdorf Group is exposed to various risks such as currency risk, interest rate risk, and default risk.

Derivative financial instruments are used to hedge the core operational business and material financial transactions. They do not expose the Group to any further risk. The transactions are conducted exclusively with marketable instruments. IFRS 7 requires sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Beiersdorf Group, this mainly relates to currency risk. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments as of the balance sheet date. It is assumed that the portfolio at the reporting date is representative for the year as a whole.

Currency Risk

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in exchange rates.

Currency risk with in the meaning of IFRS 7 arises through monetary financial instruments that are reported in a currency other than the functional currency. Exchange rate differences arising from the translation of financial statements of subsidiaries into the Group currency are not included. Relevant risk variables are therefore basically all non-functional currencies in which financial instruments are held by the Beiersdorf Group. As a result of the Beiersdorf Group's international orientation and emphasis on the euro zone, the euro serves as the key currency. Hence, Beiersdorf is exposed to risks through financing measures and operational activities when other currencies fluctuate against the euro.

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 (fair value hedges). Owing to these hedging activities, Beiersdorf is not exposed to any significant currency risks in its financing activities as of the balance sheet date. Gains and losses of these currency forwards are offset in full by gains and losses on the hedged items.

With regard to operations, cash flows in non-functional currencies in the Beiersdorf Group are hedged up to 36 months in advance using standard currency forwards. These transactions are recorded, measured, and managed centrally in the treasury management system. As a result, Beiersdorf is not exposed to any significant currency risks in its operations as of the balance sheet date.

Since material non-derivative financial instruments are either denominated directly in the functional currency or transformed into the functional currency through the use of derivatives, changes in the exchange rate do not have any material effects on profit and loss or equity. Thus, the Beiersdorf Group is primarily only exposed to currency risk arising from currency forwards which are used as hedging instruments and which meet the criteria for recognition as cash flow hedges on forecasted transactions. Changes in market prices affect the hedging reserve in equity and the fair values of the hedging transactions.

The fair value of currency forwards as of the balance sheet date was €–7 million (previous year: €–2 million), and their notional value was €892 million (previous year: €927 million). €858 million (previous year: €886 million) of the forward contracts have a remaining maturity of up to one year, and €34 million (previous year: €41 million) have a remaining maturity of between one and two years. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not netted.

If the euro had appreciated by 10% against all currencies as of December 31, 2010, the hedging reserves in equity and the fair values of the currency forwards would have increased by €24 million (previous year: €22 million). If it had depreciated by 10%, the hedging reserves in equity and the fair values of the currency forwards would have decreased by €29 million (previous year: €27 million).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates.

Because of the small volume of non-current financial instruments and the absence of derivative interest rate contracts, changes in fair values are of no more than minor significance for the Beiersdorf Group. At present, financial instruments with maturities of up to two years are held. These are subject to interest rate risk within the meaning of IFRS 7 for the entire fiscal year.

If the interest rates at the quarter ends of the fiscal year had been 100 base points higher (lower) in each case than the yield curve, the financial result would have been €12 million higher (lower) (previous year: €10 million).

Default Risk

Beiersdorf is exposed to default risk within the scope of its financing activities and in its operations. In order to minimize this risk as much as possible, financing transactions are only entered into with counterparties with prime credit ratings. Receivables relating to operating activities are monitored continuously; potential defaults are accounted for using specific and collective valuation allowances. The maximum default risk can be seen from the carrying amount of each financial asset recognized in the balance sheet. The total carrying amount of the financial assets was €3,188 million as of December 31, 2010 (previous year: €2,729 million). In the area of trade receivables, default risks are partly covered by corresponding insurance policies.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting the obligations associated with its financial liabilities. As a result of the large amount of cash and cash equivalents as well as securities held as of the balance sheet date, Beiersdorf is not currently exposed to any liquidity risk. Additionally, in order to ensure the liquidity and financial flexibility of the Beiersdorf Group at all times, liquidity reserves are maintained in the form of credit lines.

Notes to the Cash Flow Statement

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing, and financing activities.

Net cash flow from operating activities is presented using the indirect method, while net cash flows from investing and financing activities are presented using the direct method.

Cash funds are composed of cash and cash equivalents that can be converted into cash at any time and that are exposed to no more than insignificant fluctuations in value.

Notes to the Segment Reporting

Segment reporting in the Beiersdorf Group is based primarily on the products manufactured and sold by the business segments. The breakdown of the Group into the Consumer and tesa business segments reflects the internal organizational structure and the reporting to the Executive Board. In order to show the global breakdown of business activities in the Beiersdorf Group, a classification by region is presented in addition to the operating segments.

The net sales shown for the regions are based on the domiciles of the respective companies.

Consolidated companies domiciled in Germany generated **sales** of €1,416 million in 2010 (previous year: €1,389 million) and reported **non-current assets** (not including financial instruments, deferred taxes, and plan assets) of €540 million (previous year: €524 million).

EBIT excluding special factors represents the operating result, adjusted for non-operating one-off business transactions.

EBITDA represents the operating result (EBIT) before depreciation, amortization and impairment.

The **EBIT return on net operating capital** is the ratio of the operating result (EBIT) to net operating capital.

Gross cash flow is the excess of operating income over operating expenses before any further appropriation of funds.

Net operating capital of €1,215 million (previous year: €1,379 million) consists of gross operating capital less operating liabilities.

The following table shows the reconciliation of net operating capital to the balance sheet items:

(in € million)

Assets	2009	2010
Intangible assets	382	306
Property, plant, and equipment	725	716
Inventories	561	632
Trade receivables	906	1,001
Other receivables and other assets (operating portion)[1]	140	120
Gross operating capital	**2,714**	**2,775**
Gross non-operating assets	1,880	2,320
Total balance sheet assets	**4,594**	**5,095**

Equity and liabilities	2009	2010
Other provisions (operating portion)[2]	529	604
Trade payables	699	863
Other liabilities (operating portion)[3]	107	93
Operating liabilities	**1,335**	**1,560**
Equity	2,636	2,920
Non-operating liabilities	623	615
Total balance sheet equity and liabilities	**4,594**	**5,095**

[1] Not including tax receivables.
[2] Not including tax provisions.
[3] Not including tax liabilities.

Other Disclosures

Remuneration of the Executive and Supervisory Boards

For fiscal year 2010, the members of the Supervisory Board received remuneration totaling €1,390 thousand (previous year: €1,159 thousand) and the members of the Executive Board received remuneration totaling €4,466 thousand (previous year: €4,556 thousand). €1,403 thousand (previous year: €627 thousand) of total remunderation relate to long-term benefits. The additions to benefits after the termination of employment amounted to €468 thousand (previous year: €510 thousand). 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 31. The Remuneration Report forms part of the consolidated financial statements and the Group management report. 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 totaled €23,600 thousand (previous year: €22,373 thousand).

Related Party Information in Accordance with IAS 24

Since March 30, 2004, maxingvest ag has held more than 50% of Beiersdorf AG's share capital. Accordingly, Beiersdorf AG is a dependent company within the meaning of § 312 (1) sentence 1 in conjunction with § 17 (2) *Aktiengesetz* (German Stock Corporation Act, *AktG*). Since no control agreement exists between Beiersdorf AG and maxingvest ag, the Executive Board of Beiersdorf AG prepares a report on Dealings among Group Companies in accordance with § 312 (1) sentence 1 *AktG*. In fiscal year 2010, as in the previous year, Beiersdorf AG and its affiliated companies and maxingvest ag and its affiliated companies pooled purchase volumes to achieve cost benefits, as well as sourcing products from each other on a very small scale at standard market terms. There was also limited additional collaboration in particular with respect to marketing campaigns and in the area of market research and quality control.

Exercise of Exemption Options

The following German affiliates included in the consolidated financial statements of Beiersdorf AG exercised the exemption option under § 264 (3) of the *Handelsgesetzbuch* (German Commerical Code, *HGB*) in fiscal year 2010:

- Beiersdorf Manufacturing Hamburg GmbH, Hamburg
- Beiersdorf Manufacturing Berlin GmbH, Berlin
- Florena Cosmetic GmbH, Waldheim
- La Prairie Group Deutschland GmbH, Baden-Baden
- Juvena Produits de Beauté GmbH, Baden-Baden
- Juvena La Prairie GmbH, Baden-Baden
- Beiersdorf Shared Services, GmbH Hamburg
- Allgemeine Immobilien- und Verwaltungsgesellschaft m.b.H., Baden-Baden
- Phanex Handelsgesellschaft m.b.H., Hamburg

Declaration of Compliance with the German Corporate Governance Code

In December 2010, Beiersdorf AG's Executive Board and Supervisory Board issued their 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.

Audit

The Annual General Meeting on April 29, 2010 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2010.

The following table gives an overview of the fees paid to the Group auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and recognized as expenses in the fiscal year:

Fees Paid to the Group Auditors (in € thousand)

	2009	2010
Audit services	817	975
Other assurance services	115	102
Tax advisory services	67	87
Other services	–	–
Total	**999**	**1,164**

Shareholdings of Beiersdorf AG

The complete list of Beiersdorf AG's shareholdings in accordance with § 313 (2) *Handelsgesetzbuch* (German Commerical Code, *HGB*) is given on page 105 ff.

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 voting rights from 2.75% (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 below 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 § 21 (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 attributed 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 buy-back 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*).

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 + Partner	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
Thomas Nieber	Bad Münder	Head of Department – Economic and Industry Policy of Industriegewerkschaft 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)	– **Prof. Dr. Eva Eberhartinger** (Chairwoman)	– **Thomas Holzgreve** (Chairman)	– **Prof. Dr. Reinhard Pöllath** (Chairman)	– **Prof. Dr. Reinhard Pöllath** (Chairman)
– **Michael Herz**	– **Dr. Walter Diembeck**	– **Dr. Walter Diembeck**	– **Prof. Dr. Eva Eberhartinger**	– **Elke Gabriel** (formerly Bruns)
– **Thomas Holzgreve**	– **Thomas Holzgreve**	– **Prof. Dr. Eva Eberhartinger**	– **Thomas Holzgreve**	– **Thomas Holzgreve**
– **Thorsten Irtz**	– **Prof. Dr. Reinhard Pöllath**	– **Prof. Dr. Reinhard Pöllath**	– **Dr. Rolf Kunisch**	– **Thorsten Irtz**
	– **Volker Schopnie**	– **Volker Schopnie**		

* 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*

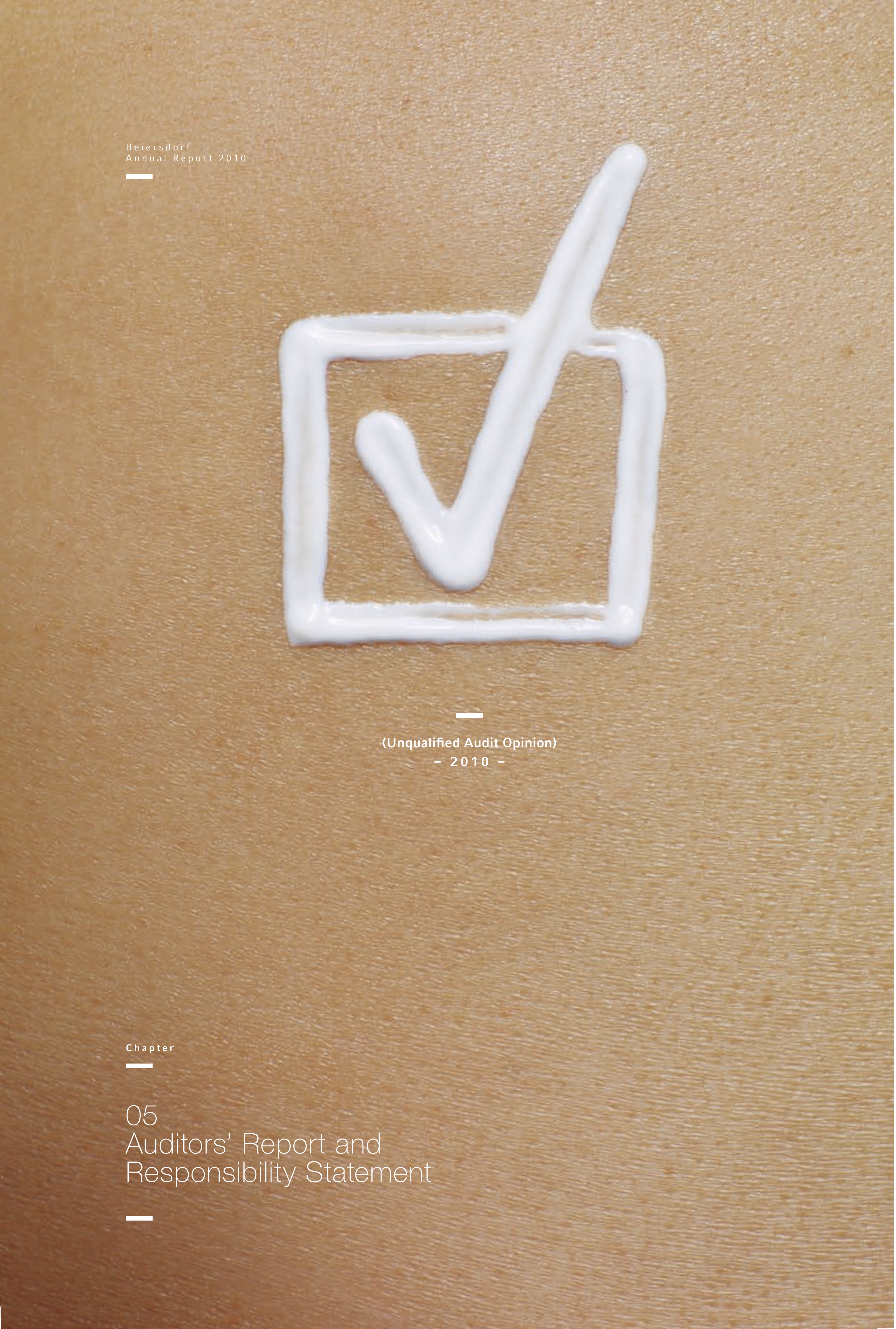
Name	Functions/Responsibilities		Memberships
Thomas-B. Quaas	Chairman/CEO	Corporate Development/ Corporate Communications/Internal Audit, Japan, La Prairie Group	Chairman of the Supervisory Board: – tesa SE (intragroup) Member of the Supervisory Board: – Euler Hermes SA, France (from May 21, 2010) – 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 Resources/CHRO	Human Resources/Labor Director	
James C. Wei	Asia (excluding Japan)		Member of the Board: – Li Ning Company Limited, PR 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



(Unqualified Audit Opinion)
– 2010 –

Chapter

05
Auditors' Report and Responsibility Statement

Chapter

05 Auditors' Report and Responsibility Statement

Beiersdorf Annual Report 2010

The auditor issues an unqualified audit opinion on the consolidated financial statements and the Group management report if the audit does not raise any objections. The Executive Board also issues a responsibility statement affirming the accurate presentation of the net assets, financial position, and results of operations in the consolidated financial statements and Group management report.

Contents

Auditors' Report

We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law under § 315a (1) of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the *HGB* and 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law under § 315a (1) of the *HGB*, and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 9, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig
German Public Auditor

Opaschowski
German Public Auditor

Responsibility Statement by the Executive Board

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

Hamburg, February 8, 2011

The Executive Board

Thomas-B. Quaas
Chairman of the
Executive Board

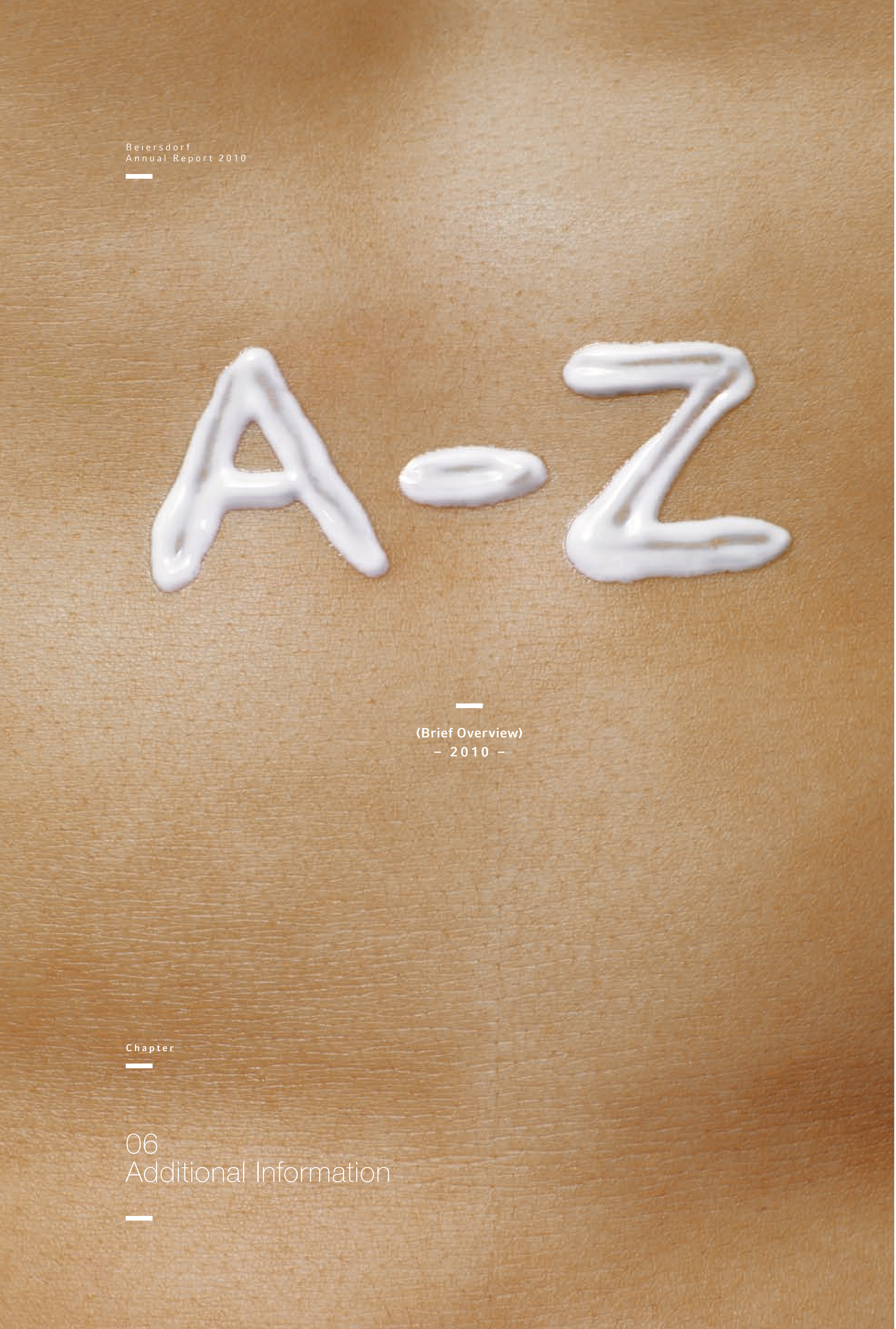
Dr. Bernhard Düttmann
Member of the
Executive Board

Markus Pinger
Member of the
Executive Board

Peter Feld
Member of the
Executive Board

James C. Wei
Member of the
Executive Board

Dr. Ulrich Schmidt
Member of the
Executive Board



(Brief Overview)
– 2010 –

Chapter

06
Additional Information

Chapter

06 Additional Information

Beiersdorf Annual Report 2010

Groups publish additional information and data above and beyond the key data required by law on an ongoing basis. In Beiersdorf's case, this section includes the *HGB* single-entity financial statements, a glossary, an index, the ten-year overview, and the financial calendar.

Contents

Annual Financial Statements of Beiersdorf AG in Accordance with the *HGB* (Condensed)*

Income Statement – 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**
Financial result	272	235
Result from ordinary activities	**446**	**363**
Taxes on income	–65	–74
Profit after tax	381	289

Balance Sheet – 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**
Non-current assets	**1,351**	**1,468**
Inventories	2	2
Trade receivables	65	73
Other receivables and other assets	241	293
Securities	1,894	1,117
Cash and cash equivalents	268	246
Current assets	**2,470**	**1,731**
	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 post-employment 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**

* The full version of Beiersdorf AG's annual financial statements and management report, together with the unqualified audit opinion by the auditors, is published in the Bundesanzeiger (Federal Gazette) and is filed with the companies register. The annual financial statements and management report of Beiersdorf AG are also available online at www.Beiersdorf.com.

Glossary

{C}

Cash Flow
Key indicator used to assess a company's financial position and earnings power. Cash flow is determined from the inflows and outflows of cash and cash equivalents from operating, investing, and financing activities.

Consolidated Group
Parent company and affiliates that are included in the consolidated financial statements.

Consumer Insights
Findings relating to the wishes and needs of consumers. They are a key basis for developing new ideas and products.

CSR – Corporate Social Responsibility
Umbrella term used to denote the responsibility of companies towards society, which encompasses economic, ecological, and social issues.

{D}

DAX – Deutscher Aktienindex
German equity index compiled by Deutsche Börse that tracks the share price performance of the 30 largest German listed companies, including Beiersdorf AG.

Deferred Taxes
Deferred tax assets and liabilities are recognized for temporary differences beween the tax base of assets and liabilities and their carrying amounts in the balance sheet and for tax loss carry forwards.

Divestments
Affiliates or parts of a business that have been sold.

Dividend
A dividend is the proportion of the profit distributed by a company that is attributable to a single share.

{E}

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation, and amortization/impairment.

EBIT Margin
The EBIT margin is the ratio of EBIT to sales.

{E}

Equity
A company's equity is the difference between the value of its assets and its liabilities.

Equity Ratio
Ratio of equity to total assets. Indicates a company's financial strength and therefore its economic stability.

{F}

Free Float
The proportion of shares issued by a company that is in principle available for stock exchange trading.

{I}

IASs – International Accounting Standards / IFRSs – International Financial Reporting Standards
Standards issued by the International Accounting Standards Board (IASB). Under the EU IAS Directive, listed companies in Europe must prepare their accounting and reporting in accordance with these standards.

In Vitro
In research, in vitro relates to experiments that are conducted in a controlled artificial environment outside a living organism, e.g., in a test tube.

{M}

Market Capitalization
Market capitalization denotes a company's stock market value. It is calculated by multiplying the current share price by the number of outstanding shares.

{N}

Net Retained Profits
Net amount of profit after tax for the fiscal year, profits or losses brought forward, and the appropriation of profits.

{O}

Organic
Sales trend on a like-for-like basis (i.e., excluding prior-year sales by divestments or new sales contributed by acquisitions, for example) and adjusted for currency translation effects.

{P}

POS – Point of Sale
The place at which goods are bought (by the consumer) or sold (by the retailer).

{S}

Special Factors
One-time income or expenses that have a material effect on the Beiersdorf Group's overall earnings. These included impairment losses and expenses related to the package of measures and investments in the Consumer business segment.

Statement of Comprehensive Income
Reconciliation of income and expenses recognized in the income statement and changes in comprehensive income for the period that are recognized directly in equity, including deferred taxes.

Supply Chain Management
Management of the movement of goods and the flow of information between a company and its suppliers and customers to achieve strategic advantages. It comprises the processes involved in materials management, logistics, physical distribution management, procurement, and information management.

Index (1/3)

Index (2/3)

Index (3/3)

{S}

{T}

Ten-year Overview

Ten-year Overview (in € million)
(unless otherwise stated)

	2001	2002	2003[1]	2004	2005	2006[2]	2007[2]	2008[2]	2009[2]	2010
Sales	**4,542**	**4,742**	**4,435**	**4,546**	**4,776**	**5,120**	**5,507**	**5,971**	**5,748**	**6,194**
Change against prior year (in %)	10.3	4.4	–1.3	2.5	5.1	7.2	7.6	8.4	–3.7	7.8
Consumer[6]	3,870	4,049	3,739	3,840	4,041	4,327	4,661	5,125	5,011	5,321
tesa	672	693	696	706	735	793	846	846	737	873
Europe	3,183	3,410	3,329	3,388	3,498	3,717	3,909	4,090	3,767	3,843
Americas	903	819	638	635	687	738	782	832	851	1,030
Africa/Asia/Australia	456	513	468	523	591	665	816	1,049	1,130	1,321
EBITDA	**620**	**633**	**614**	**656**	**693**	**660**	**738**	**911**	**722**	**804**
Operating result (EBIT)	**466**	**472**	**455**	**483**	**531**	**477**	**616**	**797**	**587**	**583**
Profit before tax	**468**	**478**	**491**	**492**	**535**	**851**	**644**	**822**	**583**	**553**
Profit after tax	**285**	**290**	**301**	**302**	**335**	**668**	**442**	**567**	**380**	**326**
Return on sales (after tax) (in %)	6.3	6.1	6.4	6.6	7.0	13.0	8.0	9.5	6.6	5.3
Earnings per share (in €)	1.11	1.12	1.17	1.29	1.45	2.93	1.93	2.48	1.65	1.40
Total dividend – equity holders	109	118	121	121	129	136	159	204	159	159
Dividend per share (in €)	0.43	0.47	0.53	0.53	0.57	0.60	0.70	0.90	0.70	0.70
Beiersdorf's shares – year-end closing price[5]	**42.50**	**35.37**	**32.07**	**28.53**	**34.64**	**49.12**	**53.00**	**42.00**	**45.93**	**41.53**
Market capitalization as of Dec. 31	10,710	8,912	8,081	7,190	8,736	12,378	13,356	10,584	11,574	10,466
Cost of materials	**1,196**	**1,205**	**1,149**	**1,113**	**1,147**	**1,229**	**1,285**	**1,453**	**1,199**	**1,369**
Personnel expenses	**817**	**863**	**808**	**804**	**840**	**889**	**889**	**922**	**947**	**974**
Research and development expenses	92	93	97	101	109	118	127	149	149	152
As % of sales	2.0	2.0	2.2	2.2	2.3	2.3	2.3	2.5	2.6	2.4
Employees as of Dec. 31	**17,749**	**18,183**	**18,664**	**16,492**	**16,769**	**17,172**	**21,101**	**21,766**	**20,346**	**19,128**
Intangible assets	138	128	94	58	34	30	357	398	382	306
Property, plant, and equipment	871	917	876	887	882	740	699	727	725	716
Non-current financial assets	18	22	94	93	5	8	7	11	10	10
Inventories	695	677	629	558	536	548	598	634	561	632
Receivable and other assets[3]	811	832	789	815	967	940	1,123	2,085	2,149	2,458
Cash and cash equivalents	714	722	828	290	483	1,230	1,117	613	767	973
Equity	**1,636**	**1,727**	**1,831**	**1,033**	**1,293**	**1,790**	**2,070**	**2,460**	**2,636**	**2,920**
Liabilities	**1,611**	**1,571**	**1,479**	**1,668**	**1,614**	**1,706**	**1,831**	**2,008**	**1,958**	**2,175**
Provisions	761	808	790	776	752	809	781	729	750	812
Trade payables	337	293	293	308	369	485	573	690	699	863
Other financial liabilities	237	191	157	300	197	137	220	246	165	143
Other liabilities[4]	276	279	239	284	296	275	257	343	344	357
Total equity and liabilities	**3,247**	**3,298**	**3,310**	**2,701**	**2,907**	**3,496**	**3,901**	**4,468**	**4,594**	**5,095**
Equity ratio (in %)	50	52	55	38	44	51	53	55	57	57

[1] Restated to reflect the new reporting structure (BSN medical at equity).
[2] Figures include special factors. For details please refer to the notes on page 60.
[3] Including non-current assets and disposal groups held for sale.
[4] Including liabilities associated with assets held for sale.
[5] Figures 2001 to 2005 adjusted to the number of shares after the share split.
[6] Consumer figures for 2001 and 2002 include sales of the former cosmed and medical segments.

Financial Calendar

April 21, 2011 ↓ *Annual General Meeting*	**April 26, 2011** ↓ *Dividend Payment*	**May 5, 2011** ↓ *Interim Report January to March 2011*
August, 4 2011 ↓ *Interim Report January to June 2011*	**November 3, 2011** ↓ *Interim Report January to September 2011, Financial Analyst Meeting*	**January 2012** ↓ *Publication of Preliminary Group Results*
February / March 2012 ↓ *Publication of Annual Report 2011, Annual Accounts Press Conference, Financial Analyst Meeting*	**May 2012** ↓ *Interim Report January to March 2012*	**May 10, 2012** ↓ *Annual General Meeting*
August 2012 ↓ *Interim Report January to June 2012*	**November 2012** ↓ *Interim Report January to September 2012, Financial Analyst Meeting*	**January 2013** ↓ *Publication of Preliminary Group Results*

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