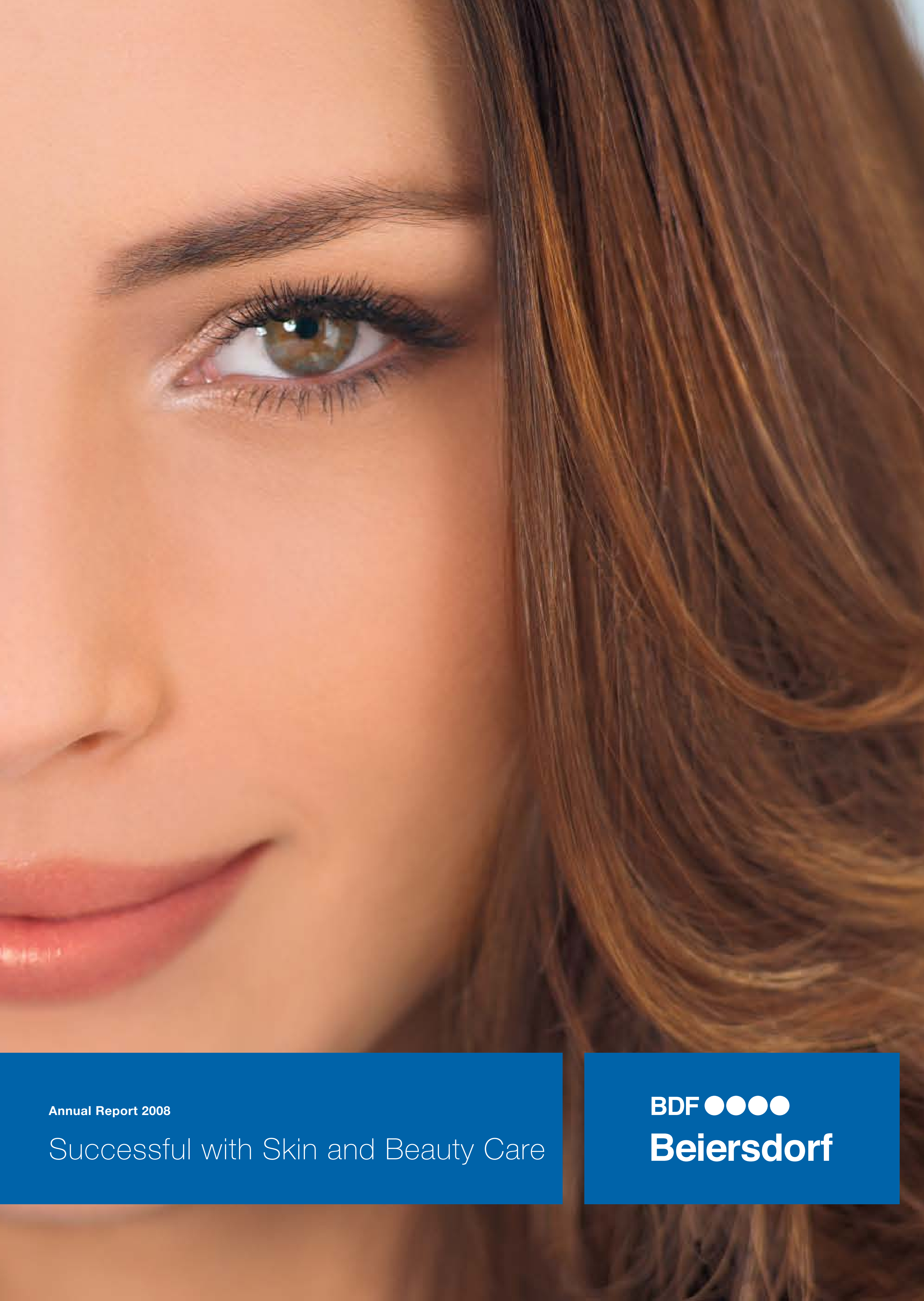

Annual Report 2008

Successful with Skin and Beauty Care

BDF

Beiersdorf

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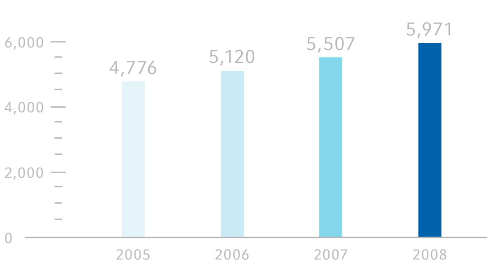
Facts and Figures

Beiersdorf at a Glance

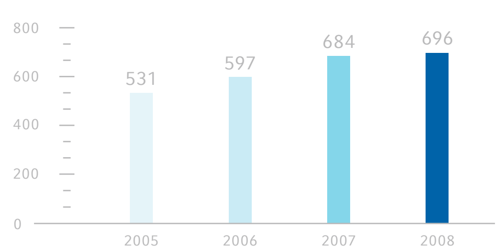
(in € million)

	2007	2008
Sales	**5,507**	**5,971**
Change in % (adjusted for currency translation effects)	9.1	10.6
Change in % (organic)	9.1	7.5
Change in % (nominal)	7.6	8.4
Consumer	4,661	5,125
tesa	846	846
EBITDA	**738**	**911**
Operating result (EBIT)	616	797
Operating result (EBIT, excluding special factors)	**684**	**696**
Profit after tax	**442**	**567**
Return on sales after tax in %	8.0	9.5
Earnings per share in €	1.93	2.48
Total dividend	**159**	**204**
Dividend per share in €	0.70	0.90
Gross cash flow	**477**	**520**
Capital expenditure (including non-current investments)	**110**	**161**
Research and development expenses	**127**	**149**
Employees (as of December 31)	**21,101**	**21,766**

GROUP SALES
(in € million)



OPERATING RESULT (EBIT)*
(in € million)



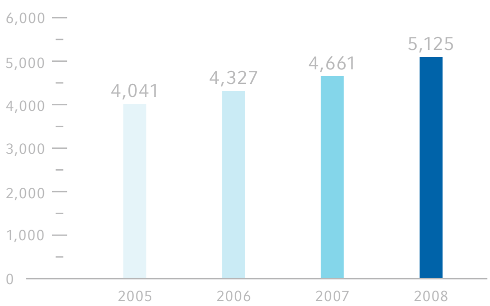
*Excluding special factors.

Business Segments

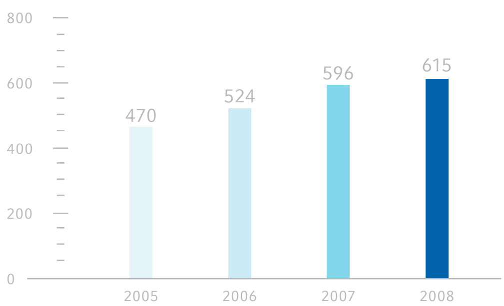
Consumer Business Segment

We focus on innovative skin and beauty care with our leading international brands. We systematically align our business with the wishes and needs of our consumers. At the same time, we provide our consumers with compelling, innovative products and excellent product quality. This is the basis for our global competitive success and worldwide growth.

CONSUMER SALES
(in € million)



CONSUMER OPERATING RESULT (EBIT)*
(in € million)

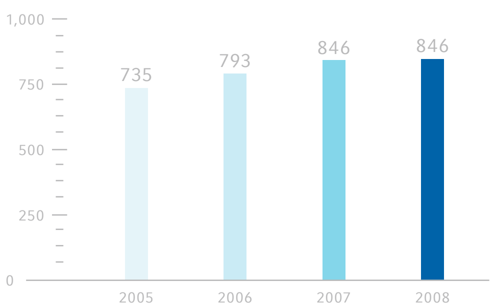


*Excluding special factors.

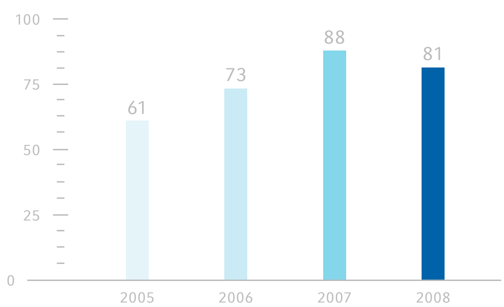
tesa Business Segment

We develop, produce, and market self-adhesive system and product solutions for direct customers and our distribution business in the industrial segment, as well as for the consumer business. As one of the world's leading manufacturers, we have a comprehensive understanding of our customers' needs, offering them state-of-the-art products of the highest, reliable quality.

TESA SALES
(in € million)



TESA OPERATING RESULT (EBIT)
(in € million)



Strong Brands

The Beiersdorf Brand World

01• NIVEA

NIVEA is the best-known and most successful skin and beauty care brand in the world* and enjoys a level of consumer trust that is unmatched by almost any other brand.

02• Eucerin

Eucerin is one of the leading medical skin care brands in many countries.

03• La Prairie

La Prairie is among the leading international brands for exclusive, luxurious, state-of-the-art anti-aging face care.

04• NIVEA FOR MEN

NIVEA FOR MEN is the No. 1 in men's face care worldwide.

05• SBT

SBT Skin Biology Therapy, with its biological mechanism of action gives sensitive skin a radiant, younger appearance.

06• SLEK

SLEK is one of the leading local hair care brands in China and has been allowed to call itself "China Famous Brand" since 2003.

07• Florena

Florena stands for naturalness and uncomplicated skin care with select natural ingeredients which are processed in a particularly gentle way.

08• Labello

In many European countries, Labello is synonymous with lip-care itself, as well as being the market leader in this category.

09• 8x4

8x4 is a highly effective deodorant that offers a broad range of products with long-lasting protection.

10• Hansaplast

Hansaplast, Beiersdorf's plaster and wound care brand, is the market leader in a number of countries worldwide.

11• tesa

tesa is one of the world's leading manufacturers of self-adhesive product and system solutions for the industrial business, and consumers.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

Successful with Skin and Beauty Care

Tangible Successes

The resounding success of the Company's range of products is based on branded consumer goods. These cover every area of skin and beauty care and have one thing in common:

They meet the highest quality standards. Above all NIVEA, NIVEA FOR MEN, La Prairie, and Eucerin. Four recent product examples:

NIVEA FOR MEN Revitalising Gel Q10

Supplies the skin cells with long-lasting energy.

NIVEA body Happy Time Body Lotion

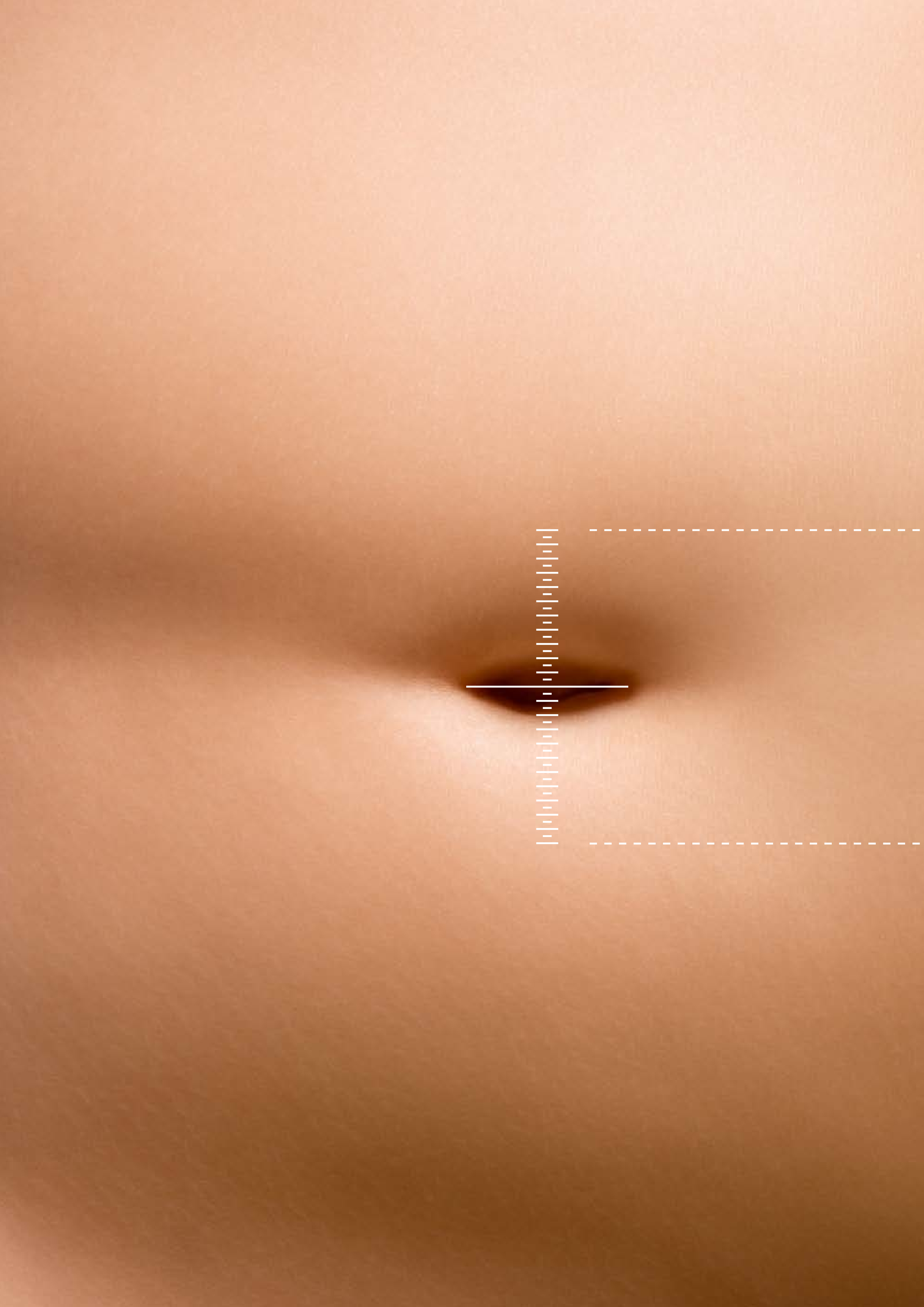
Intensive body care with bamboo essence, milk proteins, and orange blossom scent.

La Prairie Skin Caviar Luxe Cream

Drenches skin with moisture and nourishment.

Eucerin DermoDENSIFYER

Reduces even deep wrinkles and improves the skin's elasticity.



Our Strength: Understanding What Consumers Feel.

Skin and beauty care is our passion. In this segment Beiersdorf is among the four leading companies worldwide thanks to its core brands NIVEA, Eucerin, and La Prairie. Why? Because we take great care to identify consumer wishes and address them with pioneering products. In short: We understand what consumers are feeling.


NIVEA

Our Strategy: Fulfilling Consumer Wishes.

Our Consumer Business Strategy focuses on consumers and on their individual skin and beauty care needs. By combining quality consumer orientation, and brand personality, we strengthen the appeal of our brands. In doing so, they occupy a firm place in our consumers' everyday lives as a result.

Creating Trust

Our goal is to identify consumer wishes early on and meet them with appropriate skin and beauty care products. We seek personal contact with our consumers and thus gain insight into their wishes and needs. Thanks to these "Consumer Insights" we can launch outstanding product innovations on to the market. With great success: Our three global brands NIVEA, Eucerin, and La Prairie enjoy appeal and trust worldwide, allowing them to grow substantially faster than the market in recent years. NIVEA is the world's largest and most successful skin and beauty care brand* and was voted the most trusted skin care brand in Europe by Reader's Digest for the eighth consecutive year in 2008 (Reader's Digest: Most Trusted Brands 2008). Yet more impressive proof that we are close to the consumers.

Brand Experience – with our NIVEA Houses

We want to make our brands an experience. One example of this approach are our NIVEA houses in which NIVEA's caring values can be felt up close. Following the enormous success of the NIVEA Haus in Hamburg, we have transferred the basic idea – being close to consumers – to a new location in Dubai. Since November 2008, we have offered our consumers there easy access to quick, relaxing wellness treatments, tailored to local needs and specific consumer wishes. The opening of a third NIVEA Haus is planned for April 2009 in Berlin. All NIVEA houses have exclusive addresses: The bustling "Jungfernstieg" in the Hamburg city center, the "Dubai Mall", the world's largest shopping center, and the boulevard "Unter den Linden" near the Brandenburg Gate.

Strong Retail Concepts

Since most purchasing decisions today are made spontaneously in front of the shelves, we display our brands using high-profile, promising store concepts that we realize by working together with our trade partners around the world. We also set great store by optimal shelf placement, generating competitive advantages right next to our competitors' products.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

Our Promise: High-Quality Products.

We are experts in skin and beauty care. Our research facilities combine more than 125 years of experience and state-of-the-art biotechnology methods to develop effective cosmetic solutions that meet consumers' needs. Take face care, for example: Our NIVEA, Eucerin, and La Prairie brands offer the right products for each individual age group. In this way we establish a sound basis for continued growth in the key face care market.


Eucerin

Our Answer: Compelling Innovations.

Most "older people" today are active and feel significantly younger than they really are. No wonder, then, that they do not want to look older than they feel and therefore invest more in skin and beauty care. In these times of demographic change, this target group is gaining in importance – a challenge that we can meet.

Pioneering Product Innovations

Our research and development has a leading position internationally: Not only did we invent the first stable water-in-oil emulsion, our other successes include discovering the effectiveness of ingredients such as coenzyme Q10, alpha-glucosylrutin, creatine, and folic acid, as well as skin stimulation using oxygen. Our great experience in the area of face care has made our NIVEA VISAGE brand the number one in Europe. Internationally, too, we aim to continue building on our outstanding position. For example, in the high-growth anti-aging segment.

Growth with Anti-Aging Products

Our NIVEA VISAGE line offers the perfect anti-aging product for every age group: Q10 PLUS is our answer to the needs of the skin of the 30+ age group, while DNAge is designed to meet the special requirements of women between 40 and 50. The care system NIVEA VISAGE Expert Lift, which was launched in 2008, offers products with a lifting effect for women over the age of 50. This clear segmentation is designed to further increase our share of the face care market – and at the same time satisfy the different needs of our consumers. In the luxury segment, Beiersdorf's La Prairie range offers exclusive care products for demanding, more mature skin. We have also successfully launched products for older age groups in the medical skin care segment: Eucerin DermoDENSIFYER supports natural skin regeneration for women over the age of 55.

Number 1 in the Male Face Care Market

We are a top leader in the men's cosmetics market – not only are we pioneers in this sector with NIVEA FOR MEN, but we are also the world leader in men's face care. Compelling products that are clearly tailored to men's needs are the recipe for our success. In the anti-aging skin care segment, these include the launch of NIVEA FOR MEN DNAge, which has further expanded our position in the fast growing men's care market.

Our Goal: Growing Faster than the Market.

Hair care is one of the fastest-growing categories worldwide. Which is why we aim to continue our growth in this area. This applies throughout the world. With the acquisition of C-BONS Hair Care at the end of 2007, we took over one of the leading companies on the Chinese hair care market. In doing so, we expanded our business in China and strengthened our market position in one of the world's most important future markets. China is only one example of a region in which we are continously increasing our market share. As a matter of principle, we systematically pursue the same goal in all countries in which we are active: We want to grow faster than the market.





Our Approach: Market Penetration.

Beiersdorf has a global presence with more than 150 affiliates. With NIVEA we have captured over 130 market leader positions in different categories in various countries. We aim to increase our world market share in the area of skin and beauty care to 5.5% by 2010.

Successful in Europe and Throughout the World

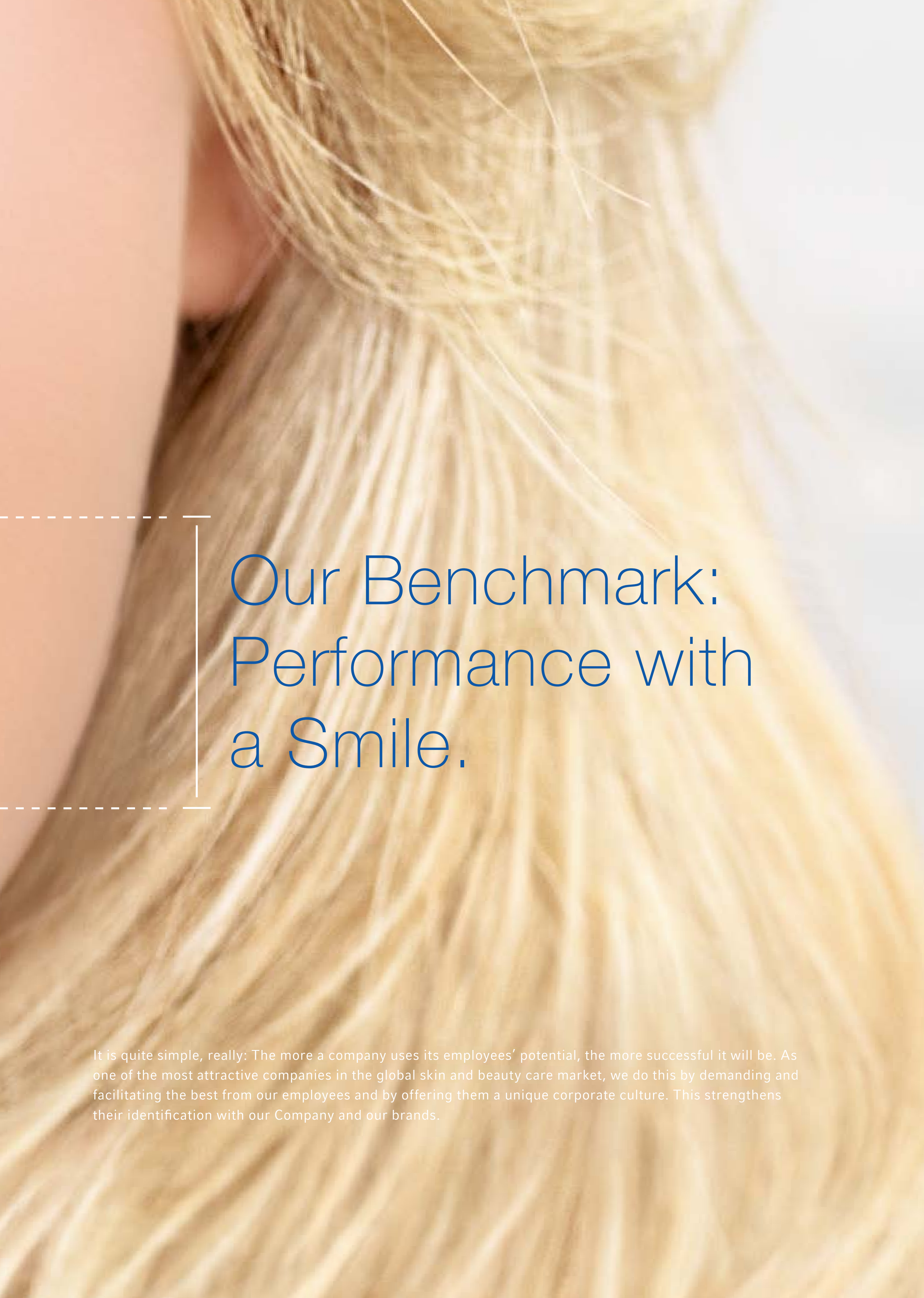
Our success is due to our focus on strong brands and regions with above-average growth potential. These primarily consist of Eastern Europe, Asia, and Latin America, and in particular of China, Brazil, Russia, and India. We have generated strong growth in Eastern Europe in recent years: Our NIVEA and Labello brands hold numerous leading positions in the body and lip care categories in a large number of Eastern Europe countries and our medical skin care brand Eucerin on its own recorded sales growth of 33% in this region. Western Europe and our German domestic market are also particularly important to Beiersdorf. We are optimally positioned to further expand our number 1 position here in the future: NIVEA and Eucerin are leading brands in the German cosmetics market.

Exploiting Growth Potential in China

We acquired a majority stake in the successful Chinese company C-BONS Hair Care Group at the end of 2007, expanding our hair and beauty care portfolio to include the extremely popular Chinese hair care brands SLEK, S-Dew, and Hair Song and the market leader among the styling brands, Maestro. By doing so, we strengthened our commitment in one of the most important key markets. With a population of 1.3 billion people, the fourth largest cosmetic market worldwide, and an average annual growth rate of the gross domestic product of 10%, China offers outstanding potential. As with all other markets, we see our role here as to act from a local perspective. In the process, we benefit from our affiliates' expertise. They use their knowledge of local conditions and the people – what we call "Consumer Insights" – to provide ideas for new products.

Successful Strategy Change in the USA

The USA is another important market for Beiersdorf. We have reorganized our business here on the basis of the local strategy, and are concentrating on our core competencies in skin care with NIVEA body, NIVEA FOR MEN, Eucerin, and Aquaphor. This has laid the foundation for us to win over consumers in the land of opportunities and the world's most important skin and beauty care market. The figures prove this: Our American affiliate, Beiersdorf Inc., recorded double-digit sales growth for the second year in a row in 2008 in the important body care segment. Our change of strategy was accompanied by an emotional advertising campaign with the slogan "Touch and Be Touched", which sensitized American consumers for the NIVEA brand in an unusually personal way.



Our Benchmark: Performance with a Smile.

It is quite simple, really: The more a company uses its employees' potential, the more successful it will be. As one of the most attractive companies in the global skin and beauty care market, we do this by demanding and facilitating the best from our employees and by offering them a unique corporate culture. This strengthens their identification with our Company and our brands.






Our Offer:
Shape our Business.

Success has many faces. At Beiersdorf there are approximately 22,000 worldwide. This means that we have 22,000 opportunities to make our business even more successful on all levels. And we are doing everything we can to take advantage of these opportunities.

Managing and Shaping Strong Brands

We convince consumers with strong brands. We need the right employees in order to achieve our ambitious growth targets. We encourage them to constantly examine their own actions, think internationally, continuously improve their work, and to review developments openly and critically. And we offer them the opportunity to actively help shape change and growth at Beiersdorf. With us, they can help develop and enhance the leading skin and beauty care brands.

Delegating and Taking Responsibility

We can only grow successfully if we work in a highly effective and professional manner. This is why everyone counts and contributes actively to meeting our goals. Beiersdorf employees take on responsibility in their individual jobs and projects early on and have the prospect of an international career. We do everything in our power to identify and develop talent and potential. We offer our employees an internationally comparable, in-depth assessment of their performance and development opportunities using modern personnel management techniques. The combination of challenging, cross-functional tasks in an international company and clear prospects for personal and professional development that we offer is what makes Beiersdorf an attractive employer worldwide.

We Care for Both: Success and People

As a company we do not just grow through our challenges, but also and in particular through the people whom we recruit for these tasks. Our employees enjoy working at Beiersdorf and are proud of the Company, the brands, and their close relationships with each other – this is what makes our corporate culture so unique. We have a lean organization with flat hierarchies and exciting tasks around the world that directly influence our business. We consistently encourage our employees to participate actively and to contribute ideas. Because for us, both things are important: Success and people. This is one of the foundations of Beiersdorf’s successful development.

2008 Highlights

Further information can be found at **www.Beiersdorf.com**

1st Quarter: January – March

– New positioning of Hansaplast
The plaster and wound care brand Hansaplast gets a full makeover. The new slogan – “When life gets exciting.” – addresses consumers living an active and exciting life and who do not want to think about any potential injuries or discomfort.

– NIVEA: Most trusted skin care brand among consumers in Europe
Among Europeans, NIVEA enjoys the highest level of consumer trust. Further proof of this comes from the Reader’s Digest “Most Trusted Brands 2008” study, Europe’s largest consumer survey. The result: Consumers voted NIVEA the most trusted skin care brand in Europe for the eighth year in a row.

2nd Quarter: April – June

– Sustainability Report published
Beiersdorf publishes its Sustainability Report in an online version. This comprehensively documents our responsibility towards our employees, society, and the environment and is based on the Global Reporting Initiative guidelines. It can be viewed and downloaded at **www.Beiersdorf.com/Sustainability**.

– India: NIVEA FOR MEN whitening range extended
NIVEA FOR MEN expands its successful whitening range in India by launching NIVEA FOR MEN Whitening Oil Control for men with oily skin. The launch of the new skin-lightening product further strengthens NIVEA FOR MEN’s market leadership.

3rd Quarter: July – September

– Recognition for research and development
Beiersdorf’s Research and Development unit won an award for its technology management from the internationally renowned Fraunhofer Institute IPT. Beiersdorf is the only prizewinner in the consumer goods segment among the over 600 companies surveyed. The strong focus on consumers during product development received special mention.

– USA: NIVEA Lip Care launched
Since 2006, Beiersdorf has focused in the USA on its core skin care brands NIVEA hand and body and Eucerin/Aquaphor. NIVEA Lip Care was launched in the fall of 2008 with the “Kiss and Be Kissed” campaign with the goal of becoming one of the leading companies in the lip care segment in the USA.

4th Quarter: October – December

– Brand experience: New NIVEA Haus in Dubai
Following the resounding success of the NIVEA Haus in Hamburg, Beiersdorf is opening more NIVEA houses in Dubai (November 2008, in the world’s largest shopping mall), and Berlin (April 2009). Each is tailored to individual consumer wishes and local requirements and offers uncomplicated and relaxing wellness treatments – close to the consumer.

– Beiersdorf admitted to the DAX
Following a resolution by Deutsche Börse (German Stock Exchange), Beiersdorf was admitted to the DAX index, of the 30 leading German listed stock corporations on December 22, 2008. This is a good opportunity to present Beiersdorf to an even wider public – nationally and internationally.

02 To Our Shareholders

+32.3%

SALES GROWTH IN 2008

NIVEA Hair Care

In 2008, we again met the wishes of our consumers with new product lines such as the NIVEA Diamond Gloss range with its modern packaging design.

Letter from the Chairman

Ladies and gentlemen,

2008 was another very successful year for Beiersdorf. In a difficult economic environment, we generated sales of €5,971 million (previous year: €5,507 million) and EBIT (excluding special factors) of €696 million (previous year: €684 million). We therefore achieved growth of 7.5%, adjusted for currency translation effects and excluding the acquisitions we made at the end of 2007. Including these acquisitions, our growth amounted to 10.6%. We again grew substantially faster than the market and have further expanded our global market share as a result. Profit after tax excluding special factors amounted to €490 million. The Executive Board and Supervisory Board will propose the following dividend to the Annual General Meeting: €0.70 (as in the previous year) and an extraordinary amount of €0.20, in total €0.90 for each share carrying dividend rights. This amount shall enable the shareholders to participate in the special gains from the divestments of the previous years in an appropriate way.

There are good reasons for these strong results: Our long-term Consumer Business Strategy "Passion for Success" and the associated focus on the growing market for skin and beauty care have proven to be correct in the past few years. This is also expressed in the title of this Annual Report: "Successful with Skin and Beauty Care." In this area we are among the four largest international companies with our three global brands NIVEA, Eucerin, and La Prairie. We focus consistently on consumers' wishes: With NIVEA, we have the world's leading and most successful skin and beauty care brand*, which has enjoyed significant consumer trust for decades. This trust is the critical factor for our future success – especially in difficult times. We understand how to react to our consumers' wishes and offer them tailored products based on our excellent research and product development. We achieve this through an in-depth, methodical examination of consumer behavior throughout the world.

In 2008, we again recorded particularly strong growth in China, Eastern Europe, and Latin America. In addition, we laid the foundations for a successful future in the USA. We also performed well in our strong domestic market, Germany. Another important element in the implementation of our Consumer Business Strategy is the realignment of our Supply Chain, which began in 2006. The reorganization of the Company's European production and logistics structure has now been largely and successfully completed.

The tesa business segment continued to grow faster than the market in 2008, maintaining its global lead in the market for self-adhesive system solutions. However, its direct customer and distribution business in the industrial segment was not quite immune to the extremely difficult market environment. Especially in the fourth quarter of last year, tesa's cyclically sensitive industrial business was impacted by economic developments – particularly in the automotive industry. Overall, tesa's business is extremely well positioned, both technologically and structurally, and is well equipped for the future.

Since December 22, 2008, Beiersdorf has been one of the 30 leading listed companies in Germany. Our inclusion in the DAX index is confirmation of our business model, which focuses on long-term success, and will allow us to make an even broader international public aware of how attractive Beiersdorf is, as well as demonstrating our global success even more effectively on the international capital markets. Naturally, we will remain true to our successful strategy following our inclusion in the DAX. We will continue to concentrate on systematically expanding our market position through long-term profitable growth.

We take the turbulence in the financial sector and on our sales markets very seriously. Dedicated teams of experts are permanently monitoring possible influences on our business on an ongoing basis, ensuring swift action. Going forward, we are confident that we will continue to outperform the international markets with our strong brands and their uncompromising consumer orientation, and with our innovative products. We are a solidly positioned company with a healthy financial structure.

But there is another extremely important reason why I am looking forward to the coming fiscal year with confidence: I am deeply impressed by the dedication of our employees, who make our success possible. On behalf of my colleagues on the Executive Board and myself, I would like to thank all of them for their identification with the Company, for our positive dialog, and for the special corporate culture we experience every day. We would also like to thank our retail and business partners for their commitment and all shareholders and consumers for their trust in us. As one of the world's leading companies for skin and beauty care, we are well prepared and highly motivated to face the future.

Sincerely,

THOMAS-B. QUAAS
CHAIRMAN OF THE EXECUTIVE BOARD

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

The Executive Board of Beiersdorf AG

PETER KLEINSCHMIDT

MEMBER OF THE EXECUTIVE BOARD
Born in 1950 in Rostock (Germany)

Member of the Executive Board since 2003

Responsible for Human Resources:
– Human Resources
– Sustainability

MARKUS PINGER

MEMBER OF THE EXECUTIVE BOARD
Born in 1963 in Leverkusen (Germany)

Member of the Executive Board since 2005

Responsible for Supply Chain:
– Procurement
– Production
– Logistics
– Quality Management

THOMAS-B. QUAAS

CHAIRMAN OF THE EXECUTIVE BOARD
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 Auditing

DR. BERNHARD DÜTTMANN

MEMBER OF THE EXECUTIVE BOARD
Born in 1959 in Düsseldorf (Germany)

Member of the Executive Board since 2006

Responsible for Finance:
– Finance
– Controlling
– Legal
– IT

PIETER NOTA

MEMBER OF THE EXECUTIVE BOARD
Born in 1964 in Wageningen (the Netherlands)

Member of the Executive Board since 2005

Responsible for Brands:
– Marketing
– Research & Development
– Sales

Beiersdorf's Shares

Beiersdorf.com/IR

Markets around the world were focused mainly on the international financial crisis during 2008. Players' activities were dominated by collapses and rescue plans on a hitherto unprecedented scale, while extreme commodity price swings – especially for oil – led to highly volatile performances by almost all stocks on the equities markets. At the beginning of the year, investor appetite was hit by increases in the price of oil in particular. Brent crude broke through the USD 100 per barrel barrier for the first time at the end of February. The euro's initial appreciation against the dollar temporarily curbed the effect on the German economy, although it did have a clearly negative effect on exports. Emerging markets were the main driving force behind global growth in the second quarter. At the same time, commodity prices continued to rocket, peaking in the middle of the year (Brent crude cost USD 145 per barrel for a time). Rising long-term interest rates also put pressure on the stock markets and led to a fall in the indices. This slump continued in the second half of the year with indices losing more than 10% per day in some cases during the height of the banking crisis in September and October. Bank stocks led to unusual price movements on the DAX, pushing the key German index down close to the 4,000-point mark. Then, in the fourth quarter, the rescue packages by the world's central banks led to the situation quietening down a little. In this environment, the DAX closed the year at 4,810 points.

The consumer goods manufacturers in the European HPC (Household and Personal Care) Index reported strong results in the first and second quarters. However, investors remained cautious due to the uncertain economic outlook. As a result, the Index initially mirrored and then, in the third quarter, underperformed the DAX and other key indices. However, the sector recovered some ground during the turbulence in September and October – the crisis months – and closed the year on a positive note.

Beiersdorf's share price remained uncoupled from the German indices for relatively long periods in 2008. In the first quarter this was due to the defensive character of our shares and related positive expectations by investors given the uncertain times. In the third quarter, the announcements regarding the Company's business performance and its integration of the Chinese hair care business of C-BONS Hair Care triggered independent price movements by Beiersdorf's shares in the third quarter. The planned investments in the Chinese hair care market were the subject of intense market discussion in the course of the third quarter, and it took some time for them to be recognized as a key element in the development of Beiersdorf's Chinese business. However, investor confidence rose sharply in conjunction with the excellent growth figures for the first nine months, with shares significantly outperforming the markets in the fourth quarter. At the beginning of December, Deutsche Börse (German Stock Exchange) resolved to admit our shares to the DAX, Germany's bellwether stock market index; on December 22, Beiersdorf officially became one of the 30 leading listed companies in Germany. At the end of the year, Beiersdorf's shares remained firm and clearly outperformed the indices to close at €42.00.

BEIERSDORF'S SHARE PRICE PERFORMANCE 2008
(Jan. 1-Dec. 31, 2008)

CLOSING PRICES (IN €)	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 30
2008	53.29	46.77	44.81	42.00

BASIC SHARE DATA

Company Name	Beiersdorf Aktiengesellschaft
WKN	520000
ISIN	DE 0005200000
Stock Trading Venues	Official Market in Frankfurt and Hamburg; Open Market in 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

Investor Relations

Beiersdorf.com/
IR

Beiersdorf's shares are a reliable and solid stock on the German market – something that also applies in difficult economic times. This performance is the reflection at the level of the capital markets of key corporate characteristics. Since 2005, the continuous implementation of the Consumer Business Strategy has led to numerous structural improvements and a clear focus on high-priority business areas and regions. Explaining these changes to shareholders and, where possible, attracting the support of new shareholders is one of Investor Relations' most important tasks. The publication of the quarterly figures – both in the telephone conferences explaining the quarterly and half year results, and at the financial analyst meetings after nine months and the annual report – played a key role in this in 2008. The conference calls, which we introduced last year as a regular feature of our reporting activities, have now become an essential first-hand source of information for the capital markets. Recordings of the conferences can be downloaded as audio or video streams at **www.Beiersdorf.com** – an offering that was used intensively by shareholders and observers.

Continued strong sales growth by the Consumer business despite the difficult environment, coupled with an improvement in profit margins, sparked interest in 2008 among many new investors, who demanded high standards from Beiersdorf both with regard to the quality of the figures themselves and to communication and the provision of information. Our inclusion in the DAX in December 2008 was good news for Beiersdorf in this respect, too, as this gives Investor Relations the opportunity to make an even broader international public aware of how attractive the Company is, as well as presenting our global success on an even larger scale to the international capital markets.

Beiersdorf's Executive Board again attended selected major investor conferences in London, Paris, and New York in the last fiscal year to talk to and inform investors about the Company's business performance and the status of implementation of its strategy. These events were anchor points in Beiersdorf's capital market communications calendar and were supplemented by numerous additional activities including roadshows and conferences in Stockholm, Edinburgh, and Frankfurt.

Beiersdorf's updated sustainability website again played an important role in the Company's financial communications in 2008. The disclosures on and key performance indicators for our Company's ecological, economic, and social responsibilities are based on the Global Reporting Initiative standard. This clearly documented Beiersdorf's high level of commitment in the area of sustainability, and efficiently satisfied the considerable interest shown by the markets in 2008.

Report by the Supervisory Board

PROF. DR. REINHARD PÖLLATH
CHAIRMAN OF THE
SUPERVISORY BOARD

In fiscal year 2008, the Supervisory Board performed its tasks in accordance with the law, the Articles of Association, the German Corporate Governance Code, and the bylaws. We advised and supervised the Executive Board in its management of the Company. The Executive Board informed us in a regular, timely, and comprehensive manner, orally and in writing, regarding the business strategy, corporate planning, the course of business, risk management, and the Company's situation and profitability. It explained any deviations between actual and planned developments. The full Supervisory Board and the relevant committees discussed and examined in detail significant business transactions on the basis of the reports submitted by the Executive Board. Between Supervisory Board meetings, the Chairman of the Executive Board and the Chairman of the Supervisory Board discussed all matters of importance to the Company, including the Company's strategy, business development, and risk management.

In the four regular **Supervisory Board meetings**, we regularly focused on current business developments, major individual business transactions, and measures by the Executive Board requiring Supervisory Board approval. We granted all necessary approvals after thorough examination and in-depth discussion. Three resolutions were taken in writing on the basis of detailed preparations and documents.

In the meeting on February 21, 2008, we elected a new Chairman of the Supervisory Board and a new additional Deputy Chairman of the Supervisory Board, and addressed the annual and consolidated financial statements for 2007, the proposed resolutions for the Annual General Meeting on April 30, 2008, the Company's further strategic development, business developments, and the integration of C-BONS Hair Care, as well as business developments at the La Prairie Group.

We used the Supervisory Board meeting on April 30, 2008 to prepare for the Annual General Meeting, to discuss and examine the Group's interim financial statements as of March 31, 2008, and to discuss current business developments.

In the September 4, 2008 meeting, we addressed the Group's interim financial statements as of June 30, 2008, as well as business developments in Germany. Additional items discussed at the meeting included issues relating to the due and proper conduct of business operations (compliance) and the investigations by national antitrust authorities in Europe involving a number of companies, including Group affiliates. In addition, we focused on changes to the German Corporate Governance Code and resolved to amend our bylaws. Finally, we discussed planned acquisitions and divestments and agreed to resolve these in writing should they be ready for resolution before the next Supervisory Board meeting. We approved the sale of Bode Chemie as well as the sale of the Futuro business in written procedures in October, as well as the acquisition of Labtec GmbH by tesa AG in a further written resolution procedure in November.

In the Supervisory Board meeting on November 20, 2008, we examined the Group's interim financial statements as of September 30, 2008. In addition, we authorized the provisional corporate planning for fiscal year 2009 after an in-depth discussion and examination. The Executive Board will present its finalized corporate planning, which will take into account opportunities and risks of the financial market crisis and their possible effects on the Group, for approval in spring 2009. In the meeting, we resolved the Declaration of Compliance regarding the recommendations of the German Corporate Governance Code and addressed the status of our realignment of production and logistics operations (Consumer Supply Chain), business developments in the USA, as well as business developments at, and the integration of, C-BONS Hair Care. We also discussed the remuneration of the Executive Board and the results of the efficiency review of the Supervisory Board in October.

As in the past, the Supervisory Board has four committees. These prepare the resolutions to be taken by the full Supervisory Board and pass resolutions, insofar as this is permitted, in individual cases instead of the full Supervisory Board. The chairmen of all committees reported regularly and in detail to the Supervisory Board meetings about the work performed in the committees.

In its five meetings, the **Executive Committee** prepared the Supervisory Board meetings and also addressed current business developments, preparations for the Annual General Meeting on April 30, 2008, the sale of Bode Chemie and of the Futuro business, as well as the acquisition of Labtec GmbH by tesa AG, the changes to the German Corporate Governance Code and to the Supervisory Board's bylaws, and the remuneration of the Executive Board.

The **Audit and Finance Committee** met six times, addressing its relevant Supervisory Board topics including the preliminary examination of Beiersdorf AG's annual financial statements and the consolidated financial statements, the preparation of the agreement with the auditors, and the review and enhancement of risk management in the Beiersdorf Group, including due and proper business operations (compliance). The Audit and Finance Committee examined in depth the opportunities and risks arising from the financial market crisis and safeguards and monitoring measures taken by the Executive Board in this context. The Committee discussed the interim report for January to September 2008 with the Executive Board prior to its publication, in line with the German Corporate Governance Code's new recommendation. Furthermore, it evaluated the results of the internal audits performed in 2008 and the internal audit plan for fiscal year 2009.

The **Nomination Committee**, set up in 2007, prepared the proposals by the Supervisory Board for the election of shareholder representatives by the Annual General Meeting in September 2008 and in January 2009.

The **Mediation Committee**, set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*) did not meet.

The **auditors**, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, audited Beiersdorf AG's annual financial statements, prepared by the Executive Board, and the consolidated financial statements as well as the management reports for Beiersdorf AG and the Group, and issued unqualified audit opinions for them. In view of the majority interest held by maxingvest ag (formerly Tchibo Holding AG), Hamburg, the Executive Board also prepared a report regarding dealings among Group companies for 2008 as required by § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*), for which the auditors issued the following unqualified audit opinion: "Following the completion of our audit, which was carried out in accordance with professional standards, we confirm: 1. that the information contained in this report is correct; 2. that the Company's compensation with respect to the transactions listed in the report was not inappropriately high; and 3. that there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Executive Board."

The primary focus of the audit in 2008 was on the Group-wide risk early warning and monitoring system.

The **annual financial statements** of Beiersdorf AG, the consolidated financial statements, the management reports for Beiersdorf AG and the Group, the report regarding dealings among Group companies, and the auditors' reports were distributed to all members of the Supervisory Board immediately after preparation. The Audit and Finance Committee performed a preliminary examination of the financial statements, the reports, and the Executive Board's proposal on the utilization of the net retained profits during its meeting on February 18, 2009. These financial statements and reports as well as the Executive Board's proposal regarding the utilization of the net retained profits were discussed in detail and reviewed in the Supervisory Board meeting of February 19, 2009. The auditors reported on the key findings of their audit both in committee as well as at the full Supervisory Board meeting, and were available to answer questions and provide supplemental information. Our own examination of the financial statements, the management reports for Beiersdorf AG and the Group, the report regarding 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 prepared by the Executive Board for the year ending December 31, 2008. The annual financial statements of Beiersdorf AG are thus adopted. We also endorsed the Executive Board's proposal on the utilization of the net retained profits.

Dieter Ammer stepped down as Chairman of the Supervisory Board with effect from the end of the Annual General Meeting on April 30, 2008. The Supervisory Board appointed the undersigned as Chairman and Dr. Arno Mahlert as an additional Deputy Chairman of the Supervisory Board. The Supervisory Board would like to thank Mr. Ammer for his almost four years of service as its Chairman.

Fiscal year 2008 was just as successful for the Company as the previous year, despite the recent difficult conditions on markets around the world. The successes achieved by the Beiersdorf Group companies are based on the outstanding achievements of their employees and of the Executive Board. Our warmest thanks and recognition are due to them all. This also applies to our customers and business partners. We are well prepared and are looking forward with confidence to the major challenges facing us in 2009, thanks to our unchanged strong fundamentals.

Hamburg, February 19, 2009
On behalf of the Supervisory Board

PROF. DR. REINHARD PÖLLATH
CHAIRMAN

Corporate Governance

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Good Management (Corporate Governance)

Beiersdorf welcomes the German Corporate Governance Code last updated in June 2008. The Code creates transparency with regard to the legal framework for corporate management and supervision in Germany, and also establishes generally accepted standards for good and responsible company management.

Good corporate governance has 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, and responsible risk management are the basis of the Company's success. As a result, compliance with the Code and its amendments did not necessitate any fundamental changes at Beiersdorf. We consider corporate governance to be an ongoing process and will continue to track future developments carefully.

I. Declaration of Compliance

At the end of December 2008, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2008 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the recommendations as well as a large number of the suggestions made in the Code.

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

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 2008, 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 6, 2008 and June 14, 2007 respectively.

Hamburg, December 2008

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 the provisions of its Articles of Association. Like all German stock corporations, Beiersdorf has a dual management and supervisory structure consisting of two bodies, the Executive Board and the Supervisory Board. In addition, the Annual General Meeting acts as the decision-making body for shareholders for 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

The Supervisory Board of Beiersdorf AG 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*), each for a period of five years. The term of office of the current Supervisory Board ends with the conclusion of the Annual General Meeting resolving on the approval of their activities for fiscal year 2008.

The Supervisory Board advises the Executive Board on the management of the Company and supervises its conduct of the Company's business within the framework laid down by the law, the Articles of Association, and the bylaws. It works closely with the Executive Board for the benefit of the Company and is involved in decisions of fundamental importance.

Supervisory Board members disclose potential conflicts of interest due to their activities as consultants to or officers of other companies to the Supervisory Board without delay; material conflicts of interest that are more than temporary in nature result in the termination of the mandate of the member concerned. In its report, the Supervisory Board informs the Annual General Meeting of any conflicts of interest that have occurred and of how these were handled. The D&O insurance policy taken out by the Company for the members of the Supervisory Board includes a suitable deductible. Supervisory Board members should not be older than 72 years.

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

The **Executive Committee** prepares the Supervisory Board meetings and the Supervisory Board's human resources decisions, resolves on the contracts of service and pension agreements for members of the Executive Board and on other issues involving the Executive Board in the place of the Supervisory Board, and 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** prepares 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. It also advises and supervises the Executive Board on questions relating to accounting, controlling, risk management, and compliance as well as internal auditing. In addition, the Audit and Finance Committee monitors corporate policy in the areas of finance, tax, and insurance. It decides in place of the Supervisory Board on the raising and extension of loans, on the assumption of liability for third-party liabilities, and on investment transactions. Finally, the Audit and Finance Committee discusses the quarterly reports with the Executive Board prior to publication.

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.

In accordance with section 5.3.3 of the German Corporate Governance Code, a **Nomination Committee** was also formed. It is composed of shareholder representatives and proposes suitable candidates to the Supervisory Board for proposal to the Annual General Meeting.

2. The Executive Board

The Executive Board manages the Company and conducts its business. It is obliged to act in the Company's best interests and to increase the Company's sustainable enterprise value. The members of the Executive Board are appointed by the Supervisory Board. The Company's Executive Board consists of five members. The duties of the Executive Board are assigned by functions and regions.

The Executive Board develops the Company's strategy, agrees it with the Supervisory Board, and ensures its implementation. It is responsible for the Company's annual and multi-year planning and for preparing the quarterly, annual, and consolidated financial statements. It is also responsible for ensuring adequate risk management and risk control and for regular, timely, and comprehensive reporting to the Supervisory Board. Certain measures and transactions performed by the Executive Board require the approval of the Supervisory Board.

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 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 concluded a D&O insurance policy for the members of the Executive Board that provides for a suitable deductible.

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; on request, 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 a voting representative who votes in accordance with shareholders' instructions. The invitation explains how to issue instructions for exercising voting rights in the run-up to the Annual General Meeting. In addition, shareholders are free to appoint a proxy of their choice as their representative at the Annual General Meeting.

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 recommendations of the German Corporate Governance Code and the commercial law requirements as amended by the *Gesetz über die Offenlegung der Vorstandsvergütungen* (German Act on Disclosure of Executive Board Remuneration). The Remuneration Report forms part of the consolidated financial statements and the group management report.

1. Remuneration of the Executive Board

The Executive Committee of the Supervisory Board discusses and reviews the remuneration system for the Executive Board at regular intervals and resolves any necessary adjustments; in addition, it regularly presents the remuneration system, including the key contractual elements, to the Supervisory Board for review and resolution. For example, the remuneration system for the Executive Board, including the key contractual elements, was reviewed and approved by the Supervisory Board in November 2008.

The remuneration system focuses primarily on the tasks and performance of the individual members of the Executive Board, as well as on the entire Executive Board's performance and the Company's economic and financial situation, performance, and future prospects, including in comparison with its peer group.

The remuneration of the Executive Board comprises the following key non-performance-related and performance-related components:

- a fixed basic remuneration component and
- a variable remuneration component linked to the achievement of certain targets, which in turn comprises the following two elements:
  - an annually payable short-term remuneration element (short-term incentive, STI), and
  - a long-term, risk-oriented remuneration element covering a five-year period (long-term incentive, LTI).

Where the target bonus for the variable remuneration specified by the Executive Committee for each Executive Board member is reached, the ratio of fixed to variable remuneration is generally 1:2.

The fixed basic annual remuneration is paid in twelve equal monthly installments. It is reviewed regularly for appropriateness by the Executive Committee every two years.

To provide additional support for Beiersdorf's Consumer Business Strategy, "Passion for Success", the variable component of the Executive Board's remuneration was linked more closely to the Executive Board's performance, the development of the Company, and the rise in its sustained enterprise value. The variable remuneration – STI and LTI – depends on the extent to which predefined corporate targets and specific personal targets for individual Executive Board members are met; in line with the Company's strategic focus, these targets relate primarily to the Consumer business. The corporate targets relate to sales growth (adjusted for currency translation effects) and EVA® (Economic Value Added); these can be adjusted by the Executive Committee to take account of extraordinary factors. The Executive Committee lays down the corporate and personal targets before the fiscal year begins. After the end of the fiscal year, the Executive Committee establishes the basic variable remuneration for each Executive Board member depending on the extent to which the corporate targets have been reached, using consolidated profit as a basis; this basic amount is then increased or reduced within predefined limits depending on the extent to which the Executive Board member's personal targets have been reached. The individual variable remuneration determined in this way for each Executive Board member is subject to an upper limit (cap). For a period of three years (i.e., including fiscal year 2008) during the transition from the previous dividend-based to the new, performance-related, variable remuneration – which was introduced in fiscal year 2006 – an annually declining portion of the target bonus was guaranteed as a minimum amount (2006: 75% of the target bonus; 2007: 50% of the target bonus; 2008: 25% of the target bonus).

Part of the variable remuneration can be paid out annually in cash, as the STI. The amount of the annual payout is determined by the Executive Committee individually for each Executive Board member before the start of the fiscal year in question. The payout is limited to a maximum of 80% of the annual variable remuneration up to the amount of the target bonus and a maximum of 50% of the amount in excess of the target bonus.

The remaining amount counts towards the LTI; this is designed to cover a five-year period and rewards the contribution made by individual Executive Board members to sustainably increasing the Company's enterprise value. A new LTI is produced each calendar year for each Executive Board member. The development of the LTI depends on the growth in the enterprise value (compound annual growth rate, or CAGR); this is calculated on the basis of sales and EBIT multiples that are kept constant throughout the duration of the LTI. The Executive Committee can adjust the development of the enterprise value as calculated to take extraordinary effects into account. The LTI provides for a cash payment to be made at the end of every five years, provided that the enterprise value exceeds a predefined minimum threshold. If this minimum threshold is not reached, the entire LTI lapses.

The remuneration of the Executive Board 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 also provided with a company car in addition to his fixed and variable remuneration. 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.

In addition, pension commitments have been made to the individual Executive Board members. The pension benefits are determined as a percentage of a fixed amount that generally corresponds to the respective fixed remuneration of the individual Executive Board members. The pension commitment is not linked to the performance-related remuneration components. The percentage increases in line with the length of service of the Executive Board member and is limited to 50% of this fixed amount. Additions to pension provisions comprise current service cost and interest expense.

The contracts of service for the Executive Board members do not contain any change-of-control clauses. If the contract of the Chairman of the Executive Board is terminated early by mutual consent for reasons for which the Chairman is not responsible, he has been promised compensation in the amount of the fixed remuneration due until the end of his contract plus a fixed amount of €500 thousand per year representing the variable remuneration. No other commitments exist in relation to the termination of membership of the Executive Board.

Members of the Executive Board did not receive any loans from the Company.

TOTAL REMUNERATION OF THE EXECUTIVE BOARD FOR ACTIVITIES IN THE FISCAL YEAR

(in €, figures for previous fiscal year in brackets)

	Basic fixed remuneration	Variable remuneration[1] STI[2]	Variable remuneration[1] LTI[3]	Other[4]	Total	Additions to pension provisions
Thomas-B. Quaas	**420,000** (420,000)	**716,400** (1,003,600)	**180,878** (400,624)	**15,858** (15,858)	**1,333,136** (1,840,082)	**152,204** (172,245)
Dr. Bernhard Düttmann	**250,000** (240,000)	**416,550** (524,736)	**169,822** (280,884)	**9,709** (9,294)	**846,081** (1,054,914)	**74,639** (104,987)
Peter Kleinschmidt	**260,000** (250,000)	**473,980** (593,500)	**123,936** (224,567)	**14,262** (12,804)	**872,178** (1,080,871)	**93,143** (103,216)
Pieter Nota	**315,000** (315,000)	**393,200** (426,240)	**191,896** (301,891)	**11,842** (11,842)	**911,938** (1,054,973)	**80,280** (114,748)
Markus Pinger	**250,000** (250,000)	**423,500** (631,500)	**94,494** (253,642)	**11,352** (12,681)	**779,346** (1,147,823)	**70,824** (103,107)
Total	**1,495,000** (1,475,000)	**2,423,630** (3,179,576)	**761,026** (1,461,608)	**63,023** (62,479)	**4,742,679** (6,178,663)	**471,090** (598,303)

[1] The variable remuneration for fiscal year 2008 was adopted in the Executive Committee meeting on January 21, 2009.
[2] The amount of the annual payout is determined individually for each Executive Board member by the Executive Committee before the start of the fiscal year in question. The payout is limited to a maximum of 80% of the annual variable remuneration up to the amount of the target bonus and a maximum of 50% of the amount in excess of the target bonus.
[3] The LTI for fiscal year 2008 will not be paid out until after the end of fiscal year 2013, assuming that the specified minimum threshold is reached. Until this point the development of the LTI is dependent on the growth in the enterprise value (CAGR).
[4] The Other column refers to non-cash benefits arising from the provision of company cars and the payment of insurance contributions.

The existing LTI figures can be seen from the following table:

(in €)

	LTI[1] Fiscal year 2006[2]		LTI[1] Fiscal year 2007[3]		**LTI[1] Fiscal year 2008[4]**
	2007	**2008**	2007	**2008**	
Thomas-B. Quaas	936,950	**1,108,629**	400,624	**497,047**	**180,878**
Dr. Bernhard Düttmann	-	**-**	280,884	**348,487**	**169,822**
Peter Kleinschmidt	393,902	**466,078**	224,567	**278,616**	**123,936**
Pieter Nota	626,971	**741,853**	301,891	**374,551**	**191,896**
Markus Pinger	557,307	**659,424**	253,642	**314,689**	**94,494**
Total	2,515,130	**2,975,984**	1,461,608	**1,813,390**	**761,026**

[1] The respective LTIs lapse if the enterprise value does not exceed a predefined minimum threshold after five years.
[2] To be paid after the end of fiscal year 2011.
[3] To be paid after the end of fiscal year 2012.
[4] To be paid after the end of fiscal year 2013.

Payments to former members of the Executive Board and their dependants totaled €2,018 thousand (previous year: €1,952 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to €23,755 thousand (previous year: €24,576 thousand).

2. Remuneration of the Supervisory Board

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 ratio of the fixed to the variable remuneration component is balanced.

Each Supervisory Board member receives fixed remuneration in the amount of €25,000 for each full fiscal year and variable remuneration of €1,200 for each cent by which the dividend per share distributed exceeds the amount of 15 cents. No attendance fees are paid. In line with the recommendation of the German Corporate Governance Code that the remuneration should reflect the responsibility assumed and the scope of the duties performed by the respective member of the Supervisory Board, and that the chairmanship of the Supervisory Board should be given special consideration, 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 as well as 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.

Members of the Supervisory Board did not receive any loans from the Company. 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 30, 2009 on the dividend to be distributed for fiscal year 2008, the members of the Supervisory Board will receive the remuneration presented in the following table for their activities in fiscal year 2008:

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN THE FISCAL YEAR (in €)

	Fixed[1]		Variable		Total	
	2007	2008	2007	2008	2007	2008
Prof. Dr. Reinhard Pöllath[2]	37,500	54,303	99,000	195,492	136,500	249,795
Thorsten Irtz	37,500	37,500	99,000	135,000	136,500	172,500
Dr. Arno Mahlert[3]	55,000	43,320	66,000	120,246	121,000	163,566
Dieter Ammer[4]	62,500	47,439	165,000	134,631	227,500	182,070
Dr. Walter Diembeck	40,000	40,000	66,000	90,000	106,000	130,000
Frank Ganschow	25,000	25,000	66,000	90,000	91,000	115,000
Michael Herz	50,000	50,000	66,000	90,000	116,000	140,000
Dr. Rolf Kunisch	25,000	25,000	66,000	90,000	91,000	115,000
Tomas Nieber	25,000	25,000	66,000	90,000	91,000	115,000
Stefan Pfander	25,000	25,000	66,000	90,000	91,000	115,000
Ulrich Plechinger	25,000	25,000	66,000	90,000	91,000	115,000
Prof. Manuela Rousseau	25,000	25,000	66,000	90,000	91,000	115,000
Total	432,500	422,562	957,000	1,305,369	1,389,500	1,727,931

[1] This includes the fixed remuneration component and the additional remuneration of membership of Supervisory Board committees and for the chairmanship and deputy chairmanship of the Supervisory Board.
[2] Prof. Dr. Reinhard Pöllath has been the Chairman of the Supervisory Board and of the Executive, Nomination, and Mediation Committees since the end of the Annual General Meeting on April 30, 2008; he was Deputy Chairman of the Supervisory Board until the end of the Annual General Meeting on April 30, 2008.
[3] Dr. Arno Mahlert has been the Deputy Chairman of the Supervisory Board since the end of the Annual General Meeting on April 30, 2008.
[4] Dieter Ammer was the Chairman of the Supervisory Board and of the Executive, Nomination, and Mediation Committees until the end of the Annual General Meeting on April 30, 2008.

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

In accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), the members of the Company's Executive Board and Supervisory Board are legally obliged to promptly disclose the acquisition or disposal of shares in Beiersdorf AG to the Company. This also applies to related parties of such persons. Beiersdorf AG received the following notifications in the past fiscal year.

Date and location of the transaction	Name of the person subject to the disclosure requirement	Position	Description of financial instrument	WKN/ISIN	Type of transaction	Number of shares	Price per share €	Total amount traded €
June 20, 2008 Xetra	Cornelia Herz	Spouse of Supervisory Board member	No-par value bearer shares	DE0005200000	buy	500	48.679	24,560.06
July 17, 2008 Xetra	Cornelia Herz	Spouse of Supervisory Board member	No-par value bearer shares	DE0005200000	buy	250	41.879	10,469.75
Aug. 6, 2008 Xetra	Cornelia Herz	Spouse of Supervisory Board member	No-par value bearer shares	DE0005200000	buy	250	39.00	9,750.00
Sept. 30, 2008 Xetra	Stefan Pfander	Supervisory Board member	No-par value bearer shares	DE0005200000	buy	9,320	42.91	400,000.00
Oct. 13, 2008 Hamburg	Cornelia Herz	Spouse of Supervisory Board member	No-par value bearer shares	DE0005200000	buy	790	38.27	30,233.30

The members of the Executive Board of Beiersdorf AG hold no shares in the Company. The total shareholdings of the members of the Supervisory Board amount to 50.46% of the shares issued by the Company. Michael Herz, a member of the Supervisory Board of Beiersdorf AG, notified the Company in accordance with § 21 (1) *WpHG* that his share of voting rights in the Company has amounted to 50.46% since March 30, 2004, and that these are fully attributable to him in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (indirect ownership of shares). The other members of the Supervisory Board hold less than 1% of the shares issued by the Company.

V. Further Information on Corporate Governance at Beiersdorf

More 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 previous pages.

Beiersdorf.com/ Corporate-Governance

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 19, 2009

Beiersdorf Aktiengesellschaft

The Supervisory Board | The Executive Board

03 Group Management Report

+ 12.6%

SALES GROWTH IN 2008

Eucerin

Perfection in medical cosmetics: Our Eucerin products comply with the highest dermatological standards, caring for sensitive skin in an especially gentle way.

01 • CONSUMER BUSINESS STRATEGY

Business and Environment

Beiersdorf.com

Beiersdorf is a leading international branded consumer goods company with more than 150 affiliates and around 22,000 employees. We have been offering innovative products to meet consumer wishes for more than 125 years. Our Company is divided into two areas. The focus of our business is the Consumer business segment with its comprehensive range of skin and beauty care products. The tesa business segment is one of the world's leading manufacturers of self-adhesive product and system solutions for industry, craft businesses, and consumers.

Consumer Business Segment

Our Consumer business segment focuses on the development, manufacture, and marketing of innovative skin and beauty care products. We are excellently positioned thanks to our strong brands – above all NIVEA, the world's biggest skin and beauty care brand*. Eucerin, one of the leading international dermo-cosmetic brands, and La Prairie, the high-quality cosmetics brand in the luxury segment, are other successful core brands. Our brands enjoy outstanding market positions in a large number of countries and segments.

Our goals are clearly defined: to continuously increase our market share in all areas through qualitative growth and to further improve our strong earnings situation. We are aiming for a global market share in the skin and beauty care segment of 5.5% by 2010. We intend to achieve these objectives by continuing to successfully implement our "Passion for Success" Consumer Business Strategy. This strategy is based on the following four key components:

see Chart 01

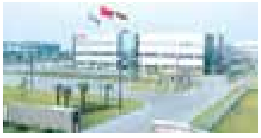
- Superior Brands: Our innovation process ensures that we focus on developing significant product innovations and on launching them on the market rapidly and successfully. Outstanding quality, excellent displays at the point of sale, the efficient use of our marketing and sales expenditures, and high-quality advertising strengthen our brands and clearly distinguish them from the competition.
- Superior Supply Chain: We manage our global activities centrally in our global Consumer Supply Chain, which is tailored to our structure, partners, and markets. This makes us fast, flexible, and cost-effective. Our Consumer Supply Chain allows us to increase our product and service quality, offer our retail partners locally tailored solutions, and deliver products to consumers even faster.
- Clear Geographical Focus: We ensure we stay close to our markets worldwide and assign clear priorities. This forms the basis for our substantial global growth. In addition to Western Europe, our activities focus in particular on regions with above-average growth potential: Asia, Eastern Europe, and Latin America, and especially the countries of China, India, Russia, and Brazil.
- Superior Talent in Lean Organization: We demand and encourage performance, innovation, and optimization at all levels of the Company. Our strengths include efficiently aligned, central decision-making and management structures.

* Euromonitor, Cosmetics & toiletries excluding fragrances and haircolourants by retail sales value, 2008.

02 • TESA STRATEGY

tesa

Customer Proximity & Partnership



Global Presence in Growth Regions

Outstanding Quality & Sustainability

Innovation & Technology Leadership

Consumer Supply Chain: Realignment in Europe largely completed

At the end of 2008 the realignment of our Consumer Supply Chain in Europe – which begun three years ago – was largely completed. With this the foundation for a globally-managed value creation chain with perfectly aligned processes was created. The desired increase in efficiency and flexibility has led to significant savings and a reduction of capital employed by 13% within the past five years.

After the reorganization of the production and logistics network, we now have a few large factories with high capacity utilization and efficiencies at disposal. Through the specialization of production centers on dedicated product and process technologies, know-how has been optimally bundled and innovation capabilities have increased. The clear structuring of our entire assortment and the increased utilization of multilingual packaging also enable the cross-boundary flow of goods. While we increasingly concentrate ourselves on our core competencies, we also make use of the most modern technological advances of our new external logistics partners. This bundling strengthens the overall flow of goods from producers and enables the most efficient use of transportation measures. As a result of the more efficient transportation, we contribute to the reduction of CO_2, energy use, and costs and have thus prepared our supply chain for the future.

tesa Business Segment

tesa.com

The tesa business segment has been an independent subgroup within Beiersdorf since 2001. With over 3,900 employees and operations in more than 100 countries, tesa is the international no. 2 among the world's leading manufacturers of self-adhesive system and product solutions for industrial customers and consumers. It focuses on the electrical and electronics, automotive, as well as printing and paper industries. We are also developing new business areas with our forward-looking security solutions for protection against counterfeiting and manipulation, and for product traceability, as well as with special solutions for the health industry.

Our industrial distribution business offers technical dealers innovative products for industrial customers. In DIY centers, hypermarkets, and stationery shops consumers can find more than 300 professional solutions under the tesa umbrella brand for improving their quality of life at home, in the garden, and in the office.

see Chart 02

Our activities are focused on our customers, for whom we develop effective solutions. We understand the needs of our industrial clients, distribution partners, and consumers and use this understanding to develop superior, market-driven products. The ongoing education of our employees and the continuous improvement of our business processes enable us to execute our solutions rapidly and efficiently. Reliable quality, a strong track record for innovation, and the use of superior technology are core elements of our brand philosophy and our success.

Management of our business activities on an international level focuses on the following factors:

– Expanding global structures in our industrial business with the aim of offering our customers across the world homogenous solutions of consistently high quality,
– expanding international structures in the consumer business with a focus on Europe, in particular Eastern Europe, to offer our retail partners internationally effective and market-driven product ranges, and
– ensuring uniform global quality standards while also incorporating environmentally friendly technology components.

Management and Control

The Executive Board manages the Company and is dedicated to increasing its sustainable enterprise value. The areas of responsibility of the individual members of the Executive Board – brands, finance, human resources, and supply chain – reflect the Group's functional organization. The Chairman of the Executive Board is responsible at an overarching level for corporate development and corporate communication. In addition, the members of the Executive Board are responsible for developments in their regions. This means they are closely involved with operations in the Beiersdorf affiliates. The tesa business segment is managed as an independent subgroup.

Information on the remuneration of the Executive Board and the Supervisory Board as well as incentive and bonus systems is provided in the section entitled "Corporate Governance" in the Remuneration Report, which forms part of the consolidated financial statements and the group management report. Additional information regarding management and control, the Declaration of Compliance in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*), and the general management structure is also provided in the "Corporate Governance" chapter.

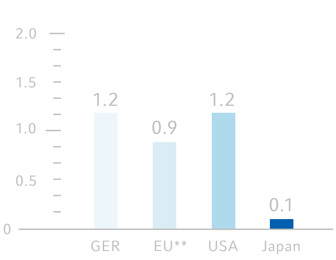
Value Management and Performance Management System

The goal of our business activities is to sustainably increase our market share in terms of qualitative growth and at the same time to expand our earnings base. Our key performance indicators are derived from this.

We want to grow faster than the market. We measure this in terms of the growth rates in our regions, for which we have defined different growth targets. For example, the Consumer business segment in particular is expected to grow by more than the average in the strategic markets of China, Russia, Brazil, and India, but also in Eastern Europe. In addition to lifting sales, we want to increase the Group's earnings power at an even faster rate. 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).

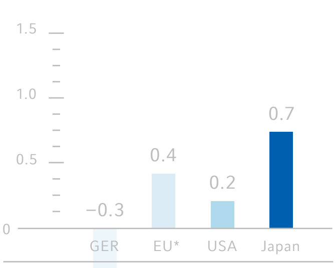
We have created an efficient controlling system in order to meet our strategic goals. Management derives the parameters for planning business performance by the individual units in the Group

03 • REAL GDP* 2008
(Growth compared to previous year, in %)



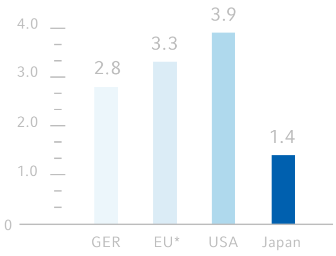
*Gross Domestic Product.
**EU 12 eurozone.

04 • CONSUMER SPENDING
(Growth compared to previous year, in %)



*EU 12 eurozone.

05 • INFLATION IN 2008
(compared to previous year, in %)



*EU 12 eurozone.

from our strategic goals in 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. Monthly comparisons of actual key performance indicators with planned values and current forecasts for the year as a whole are performed during the fiscal year. This allows an adequate management of the business.

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

General Economic Situation

The global economy initially appeared to be relatively resistant in 2008 to the continuing fears regarding the creditworthiness of financial market products and institutions in the USA and Europe. However, rising commodity prices and the extremely weak dollar increased growth risks. Concerns regarding price stability prompted many central banks, including the European Central Bank, to increase interest rates in the summer.

In the late summer, increasing tensions on the financial markets led to speculation regarding liquidity problems at some financial market institutions in both the USA and Europe. To cap it all, the insolvency of a major American investment bank rocked the stability of the global financial sector. Governments and central banks then immediately issued guarantees for financial institutions and savings deposits running into the billions and provided the money markets with liquidity.

Nevertheless, the pronounced uncertainty as to how the crisis would play out quickly had a negative effect on investor and, to some extent, consumer activity in the real economy. This was exacerbated by restrictive lending policies on the part of the banks. The slowdown in growth led to a recession in almost all developed economies. The combination of a recession in the real economy, a growing financial market crisis, and emerging fears of deflation prompted central banks to make historically large interest rate cuts in the final months of 2008.

see
Chart 03
Chart 04
Chart 05

Continental European economies were badly hit by these developments, recording significantly lower growth rates in 2008. At the same time, inflation increased, fuelled in particular by the rocketing oil and energy prices at the beginning of the year. The picture is similar in the USA, where economic growth continued to slow in 2008, while inflation rose sharply. Even the rapid rate of expansion of the Chinese market declined significantly to just under 10% in 2008, from approximately 12% in the previous year. Although Continental Asian countries recorded reduced, but still positive growth in 2008, Japan's economic output declined slightly. The pace of growth in Latin America and Eastern Europe remained essentially stable at approximately 5% and approximately 6% respectively.

Sales Market Developments

The cosmetics market saw global growth of just under 3% in 2008, slightly below the long-term trend. Once again, developments differed greatly by region: North America showed a significant decline, whereas the major Western European markets recorded slightly positive growth. By contrast, the markets in Asia and, to an even greater extent, Eastern Europe and Latin America were able to continue their above-average growth.

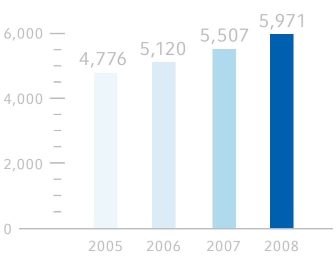
Global growth in the adhesive tape markets slowed in 2008, due in particular to the global financial crisis. Overall, the market remained flat in comparison to the previous year, due to a strong decline in the fourth quarter, although there were regional and segment differences. Although the eurozone and North America turned in a worse than average performance, a number of Eastern European and Asian markets recorded in some cases substantial growth rates for the year as a whole. As in previous years, the electronics industry market segment proved to be a growth driver, with the majority of growth coming from Asia in the year under review. The important automotive market segment stagnated for the first time in many years. Consumer business conducted via the sales channels for office supplies picked up slightly in Germany and Europe.

Procurement Market

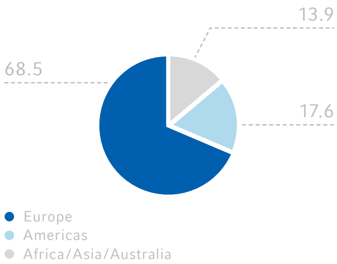
Developments on the procurement market were dominated in 2008 by high volatility, especially in individual raw materials submarkets. Procurement was confronted with substantial demands for price rises in the first half of the year in particular – the result of the enormous price increases for materials depending directly and indirectly on the crude oil market. Growing shortages in certain submarkets exacerbated this development. The trend towards rising commodities prices slowed in the last quarter of the year, but did not come to a complete stop.

Beiersdorf was also affected by these market developments; however, although the strategic procurement was optimized we were only able to slow down significant increases in the cost of materials by systematically enhancing and applying the procurement strategies and tools that we have developed over the past few years.

06 • GROUP SALES
(in € million)



07 • GROUP SALES
(by region, in %)



Results of Operations – Group

INCOME STATEMENT Jan. 1 to Dec. 31 (in € million)

	2007	2008	% change
Sales	**5,507**	**5,971**	**8.4**
Cost of goods sold	–1,830	–1,979	8.2
Gross profit	**3,677**	**3,992**	**8.6**
Marketing and selling expenses	–2,618	–2,874	9.8
Research and development expenses	–127	–149	16.8
General and administrative expenses	–260	–292	12.6
Other operating result	12	19	-
Operating result (EBIT, excluding special factors)	**684**	**696**	**1.7**
Special factors relating to divestments	-	96	-
Special factors relating to the realignment of the Consumer Supply Chain	–68	5	-
Operating result (EBIT)	**616**	**797**	**29.3**
Financial result	28	25	–10.7
Profit before tax	**644**	**822**	**27.6**
Taxes on income	–202	–255	26.0
Profit after tax	**442**	**567**	**28.3**

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

Sales

Group sales rose by 10.6%, adjusted for currency translation effects. Consumer contributed with a rise of 12.3% and tesa with a rise of 1.3% to overall growth. Adjusted for our acquisitions made at the end of 2007 (C-BONS Hair Care, 50% Beiersdorf AG Switzerland), organic growth amounted to 7.5%. At current exchange rates, Group sales rose by 8.4% to €5,971 million.

see Chart 06

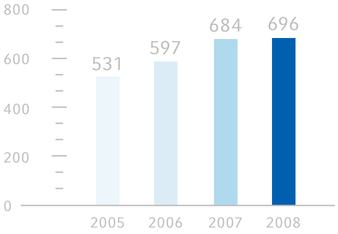
In Europe, we lifted sales by 5.4% (adjusted for currency translation effects), due in particular to our successful innovations. At current exchange rates, we achieved growth of 4.6% to reach €4,090 million.

see Chart 07

Strong double-digit growth in Latin America was the main driver behind the trend in the Americas. However, North America also achieved substantial sales growth again this year. Overall, sales in the Americas rose by 11.9% (adjusted for currency translation effects). At current exchange rates, sales increased by 6.3% to €832 million.

Sales growth in Africa/Asia/Australia again proved to be extremely dynamic. The figure of 34.2% growth (adjusted for currency translation effects) recorded for the region was extremely positive. The C-BONS Hair Care Group, which we acquired at the end of 2007, contributed 18.5 percentage points to growth in this region. At current exchange rates, we achieved growth of 28.7% to reach €1,049 million.

08 • EBIT GROUP*
(in € million)



* Excluding special factors.

Expenses/Other Operating Result

At +8.2%, the cost of goods sold increased more slowly than sales, meaning that gross profit grew faster. The rise in marketing and selling expenses of +9.8% reflects the increase in marketing expenses caused by greater marketing investments in the Chinese hair care business. Spending on advertising, trade marketing, and similar items included in this item amounted to €1,915 million (previous year: €1,748 million). The increase in research and development expenses to €149 million (previous year: €127 million) further strengthened our leading position in this area. General and administrative expenses rose to €292 million (previous year: €260 million). The other operating result reached €19 million (previous year: €12 million).

Operating Result (EBIT, Excluding Special Factors)

see Chart 08

EBIT excluding special factors (divestments and Consumer Supply Chain) rose to €696 million (previous year: €684 million), while the EBIT margin was 11.7% (previous year: 12.4%). Excluding the acquisitions which took place at the end of 2007, the EBIT margin was 12.5%. EBIT for the Consumer business segment climbed from €596 million in 2007 to €615 million, with the EBIT margin amounting to 12.0% (previous year: 12.8%). For Consumer, the EBIT margin excluding our acquisitions was 13.0%. EBIT for the tesa business segment was €81 million (previous year: €88 million), while the EBIT margin was 9.6% (previous year: 10.4%).

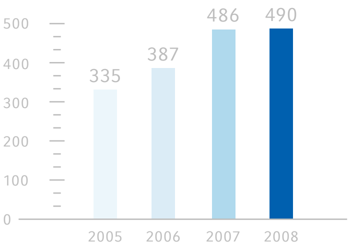
In Europe we generated an operating result of €632 million (previous year: €590 million). The EBIT margin increased to 15.4% (previous year: 15.1%). The operating result in the Americas amounted to €37 million (previous year: €34 million). The EBIT margin was 4.5% (previous year: 4.4%). EBIT in Africa/Asia/Australia was €27 million (previous year: €60 million), with the EBIT margin being 2.6% (previous year: 7.3%).

Special Factors Relating to Divestments and the Realignment of the Consumer Supply Chain

The sale of the Futuro business and of the BODE Group generated a total income of €96 million.

With respect to the realignment of the Consumer Supply Chain, income from the sale of production and logistics locations that were no longer required exceeded restructuring expenses. This resulted in an income of €5 million. In the previous year, expenses of €68 million were recognized.

09 • GROUP PROFIT AFTER TAX*
(in € million)



* Excluding special factors.

Operating Result (EBIT)

EBIT amounted to €797 million (previous year: €616 million). The EBIT margin was 13.4% (previous year: 11.2%).

Financial Result

The financial result amounted to €25 million (previous year: €28 million).

Taxes on Income

Taxes amounted to €255 million (previous year: €202 million). The tax rate was 31.0% (previous year: 31.4%).

Profit after Tax

Profit after tax amounted to €567 million (previous year: €442 million). The return on sales after tax was 9.5% (previous year: 8.0%). Profit after tax excluding special factors amounted to €490 million (previous year: €486 million). The corresponding return on sales after tax was 8.2% (previous year: 8.8%).

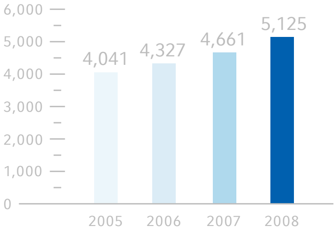
see Chart 09

Basic/Diluted Earnings per Share – Dividends

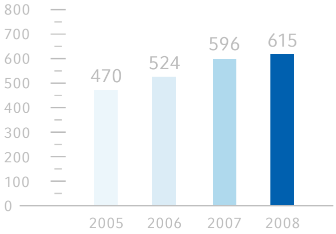
Earnings per share amounted to €2.48 (previous year: €1.93). These figures were calculated on the basis of the weighted number of shares carrying dividend rights (226,818,984).

The Executive Board and Supervisory Board will propose the following dividend to the Annual General Meeting: €0.70 (as in the previous year) and an extraordinary amount of €0.20, in total €0.90 for each share carrying dividend rights. This amount shall enable the shareholders to participate in the special gains from the divestments of the previous years in an appropriate way.

10 • CONSUMER SALES
(in € million)

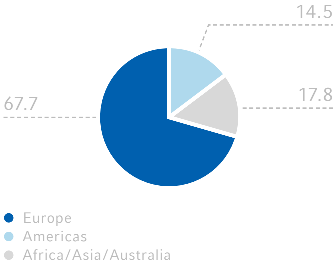


11 • CONSUMER EBIT*
(in € million)



* Excluding special factors.

12 • CONSUMER SALES
(by region, in %)



Results of Operations – Business Segments

CONSUMER (in € million)

	Europe	Americas	Africa/Asia/ Australia	Total
Sales 2008	3,469	742	914	5,125
Change (adjusted for currency translation effects)	6.6%	13.1%	38.6%	12.3%
Change (organic)*	5.2%	13.1%	20.1%	8.6%
Change (nominal)	5.7%	7.5%	32.6%	10.0%
EBIT 2008**	580	29	6	615
EBIT margin 2008**	16.7%	3.9%	0.6%	12.0%
EBIT 2007**	529	25	42	596
EBIT margin 2007**	16.1%	3.7%	6.0%	12.8 %

* Excluding sales by our acquisitions made at the end of 2007 (C-BONS Hair Care, 50% Beiersdorf AG Switzerland).
** Excluding special factors due to divestments and the realignment of the Consumer Supply Chain.

see
Chart 10
Chart 11
Chart 12
Chart 13

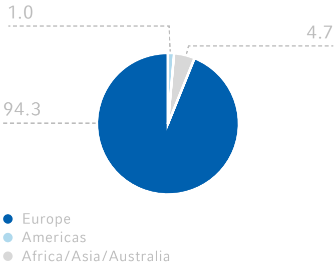
In 2008, the Consumer business segment lifted sales by 12.3%, adjusted for currency translation effects. At current exchange rates, we achieved growth of 10.0% to €5,125 million (previous year: €4,661 million). This means we grew substantially faster than the market and were able to increase our global market share. Excluding the acquisition of our Chinese hair care business at the end of 2007 and the increase in the interest in Beiersdorf AG (Switzerland) to 100%, organic sales growth was 8.6%. EBIT excluding special factors climbed to €615 million (previous year: €596 million), while the corresponding EBIT margin was 12.0% (previous year: 12.8%). At 13.0%, the EBIT margin excluding the effects of acquisitions was slightly above the previous year.

Successful innovations and international relaunches of existing products that have been modified according to the latest findings from our research activities, enabled us in some cases to generate extremely strong growth rates in our major markets.

In 2008, NIVEA recorded global growth of 10.0% (adjusted for currency translation effects). Sales rose in all regions. The key growth drivers were NIVEA DEODORANT – which was also boosted by the successful launch of NIVEA DEODORANT Double Effect –, NIVEA Hair Care, NIVEA Bath Care, and NIVEA FOR MEN. The launches of NIVEA body My Silhouette and the NIVEA FOR MEN Extreme Comfort range were extremely encouraging. NIVEA Hair Care continued its success following its relaunch in the previous year, and was extended to include the Diamond Gloss range of care products at the beginning of the year. However, NIVEA body recorded significantly weaker growth compared with 2007.

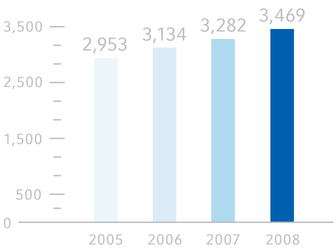
We met our targets for our Eucerin brand with double-digit growth in 2008. The brand recorded an increase of 12.6% (adjusted for currency translation effects). Our anti-aging products performed especially well. In summer 2008, we successfully launched our Eucerin DermoDENSIFYER range in this segment.

13 • CONSUMER EBIT*
(by region, in %)

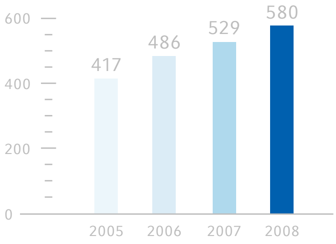


*Excluding special factors.

14 • CONSUMER SALES
EUROPE (in € million)



15 • CONSUMER EBIT*
EUROPE (in € million)



*Excluding special factors.

In the area of exclusive cosmetics, La Prairie again recorded disproportionately strong growth of 12.3% (adjusted for currency translation effects). Key contributions were made by the launches of the innovative La Prairie Advanced Marine Biology series and Anti-Aging Stress Cream, as well as our existing La Prairie Caviar Collection.

The plaster brands, primarily Hansaplast and Elastoplast, recorded lower sales in a market showing a slight overall decline. This was due to a reduction in sales in the USA following the sale of the Curad brand plaster business in April 2007. Sales growth was achieved primarily in Germany and Greece, while business generated by the UK/Ireland Group and in Italy was weaker in particular.

CONSUMER SALES IN EUROPE (in € million)	Germany	Western Europe (excluding Germany)	Eastern Europe	Total
Sales 2008	985	1,831	653	3,469
Change (adjusted for currency translation effects)	1.7%	5.5%	18.5%	6.6%
Change (nominal)	1.7%	4.0%	18.2%	5.7%

In Europe, we lifted sales by 6.6% (adjusted for currency translation effects). At current exchange rates, sales increased by 5.7% to €3,469 million (previous year: €3,282 million). EBIT for the Consumer business segment (excluding special factors) climbed from €529 million in the previous year to €580 million, while the corresponding EBIT margin was 16.7% (previous year: 16.1%).

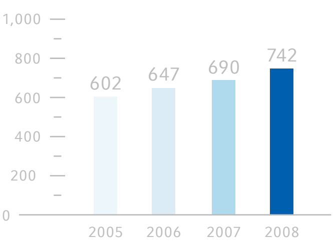
see Chart 14 Chart 15

Sales in Germany were up 1.7% on the previous year, driven primarily by NIVEA Hair Care, NIVEA DEODORANT, and NIVEA make-up. Sales by Beierdsorf AG to customers within Germany increased by 3.0%. Our Florena brand performed extremely well after a complete relaunch, with a sales growth of 13.5% within Germany. Lower exports to third parties as well as structural effects reduced growth in Germany.

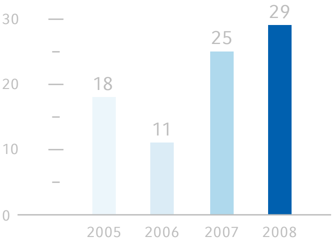
In Western Europe (excluding Germany), sales rose by 5.5%. This was due especially to Italy (+5.8%), the La Prairie Group (+4.0%), and the Benelux/France Group (+3.7%). In addition to the strong performance by NIVEA Bath Care and NIVEA DEODORANT, NIVEA Hair Care in particular made positive contributions to growth following its successful relaunch in the previous year. Eucerin achieved double-digit growth. Excluding the newly acquired share of sales in Switzerland, growth in Western Europe amounted to 3.0%.

We continued to record double-digit growth in Eastern Europe (18.5%). In Russia, NIVEA FOR MEN, NIVEA DEODORANT, and NIVEA VISAGE were the main growth drivers. In Poland, sales of NIVEA Hair Care, NIVEA Baby, and NIVEA DEODORANT rose in particular.

16 • CONSUMER SALES
AMERICAS (in € million)

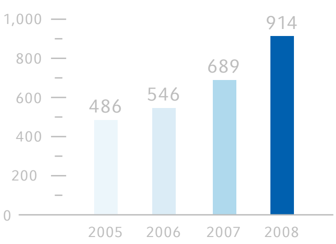


17 • CONSUMER EBIT*
AMERICAS (in € million)



*Excluding special factors.

18 • CONSUMER SALES
AFRICA/ASIA/AUSTRALIA (in € million)



CONSUMER SALES IN THE AMERICAS (in € million)

	North America	Latin America	Total
Sales 2008	304	438	742
Change (adjusted for currency translation effects)	3.8%	20.9%	13.1%
Change (nominal)	–2.9%	16.2%	7.5%

see Chart 16 Chart 17

In the Americas, sales grew by 13.1% adjusted for currency translation effects (previous year: 12.5%). At current exchange rates, sales rose by 7.5% to €742 million (previous year: €690 million). EBIT excluding special factors was €29 million (previous year: €25 million), while the EBIT margin was 3.9% (previous year: 3.7%).

In North America, sales growth amounted to 3.8%. The positive development of the focus categories NIVEA body, NIVEA FOR MEN, and Eucerin continued. In addition, the launches of NIVEA Lip Care and the NIVEA FOR MEN shower products in the USA were extremely successful. These factors offset the decline in sales due to the sale of the plaster business in 2007, among other things.

In Latin America, we again recorded very strong growth (+20.9%). All major markets contributed with double-digit growth rates. NIVEA DEODORANT, NIVEA body, NIVEA soap, and our Eucerin brand reported the highest growth rates in this region.

CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA (in € million)

	Africa/Asia/Australia
Sales 2008	914
Change (adjusted for currency translation effects)	38.6%
Change (nominal)	32.6%

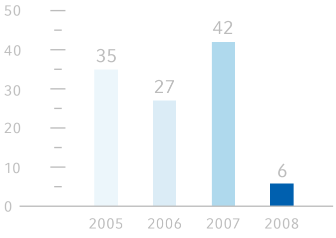
see Chart 18

see Chart 19

At 38.6%, Africa/Asia/Australia achieved excellent sales growth (adjusted for currency translation effects). At current exchange rates, sales amounted to €914 million, up 32.6% on the previous year (€689 million). Not including sales generated by the Chinese hair care and styling brands acquired at the end of 2007, sales in this region increased by 20.1%. EBIT growth in this region has been impacted by expanded marketing investments in the Chinese hair care business. Consumer EBIT in this region excluding special factors amounted to €6 million (previous year: €42 million), while the EBIT margin was 0.6% (previous year: 6.0%). Excluding the Chinese hair care business, the EBIT margin was 6.4%.

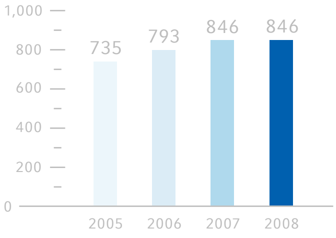
Our NIVEA affiliate in China maintained its growth at a high level of 40.7%. The main drivers of this impressive performance were NIVEA VISAGE, NIVEA FOR MEN, and NIVEA body. NIVEA FOR MEN and NIVEA DEODORANT in particular recorded significant sales growth in Thailand (+19.3%). Our affiliates in Africa also substantially lifted their sales by a hefty 36.9% over the previous year. This excellent development was driven primarily by NIVEA DEODORANT, NIVEA body, and NIVEA VISAGE.

19 • CONSUMER EBIT*
AFRICA/ASIA/AUSTRALIA (in € million)

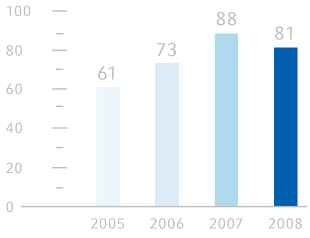


* Excluding special factors.

20 • TESA SALES
(in € million)



21 • TESA EBIT
(in € million)



TESA (in € million)

	Europe	Americas	Africa/Asia Australia	Total
Sales 2008	621	90	135	846
Change (adjusted for currency translation effects)	–0.6%	2.4%	9.9%	1.3%
Change (organic)	–0.6%	2.4%	9.9%	1.3%
Change (nominal)	–0.9%	–3.1%	7.1%	0.0%
EBIT 2008	52	8	21	81
EBIT margin 2008	8.3%	9.0%	15.8%	9.6%
EBIT 2007	61	9	18	88
EBIT margin 2007	9.7%	10.1%	14.2%	10.4%

tesa develops, manufactures, and markets self-adhesive system and product solutions for industrial customers and consumers. Its direct business with industrial customers mainly comprises solutions for optimizing products and production processes, tailored protection and packaging systems as well as permanent mounting solutions. The strategic focus is on establishing and expanding particularly profitable businesses in technically sophisticated application areas. Its major customers belong to the electrical and electronics, automotive, as well as printing and paper industries. Security solutions for protecting products against counterfeiting and manipulation as well as for product traceability are a further focus in developing new business areas. Health markets also represent a segment with future potential. In this area, tesa is developing and marketing innovative materials for producing high-precision, easy-to-use test strips for in vitro diagnostics, among other things, and is currently establishing another business area to manufacture medicated plasters known as transdermal systems. The company strengthened its expertise in this market segment by acquiring Labtec GmbH, which specializes in developing these applications. The industrial distribution business offers technical dealers self-adhesive product solutions for industrial customers in the construction and painting trades, among other things.

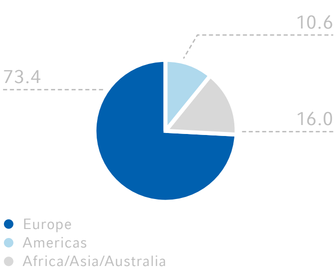
Sales rose slightly by 1.3%, adjusted for currency translation effects. At current exchange rates, sales stagnated at €846 million (previous year: €846 million). tesa's EBIT amounted to €81 million (previous year: €88 million). The EBIT margin was 9.6% (previous year: 10.4%).

see
Chart 20
Chart 21
Chart 22
Chart 23

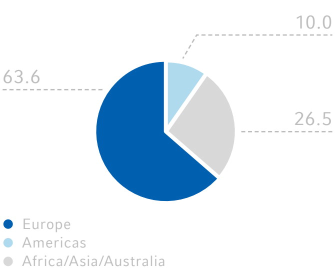
In the industrial segment, which accounts for 74% of sales, both the direct customer and distribution business outperformed the market despite a much tougher economic environment in the second half of the year.

The launch of new double-sided foam tapes boosted tesa's direct business with the electronics industry. In contrast to films, these products smooth out deformations and irregularities and are primarily used for mounting flat screen frames. The launch of very thin foam tapes for mounting mobile phone components was highly successful. A new modular system enables the rapid development and production of tailored foam tapes for specific applications.

22 • TESA SALES
(by region, in %)



23 • TESA EBIT
(by region, in %)



Our system solutions for the automotive industry continued to focus on manufacturing applications in the area of vehicle production. We expanded our successful range of foam products for permanently mounting emblems and trimming elements on bodywork. To protect new automobiles from dirt and damage during transportation, we launched new adhesive tapes used to fix surface protection elements to bodywork and windshields. Our new heat-resistant cloth tapes for bundling cables were very well received on the US market. They support the trend toward building new, extremely compact vehicle motors.

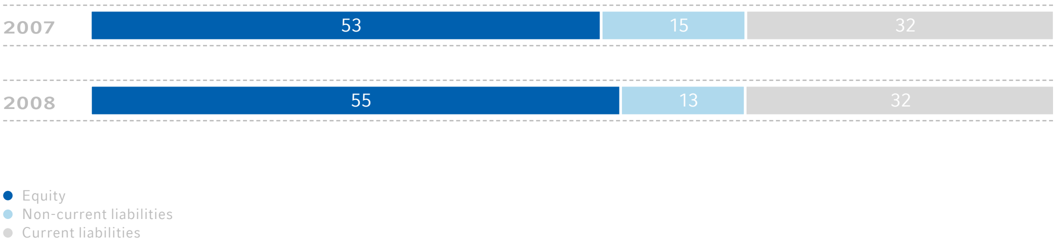
We expanded our successful range of splicing products for flying splices of paper and film rolls in the printing and paper industry to include a new specialist product that is tailored to the extremely demanding requirements of rotogravure printing. In the area of flexographic printing, we launched two new, particularly soft foam tapes for plate mounting that deliver excellent results with modern digital printing plates.

We again strengthened our market position in security technologies that protect products against manipulation and counterfeiting. In particular, we expanded the use of our Holospot® technology to new sectors, acquiring leading-name international manufacturers of electrotechnical components, among others, as new customers.

The distribution business received a major boost from a new product range for the painting segment, which was launched extremely successfully in Eastern Europe. The products and design are tailored specially to the traditional retailers that have a strong presence in this region and that sell to both private consumers and industrial customers. We launched a new range of spray glues and the related cleaning agents to meet the increasing demand for large-area adhesive bonding solutions in the industrial segment.

The consumer business remained on the previous year's level, with slight growth in earnings. In Germany, we increased the market share of all key product groups.

24 • FINANCING STRUCTURE
(in %)



Balance Sheet Structure – Group

BALANCE SHEET – GROUP (in € million)

ASSETS	Dec. 31, 2007	Dec. 31, 2008
Non-current assets	1,100	1,167
Inventories	598	634
Other current assets	1,086	2,045
Cash and cash equivalents	1,117	613
	3,901	**4,459**

EQUITY AND LIABILITIES	Dec. 31, 2007	Dec. 31, 2008
Equity	2,070	2,460
Non-current provisions	407	366
Non-current liabilities	175	233
Current provisions	374	363
Current liabilities	875	1,037
	3,901	**4,459**

Non-current assets increased by €67 million to €1,167 million. Capital expenditure of €158 million was partially offset by depreciation, amortization, and impairment losses of €114 million (previous year: €122 million). €122 million of the capital expenditure was attributable to the Consumer business segment, and €36 million to tesa. Inventories increased to €634 million. Other current assets rose to €2,045 million mainly due to the shift from cash to securities. As a result, cash and cash equivalents decreased to €613 million. Net liquidity (cash, cash equivalents, and short-term securities less current financial liabilities) amounted to €1,336 million (previous year: €957 million).

The equity ratio increased to 55% (previous year: 53%). The share of non-current liabilities amounted to 13% (previous year: 15%), and the share of current liabilities to 32% (previous year: 32%).

see Chart 24

The change in non-current liabilities is mainly due to an increase in deferred tax liabilities. Additionally, the liability for the option to acquire the outstanding shares in C-BONS Hair Care increased due to interest and currency effects.

Current liabilities increased in particular due to higher trade payables.

Financial Position – Group

CASH FLOW STATEMENT – GROUP (in € million)

	2007	2008
Gross cash flow	477	520
Change in working capital	–75	–52
Net cash flow from operating activities	402	468
Net cash flow from investing activities	–319	–795
Free cash flow	83	–327
Net cash flow from financing activities	–186	–175
Other changes	–10	–2
Net change in cash and cash equivalents	–113	–504
Cash and cash equivalents as of Jan. 1	**1,230**	**1,117**
Cash and cash equivalents as of Dec. 31	**1,117**	**613**

Gross cash flow amounted to €520 million in the year under review, €43 million above the prior-year value. The strong increase in the operating result had a positive influence.

The change in working capital led to an outflow of €52 million (previous year: €75 million). The development shows the balance of increased trade receivables due to the strong sales development and of the rise in current liabilities and provisions. The net cash flow from operating activities reached €468 million, €66 million higher than the prior-year value.

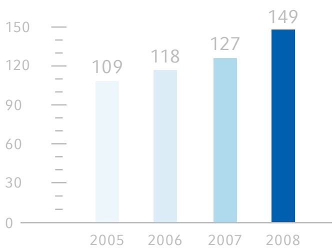
The net cash outflow from investing activities amounted to €795 million. Included are payments of €897 million for the purchase of securities, payments of €19 million for the acquisition of shares in Labtec GmbH, as well as cash inflows from divestments and the sale of non-current assets amounting to €224 million. In the previous year, expenses amounting to €302 million for the acquisition of a majority shareholding in C-BONS Hair Care, and the increase in the interest held in Beiersdorf AG (Switzerland) from 50% to 100% were included.

Free cash flow totaled –€327 million. The net cash outflow from financing activities amounted to €175 million, €9 million below the prior-year value.

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.

25 • R&D* EXPENSES
(in € million)



* Research & Development.

Research and Development

The success of our products is based on many years of experience in research and development. In this key area of our company we develop pioneering product innovations offering outstanding quality and excellent tolerability. As a result Beiersdorf consistently sets new trends in the skin and beauty care market around the world. With tesa, too, we are setting global standards in the area of modern, self-adhesive system and product solutions.

Beiersdorf.com/
Research

In the year under review, we invested a total of €149 million in research and development and employed 926 people worldwide in this area.

see
Chart 25

Consumer: Innovative Skin and Beauty Care

By researching skin, discovering the active ingredients that occur naturally in it, and closely observing active ingredients' effect on skin, we are able to develop innovative and highly effective product formulations that are successful globally. Most of our research takes place at our Skin Research Center in Hamburg which, with more than 450 scientists, is one of the largest and most advanced research centers in Germany, and one of the most important in the world. Our fields of activity include both basic dermatological research and the development of new products on the basis of an in-depth understanding of our consumers' wishes and needs.

Our research uses a comprehensive range of state-of-the-art biotechnology methods to meet consumers' wishes for effective cosmetic solutions as optimally as possible. In face care, this allowed us to develop a new, effective face-lifting effect using biotechnologically produced plant peptides in the year under review, and to launch it on the market as the NIVEA VISAGE Expert Lift face care range for women over the age of 50. The product range achieved remarkable results in anti-aging studies. In addition to our traditionally strong position in skin research, we achieved excellent results in the hair care segment. Our cell metabolism research, which has been ongoing for many years, demonstrated that a combination of creatine and carnitine stimulates hair growth. The men's product which is based on this, NIVEA FOR MEN Hair Recharge, has been on the shelves since the fall of 2008. We were also able to launch a series of other key innovations. Our high innovation rate was reflected in 100 newly developed products in 2008, and our innovation quality in 87 patent applications. Some of the most successful new developments were:

- NIVEA Hair Care Diamond Gloss range: The innovative care range for long hair is enriched with diamond particles and calla extract, giving hair a diamond gloss and making it feel smoother.
- NIVEA DEODORANT Double Effect: The deodorant offers a combination of antiperspirant protection and beauty care. The high proportion of avocado extract leaves skin and hair softer and thus supports a close shave – underarms stay smooth for longer.
- NIVEA body My Silhouette: The figure care gel tightens and smoothes the skin, improving its elasticity. The formula with the highly effective ingredients white tea and anise extract produces visible and measurable results in only four weeks.
- NIVEA FOR MEN Extreme Comfort After Shave Balsam and Shaving Gel: Both care products were developed for men who want the best possible skin care without skin irritations. They are anti-inflammatory and alleviate skin microlesions.

– Eucerin DermoDENSIFYER: The anti-aging innovation for women over the age of 55 renews and concentrates skin cells by stimulating the production of new collagen. The range consists of day and night creams, and an eye and lip contour cream.

La Prairie Group's research center in Zurich (Switzerland) carries out research for our exclusive La Prairie, JUVENA, Marlies Möller, and SBT Skin Biology Therapy brands. Restructuring of activities continued successfully in 2008, with the development of formulas and packaging being bundled to optimize synergy effects. Safety monitoring and quality management were also expanded and now actively drive registration processes worldwide. The most important innovations in 2008 were:

– La Prairie Advanced Marine Biology Collection: An exclusive and environmentally friendly aquaculture technique is used in this face care range for younger consumers to produce natural ingredients that delay the skin's aging process.
– La Prairie Anti-Aging Longevity Serum and Anti-Aging Stress Cream: These two additions to the La Prairie Anti-Aging Collection use botanical ingredients that have a tangible effect on skin quality and help to retain a youthful appearance for longer.

Around 6,000 cosmetic formulations were tested for tolerance, effectiveness, and sensory properties in 2008. The tests were performed both in Beiersdorf's own Test Center, which forms part of the Hamburg Research Center (900 studies, 27,000 test persons) as well as in 50 external test institutes around the world (approximately 950 studies, 30,000 test persons). The direct contact with the test persons also gives us information about specific consumer wishes that help in the product optimization process.

Beiersdorf does not test cosmetic products on animals. For 20 years we have been one of the leading and best-accepted research-driven companies around the world when it comes to developing in vitro alternatives to tests on animals – in some cases in cooperation with other international cosmetics manufacturers and professional bodies. A further success factor for Beiersdorf products around the world is our in-depth focus on the specifics of regional markets. Since 2005, Beiersdorf has had a special Asia Laboratory in which skin care products are developed to meet the needs of Asian consumers and the climatic requirements in this region. This facility was joined in 2007 by a LATAM Laboratory that develops products for Brazil and other Latin American countries. Research and development for our Chinese hair care and styling brands take place locally. The rapid knowledge gain and the fact that today know-how is to be found all around the world is reflected in a wide range of open innovation activities. These cover the various forms of cooperation with an extremely wide range of external partners and experts throughout the world. Our Research & Development unit has established an efficient international network of partners and experts over the years.

We further increased the number of cooperative projects with suppliers, universities, and research institutes in 2008 to a total of 550. This network enabled us to achieve the following results in the year under review, among others: The "Project House" initiative serves to intensify our cooperation with selected partners under one roof. For example, employees from two major perfume manufacturers have been working hand in hand with our development laboratory in our Research Center since January 2008. In addition, employees from major research-driven companies have been working together with our scientists in a specially established "Incubation Lab" since October 2008 to jointly solve questions relating to the formulation of beauty products.

The success of these activities won us a prize from the Fraunhofer Institute IPT in the fall of 2008. Over 600 European companies were surveyed, with Beiersdorf being the only consumer goods company to receive an award for its research and development activities – for "Best Practice in Technology Management".

tesa: Innovative Self-adhesive Products and System Solutions

The focus of activities continues to be on the development and optimization of environmentally friendly, solvent-free adhesive substances and coating processes. We have developed innovative products for sophisticated applications in the area of assembly bonding with highly shear-resistant compounds that are the equal of – and in many cases superior to – established solvent-based systems.

We worked on a series of innovations for different sectors in the year under review: We developed new solvent-free products for the automotive industry for bundling and affixing cables, which also protect wire harnesses against the effects of heat. We also completed the development of a solvent-free process for manufacturing masking tapes capable of withstanding high temperatures for use in painting and repairs. We are continuing to work on new adhesive systems for assembling printed flexible electric circuit boards for laptops, cell phones, and digital cameras in the electronics industry. The first products are heat-activated, double-sided adhesive tapes with very strong adhesive properties that can withstand the extreme stresses of soldering processes. We are developing new, very thin foam tapes with particularly strong adhesive qualities for the fast, clean, and stable assembly of casings, windows, and operating interfaces. To expand our successful range of splicing tapes for flying splices of paper rolls in the printing and paper industry, we developed new products that also offer secure adhesion of paper with sensitive surfaces. The emphasis of our development work for the establishment of our new medical technology focus market is on coatings and processes for manufacturing extremely thin, functional layers. This enables pioneering new products for manufacturing diagnostic test strips to be developed that can be used not only for affixing and strengthening, but also for conducting test liquids to where they are required. In the consumer business, we developed a new, more stable aluminum fly screen frame construction that is easier to mount, including a version that closes automatically.

Sustainability

Beiersdorf.com/
Sustainability

Corporate responsibility has been one of Beiersdorf's core values ever since the Company was founded. Our responsibility extends beyond our employees and our economic success. Our actions are also determined by our active approach to environmental protection and occupational safety, and by our commitment to society. Economic, ecological, and social responsibility are therefore always on an equal footing at Beiersdorf.

Consumer

The Sustainability Advisory Board (SAB) – a special steering committee which was initiated by the Executive Board – ensures the global coordination of all sustainability activities in the consumer segment. This committee compiled our new Sustainability Guidelines that were formally adopted in 2008. These include our economic, ecological, and social responsibility, and serve as a basis for a worldwide uniform understanding of responsible conduct at Beiersdorf.

One important aspect for us when aligning our sustainability activities is an in-depth and continuous dialog with our stakeholders – employees, consumers, business partners, non-governmental organizations (NGOs), capital markets, and representatives of academia, politics, and the media. In order to achieve the greatest level of transparency we publish our sustainability activities on an annual basis. The latest Sustainability Report, "Our Responsibility", is available on the Internet at **www.Beiersdorf.com/Sustainability**. As in the previous year, this publication is oriented on the international "Global Reporting Initiative" guidelines, and presents all of the activities relating to products, environmental protection and occupational safety, employees, society, and the economy in detail. It also gives an outlook on future sustainability activities.

Environmental Protection and Occupational Safety

Our consumers expect a sustainable approach from us. Our products in particular should be well tolerated – by people and the environment alike. To retain their trust in our brands we satisfy this aim every day. With this awareness, we are working systematically to reduce the use of resources and to cut waste volumes and disposal costs in production. At the same time, we arrange an ongoing global exchange of experience to guarantee an internationally uniform and high standard. Twenty-five environmental protection and occupational safety experts from 13 Beiersdorf production affiliates met at the second international CEOS conference (Corporate Environmental Protection, Occupational Safety and Security) in 2008 to develop a uniform understanding of, and consistent goals for, sustainable action in the areas of environmental protection and occupational safety.

Our proven, trusted three-tier environmental protection and occupational safety concept is integrated in all business processes from product development through production to environmentally friendly disposal management. It complies with the principles of the international "Responsible Care" initiative and is the basis for implementing our vision of "zero accidents". A program to prevent behavior-related accidents at work was launched in 2008 at our location in Hamburg. Under the concept, all employees use a standard checklist when inspecting their areas of work, thus improving their behavior in regard to the safety, orderliness, and cleanliness of their workplaces. Beiersdorf also supports the "ArbeitsschutzPartnerschaft Hamburg"

("Partnership for Occupational Safety in Hamburg") at its location in Hamburg – spreading the idea of safer and healthier workplaces to small and medium-sized companies via a partnership-based network. This encourages the safety and health of employees within companies and strengthens competitiveness and Hamburg as an economic location – a place that Beiersdorf identifies very closely with.

Our database-driven global CEOS management system enabled us to collect environmental protection and occupational safety performance indicators for all our production affiliates during the year under review. The establishment of a contact network between the responsible people in the international production companies was an important precondition for the coordination of future goals in environmental protection and occupational safety. The CEOS goals are an essential element of sustainability at Beiersdorf, and will in future include measurable, location-specific goals for reducing energy and water usage, CO_2 emissions, wastewater and waste volumes, as well as the number of accidents within a certain period of time. In addition, the system documents our Company's guidelines and minimum standards, and provides a discussion forum for exchanging technical information on important aspects of environmental protection and occupational safety. In parallel, we enhanced our internal ESMAS program (Environmental Protection and Safety Management Audit Scheme) for environmental protection and occupational safety audits. The program has been validated by the DQS, the German Association for the Certification of Management Systems, according to the internationally recognized ISO 14001 and OHSAS 18001 standards. The final production location for our exclusive cosmetics brands La Prairie and JUVENA in Baden-Baden (Germany) and the production affiliate for our Hansaplast and Elastoplast plaster brands in Argentona (Spain) were audited for the second time. The positive result: high standards in practice and efficient management of environmental protection and occupational health and safety. Our Florena production facility in Waldheim (Germany) was also classed as having these high standards. Particular mention should be made of the exemplary training, fire prevention measures, and the entire warehouse equipment. This brings the number of Beiersdorf Group's production locations that are ESMAS-certified to 14.

A method to analyze qualification requirements for employees in the Group was developed in preparation for pending changes to the international regulations of dangerous goods for sea transport. As part of the changes, employee training must be carried out and documented worldwide as of 2010.

Social Responsibility

Beiersdorf's social commitment goes back to when the Company was founded. We are active in this area everywhere in the world where we do business on the basis of an effective strategy. Our activities focus on education, family, and culture. These areas are essential for a life that is truly worth living – both now and in the future. This clear focus allows us to concentrate and hone our social commitment. In addition, we defined a key project for each field. These key projects – which have all been adapted to local requirements – are designed to be implemented around the world with the help of affiliates. When implementing our projects, we orient ourselves on the criteria of a long–term approach, local relevance, measurability, and continuous improvement. In order to act in a truly sustainable manner, we only enter into long-term cooperations that also benefit both parties. We regularly review the relevance of projects and continuously adapt and improve our goals and the measures taken in an ongoing dialog with our stakeholders.

Some of the most important examples of our social commitment are:

- Our Commitment in the Field of Culture: Start of MUS-E in France
  October 2008 signaled the start of MUS-E in France, an arts and culture program developed for schools by the international Yehudi Menuhin Foundation. This represents the international rollout of the first key project, which began as a pilot project in Hamburg in 2007, as part of the new strategic focus of Beiersdorf's social commitment. Thanks to the support of Beiersdorf France, the foundation's activities in Strasbourg could be expanded and new MUS-E classes were organized in Paris and Lyon. A total of 150 schoolchildren will have the opportunity to work on a range of projects together with artists for one and a half hours each week. MUS-E's goal is to strengthen the children's creativity, initiative, and social skills. The project is to be continued in other countries in the coming years.
- Our Commitment in the Field of Family: NIVEA Family Festivals in Austria
  The NIVEA Family Festivals have been among Austria's most popular summer events since 1997. Every year, this show and leisure tour attracts some 200,000 people to a total of ten weekend events. Entry is free, with around 30 stands in the tented city offering young and old a range of attractions. Record total donations of €290,715 were raised by this campaign in 2008, which will be used in the renovation and construction project in East Tyrol's Children's Village.
- Our Commitment in the Field of Education: Employees Support "Reliance" in the Gambia
  In a weeklong volunteering program for potential management staff, Beiersdorf's affiliates in Belgium and the Netherlands support the West African "Reliance" organization in the Gambia, which specializes in awarding small loans and giving coaching to small businessmen such as welders, fishermen, butchers, mechanics, and farmers. The goal is to enable these people to take the first steps in the direction of independence and hence to combat poverty in the country in the long term. Every year, two eight-man Beiersdorf teams offer their assistance in the areas of marketing and brand building. Both sides profit from the project, as the interchange with local people leads staff to reflect on their own behavior and abilities. In addition, the impressions gained benefit day-to-day cooperation and improve the way in which change processes are handled.

tesa

Responsibility – for both people and the environment – has also always been one of tesa's guiding principles. We have defined and consolidated binding guidelines in a global "tesa Code of Conduct" with the goal of embeding responsible action with our values in our day-to-day business. The "tesa Code of Conduct" was presented to all governing bodies in the Company and is available to all employees, both in a printed version and online in the Intranet. All senior managers have completed a compulsory electronic training program regarding the "tesa Code of Conduct" and have passed this on to their teams.

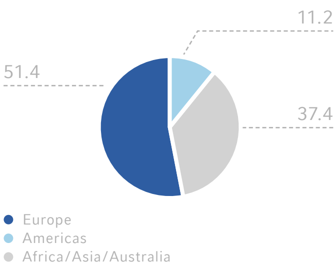
Our own values also form the basis for our partnership with our suppliers. This is why a globally binding "tesa Purchasing Charter" was developed for all our suppliers during the year under review. Based on this purchasing and procurement charter, two successive and interrelated audit processes ensure that our suppliers are chosen in accordance with these guidelines for responsible action, and that their compliance with them is then reviewed again.

Ensuring a balance between economic and ecological issues is an important principle underlying tesa's business operations. We have defined the goals we want to achieve by 2012 in our globally binding environmental program, which was formally resolved in 2007. For the first time, our catalog of goals also takes into account emissions of volatile organic compounds (VOCs). In the year under review we continued working on its implementation. Our global environmental management system was expanded with the certification of our Asian production affiliates in China and Singapore in accordance with the global ISO 14001 standard. In the area of occupational health and safety we have driven forward our goal of establishing a uniform high standard around the world. The associated measures focus on regular, comprehensive local analyses at the international affiliates. These are now based on the global OHSAS 18001 standard, and were a major contributing factor in stabilizing the number of accidents at the extremely low level recorded in 2007.

tesa's high level of commitment to social responsibility can also be seen from the numerous new projects set up in line with the sponsoring strategy that we formulated in 2007. During the year under review, we focused on measures that are supported not just through material contributions by tesa but also through the personal commitment of tesa employees (corporate volunteering). Two examples among many are the "Mittagskinder" foundation in Hamburg (Germany) supported by the tesa plant in Hamburg and the help given to children of migrant workers at the Suzhou Sunshine School in China. All of our activities are documented in an annual report which, as of recently, is available in electronic form at **www.tesa.com/responsibility**.

tesa.com/
responsibilty

25 • EMPLOYEES BY REGION
(on December 31, 2008, in %)



Total: 21,766 employees as of December 31, 2008.

Employees

Beiersdorf.com/career

see Chart 26

Personal commitment, professional expertise, and a high degree of identification are the key to our employees' professional success and the basis of our Company's positive development. In order to ensure this for the long term, we challenge and encourage our employees by providing a range of measures and offers. As of December 31, 2008, we employed 21,766 staff (previous year: 21,101) – 17,865 in the Consumer business segment and 3,901 in the tesa business segment. The number of vocational training positions and trainees worldwide was 528 (previous year: 539).

Consumer

The target of our Human Resources activities is to assist the implementation of the Consumer Business Strategy within the Company by providing advisory, organizational, and process-oriented support. Over and above the development and training of all employees Human Resources focuses on investing in a targeted manner in the identification of managerial talent as well as in the development and promotion of leadership skills. We lay the foundations for increasing employee commitment and motivation even further via a transparent compensation and bonus system. In order to fulfill this task as optimally as possible in the future, too, we realigned the Human Resources department during the past fiscal year. The new organization systematically reflects our corporate structure and symbolizes the changes taking place throughout the Company. It enables Human Resources managers to be closer to operations in the business segments and supports them in their changed task profiles and structures better, faster, and more efficiently. Since April 2008, all functions have been assigned "Business Partners" who will be involved in key processes from the outset. They will also ensure a closer cooperation between local HR managers and Group headquarters. In cooperation with the Business Partners, the "Centers of Excellence" will devise and implement the strategic global Human Resources topics.

To continue on our course for success, we depend on qualified employees and applicants who will continue to drive forward the implementation of our Consumer Business Strategy with their expertise, good ideas, and a winner's mentality. Since the end of 2008, Beiersdorf has been meeting the fierce competition for qualified staff with a global strategy to set ourselves apart from our competitors and to strengthen our image as an attractive global employer. We have taken the following measures as part of our "Employer Branding" project:

– We have developed an international positioning for Beiersdorf as an employer,
– we have put together a portfolio of activities to improve Beiersdorf's recognition and attractiveness as an employer, and
– we have developed a globally uniform communication concept and materials.

In addition to the systematic alignment of all internal Human Resources processes with the newly defined employer brand, one of the main goals of the "Employer Branding Strategy" is to expand university recruiting activities.

Top universities both in Germany and abroad were selected and cooperative activities such as guest lectures and case studies were agreed. The international rollout of our "CLOSE2B" outreach program, which enables Beiersdorf to remain in close contact with particularly talented students until they finish their studies and start their careers, is another of the tools we use. Our support of SIFE (Students In Free Enterprise), an international, socially committed initiative comprising students and business leaders from the private sector and universities, is another example of how we get to know highly qualified students with a global mindset early on.

All of these activities are supported by an international communication concept which allows all countries involved to strengthen their local Human Resources marketing. The focus of this concept is the systematic expansion of our career websites – both in Germany and in the affiliates – and the targeted use of the opportunities the Internet offers to position Beiersdorf as an employer. The online activities are supplemented by templates for uniform global advertisements, posters, presentations, and giveaways, which can be locally adapted. This uniform global framework strengthens the recognition value of Beiersdorf as an international employer. The implementation of these measures at our affiliates will take place in 2009.

Intensive employee qualification was another Human Resources focus in 2008. Practically oriented measures ensured targeted initial training and further education for specialists and managers. The most important measures in 2008 included:

- "Integrated Innovation Management" (IIM): We use a number of training modules to support the implementation of our innovation processes, in which we focus on fewer, but larger and more significant, product innovations.
- "INTOUCH with Consumers": This training program demonstrates how Beiersdorf "Consumer Insights" are identified, defined, and evaluated. This is our foundation for continuing to develop successful products and communication activities.
- "INTOUCH with Shoppers": This program focuses on the consumer as a shopper and identifies, defines, and evaluates topical shopper insights. This forms the basis for the implementation of all category management and point of sale activities with our retail partners.
- "Winning with Shopper Marketing": This three-day training program is based on Beiersdorf's Global Shopper & Customer Marketing Strategy and supports the development and implementation of specific marketing activities for trade partners. Concepts are developed on the basis of locally defined case studies, that build on our brand strategy, the strategy of our retail partners, and the attitude as well as the behavior of shoppers to ensure effective and efficient measures at the point of sale.

For managers there are especially coordinated programs for training activities and further education. Beiersdorf has introduced an additional global program for experienced managers in addition to the "Learn to Lead" program for young managers, which has been running successfully for many years. The Senior Leaders Development Program, "Courage to Lead", builds on a workshop lasting several days that systematically analyzes the key aspects of the further development of all participants. As a part of this program, the participants are given the opportunity, in the form of numerous goal-driven exercises, to extend their individual leadership abilities and to increase their personal contribution to the Company's success.

tesa

The focus of our Human Resources measures in 2008 was on the recruitment, training, and development of our employees who will start production at our new manufacturing line in Hamburg-Hausbruch (Germany) in 2009. The goal of this investment is to tap into new markets and to further increase our innovative capability. We also continued to expand our sales force in the growth regions of Eastern Europe and Asia.

The rapid globalization of our business increasingly requires employees who have extensive intercultural experience and are used to quickly understanding business processes in other regions. During the year under review, more employees than ever before took up the challenge of spending three to five years in another country. Our repatriation process makes their return easier and allows us to use the experiences they have gained in the countries to optimize international business processes.

The sales employee qualification program that was successfully launched in 2007 has now been expanded to cover all regions. This program includes all aspects of the sales process, from the technical basis – such as the structure of our products as well as customer applications and production processes – through business topics down to sales negotiation techniques. One key expansion are the new modules that emphasize the role of managers as coaches and help them to support their employees in implementing what they have learned in everyday sales situations. Another of the program's goals is to transfer improvements that have been developed in one country to other countries.

tesa's Offenburg (Germany) facility was honored twice during the year under review: In January 2008, the "Handelsblatt Junge Karriere" magazine listed it as a top employer, and in October 2008, "Produktion" magazine's "Fabrik des Jahres" (factory of the year) competition named it the best process manufacturer. Important criteria for both awards were innovative measures to encourage individual responsibility and motivation among employees.

Risk Report

Integrated Risk and Opportunity Management

Entrepreneurial success cannot be achieved without consciously taking risks. Risk management helps us to control 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 well 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.

Our Internal Audit department monitors 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 systems. They report their audit findings to the Group Executive Board and to the Audit and Finance Committee of the Supervisory Board, which regularly focuses on the topic of risk management.

Our Risk Profile

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 customers' continued trust in our brands. We therefore perform in-depth safety assessments when developing new products. Our products are subject to the strict criteria of our quality assurance 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 ensuring that we are able to identify consumer wishes even faster and to reflect them in the products we develop. Strong brands also counteract 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 patent and trademark portfolio therefore plays a key role.

In particular, the systematic registration and enforcement of our intellectual property rights prevents the imitation and counterfeiting of our products, and thus helps safeguard and further increase the earnings potential previously created.

We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring our markets and ensuring active management of our supplier portfolio, as well as appropriate contract management. The project launched in 2006 to bundle Beiersdorf's procurement activities more intensively worldwide, and to further improve their quality and costs, was completed ahead of schedule in 2008.

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 process improvements, as well as emergency training. We transfer selected risks to insurance companies, when economically appropriate.

Along with other companies, affiliates of the Beiersdorf Group are involved in antitrust proceedings relating to cosmetic products on a national level in Europe. Due to the early stage of the preliminary investigations, at present no reliable assessment of the overall risk is possible from the Group's perspective.

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. In this context, the specific requirements for the organizational separation of the trading, settlement, and controlling functions are taken into account. Derivative financial instruments serve solely to hedge operational activities and financial transactions essential to the business. They do not expose the Group to any additional risks.

We limit currency risks from intragroup deliveries of goods and services using currency forwards. About 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.

The Company limits potential default risks relating to the investment of the Group's liquid funds by only making short-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. With the help of these parameters, maximum amounts are determined for investments with each partner bank (counterparty limits) and are regularly compared with investments actually made across the Group. Given the developments in the capital markets, we invested more than half of our liquidity in low-risk liquid investments (such as government and corporate bonds) during the second half of the year.

In order to optimally manage our investments, we made increased use of stronger methods and instruments for concentrating our affiliates' liquidity. Organizational measures 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, the conscious alignment of the instruments deployed with the requirements of our business activities, and separate monitoring by a Treasury Committee that includes international members.

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 maintain contacts with universities to recruit qualified specialists and management personnel. We develop management trainees and employees internally using special international training programs and continuing education measures.

In view of the general economic uncertainty in our markets resulting from the global financial crisis, no reliable assessment can be given from today's perspective of the extent to which the associated risks may impact the net assets, financial position, and results of operations of the Beiersdorf Group.

Report by the Executive Board Regarding Dealings among Group Companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*), the Executive Board has issued a report regarding 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 that would have a material effect on the Beiersdorf Group's business development.

Disclosure Requirements in Accordance with § 315 (4) *HGB*

The Company's 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.

To the Executive Board's knowledge, Tchibo Beteiligungsgesellschaft mbH, Hamburg, Germany, has directly held 50.46% of the voting rights of Beiersdorf AG since August 9, 2005. These voting rights are attributable in full to maxingvest ag (formerly: Tchibo Holding AG), Hamburg, Germany, in accordance with § 22 (1) sentence 1 no. 1, sentence 3, (3) *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*).

These voting rights are also attributable in full to the following persons and companies in accordance with § 22 (1) sentence 1 no. 1, sentence 3, (3) *WpHG*:

– SPM Beteiligungs- und Verwaltungs GmbH, Norderstedt, Germany
– Scintia Vermögensverwaltungs GmbH, Norderstedt, Germany
– Trivium Vermögensverwaltungs GmbH, Norderstedt, Germany
– Michael Herz, Germany
– Wolfgang Herz, Germany
– Ingeburg Herz GbR, Norderstedt, Germany
– Max und Ingeburg Herz Stiftung, Norderstedt, Germany
– Ingeburg Herz, Germany

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) correspondingly following each utilization of authorized or contingent capital.

The Annual General Meeting on May 18, 2005 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until May 17, 2010 by up to a total of €87 million (Authorized Capital I: €45 million; Authorized Capital II: €21 million; Authorized Capital III: €21 million) by issuing new bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined by a different method than that set out in § 60 (2) *AktG*.

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

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

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf AG, 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. to issue new shares at an issue price that 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 are disapplied 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 enterprises or equity interests in businesses (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.

The Annual General Meeting on May 18, 2005 also resolved to contingently increase the share capital by up to a total of €40 million. In addition, the Annual General Meeting on May 17, 2006 resolved a capital increase from retained earnings. In accordance with § 218 sentence 1 *AktG*, contingent capital is increased by the same proportion. It therefore now amounts to €46,875,000. 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 options rights attached to convertible bonds and/or bonds with warrants issued in the period until May 17, 2010 by Beiersdorf AG, 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 May 17, 2010 by Beiersdorf AG, 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 via the exercise of conversion or options rights, or as a result of compliance with a conversion obligation.

By way of a resolution of the Annual General Meeting on April 30, 2008, Beiersdorf AG was authorized 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 October 29, 2009. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders. By way of a resolution dated April 30, 2008, the Annual General Meeting also 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 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 is 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 the above-mentioned 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. Furthermore, the Executive Board is also 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 or partial consideration for the acquisition of companies or equity interests in companies (including increases in equity interests), or as part of a merger, i.e. against non-cash consideration.

Report on Expected Developments

Expected Macroeconomic Developments

Assessing economic developments in the coming years is subject to considerable uncertainty. There are no reliable, generally accepted forecasts as to the future course of economic developments. Our planning is based on a significant decline in global economic growth. However, we are not currently able to predict the scale, duration, and regional breakdown of the crisis.

The following scenario appears probable to us: We expect very low levels of growth in 2009 for the USA, Western Europe, and Germany. A decline in economic output is also possible in individual countries. With respect to the growth regions – Eastern Europe, Asia (excluding Japan), and Latin America – we expect an interruption to the relatively long phase of stable, strong growth and a clear drop in the pace of growth over the short term.

We expect that the economic slump will only start impacting consumer spending after a delay. The effects are already being felt in key industrial segments, such as the automotive industry.

Sector Developments

In our opinion, growth on the global cosmetics market will be slightly below the long-term trend as a result of the current economic situation. We are anticipating very low levels of growth, possibly even market contraction, in the major, saturated markets in Western Europe and the USA. In the growth regions of Eastern Europe, Asia (excluding Japan), and Latin America growth will probably be slower.

Global development of the adhesive tape markets will continue to be dominated by the trends already seen in the year under review. We expect negative growth in Western Europe and North America. In Asia and Eastern Europe, we are anticipating a gradual increase in growth – although not at the levels of previous years.

Our Market Opportunities

Despite the economic situation described above, Beiersdorf still has opportunities for business development. These are based on our internationally oriented strategic positioning, and particularly on our increased focus on our brands and our increasing presence in growth markets. This process combines sales growth, long-term earnings power, a solid financing structure, and the stabilization of our innovation lead through our extensive research and development activities. We are continuing to build on our stock of powerful innovations. The careful and sustainable development of our brands plays a crucial role in establishing consumer trust in our products: NIVEA was again voted the “Most Trusted Brand” by Reader’s Digest in 2008 – a competitive advantage that offers particular opportunities given current sector developments. This, together with the dedication and excellence of our employees, forms the basis for our ability to identify and exploit potential opportunities.

Business Developments

Our assessment of business developments in the coming years is based on the above assumptions. The organic growth of the **Group** is expected to continue to exceed the market growth in the future. We remain committed to our strategic goal of further increasing our EBIT margin. In the case of a significant slowdown in the economy, we will maintain our current earnings power in the best case.

The **Consumer** business segment is planning organic growth that is significantly in excess of the market in the coming years. We continue to see China, Russia, Brazil, and India as particular growth regions. In China in particular, we will continue to promote sales growth by our new Chinese hair care and styling brands with increased investments in marketing. We are aiming to maintain the level of EBIT margin.

Despite the uncertain economic situation, **tesa** expects to increase its market share in the forecast period although markets may contract for economic reasons in some cases. Sales growth depends to a large extent on trends in demand at our industrial customers. Due to a possible further drop in demand for some ranges of goods, applications have been made in good time for short-time working at individual facilities. In order to continue strengthening our market position, we shall continue to pursue our investment projects intensively. The continued establishment of associated development and marketing structures and the expected impact of the economy in the coming year will lead to a lower EBIT margin.

We firmly believe that we are extremely well positioned to meet the challenges facing us, thanks to our strong brands, innovative products, process optimizations, and strategic focus.

Hamburg, February 4, 2009

Beiersdorf AG

The Executive Board

04 Consolidated Financial Statements

+ 12.3%

SALES GROWTH IN 2008

La Prairie

Pure luxury for mature skin: La Prairie's exclusive anti-aging products offer a rejuvenating effect based on exclusive, concentrated caviar extracts, for example.

Consolidated Income Statement

(in € million)

	Notes	2007	2008
Sales	01	**5,507**	**5,971**
Costs of goods sold		–1,830	–1,979
Gross profit		**3,677**	**3,992**
Marketing and selling expenses	02	–2,618	–2,874
Research and development expenses		–127	–149
General and administrative expenses	03	–260	–292
Other operating income	04	103	108
Other operating expenses	05	–91	–89
Special factors relating to divestments	06	-	96
Special factors relating to the realignment of the Consumer Supply Chain	06	–68	5
Operating result (EBIT)		**616**	**797**
Interest income	07	47	55
Interest expense	07	–11	–14
Other financial result	07	–8	–16
Financial result	07	**28**	**25**
Profit before tax		**644**	**822**
Taxes on income	08	–202	–255
Profit after tax		**442**	**567**
Profit attributable to equity holders of Beiersdorf AG		437	562
Profit attributable to minority interests	09	5	5
Basic/diluted earnings per share (in €)	10	**1.93**	**2.48**

Consolidated Balance Sheet

(in € million)

ASSETS	Notes	Dec. 31, 2007	Dec. 31, 2008
Intangible assets	12	357	389
Property, plant, and equipment	13	699	727
Non-current financial assets		7	11
Other non-current assets		3	4
Deferred tax assets		34	36
Non-current assets		**1,100**	**1,167**
Inventories	14	598	634
Trade receivables	15	823	894
Other current financial assets		99	128
Income tax receivables		38	45
Other current assets		69	81
Securities	16	-	897
Cash and cash equivalents	17	1,117	613
Non-current assets and disposal groups held for sale	18	57	-
Current assets		**2,801**	**3,292**
		3,901	**4,459**

EQUITY AND LIABILITIES	Notes	Dec. 31, 2007	Dec. 31, 2008
Share capital	21	252	252
Additional paid-in capital	24	47	47
Retained earnings	25	1,879	2,280
Other equity	26/27	–117	–129
Equity attributable to equity holders of Beiersdorf AG		**2,061**	**2,450**
Minority interests	28	9	10
Equity		**2,070**	**2,460**
Provisions for pensions and other post-employment benefits	29	275	235
Other non-current provisions	30	132	131
Non-current financial liabilities	31	60	72
Other non-current liabilities	31	7	6
Deferred tax liabilities		108	155
Non-current liabilities		**582**	**599**
Other current provisions	30	374	363
Income tax liabilities		82	99
Trade payables	31	573	690
Other current financial liabilities	31	160	174
Other current liabilities	31	60	74
Current liabilities		**1,249**	**1,400**
		3,901	**4,459**

Prior-year figures adjusted.

Consolidated Cash Flow Statement

(in € million)

	2007	2008
Operating result (EBIT)	**616**	**797**
Income taxes paid	–237	–215
Depreciation and amortization	122	114
Change in non-current provisions (excluding interest)	–14	–32
Gain/loss on disposal of property, plant, and equipment, and intangible assets	–10	–144
Gross cash flow	**477**	**520**
Change in inventories	–35	–36
Change in receivables and other assets	–81	–121
Change in liabilities and current provisions	41	105
Net cash flow from operating activities	**402**	**468**
Investments	–110	–161
Cash outflows for acquisitions (less acquired cash)	–302	–19
Proceeds from divestments and the sale of non-current assets	21	224
Payments for the purchase of securities	-	–897
Interest received	47	47
Proceeds from dividends and other financing activities	25	11
Net cash flow from investing activities	**–319**	**–795**
Free cash flow	**83**	**–327**
Proceeds from loans	66	110
Loan repayments	–68	–82
Interest paid	–10	–11
Other financing expenses paid	–38	–33
Cash dividends paid (Beiersdorf AG)	–136	–159
Net cash flow from financing activities	**–186**	**–175**
Effect of exchange rate fluctuations on cash held	–10	–3
Effect of changes in Group structure and other changes on cash held	-	1
Net change in cash and cash equivalents	**–113**	**–504**
Cash and cash equivalents as of Jan. 1	**1,230**	**1,117**
Cash and cash equivalents as of Dec. 31	**1,117**	**613**

Statement of Recognized Income and Expense

(in € million)

	2007	2008
Fair value measurement of financial instruments	9	28
Exchange differences	–28	–29
Deferred taxes on measurement gains and losses recognized directly in equity	–3	–9
Other income and expense recognized directly in equity	1	4
Total income and expense recognized directly in equity	**–21**	**–6**
Profit after tax	**442**	**567**
Total recognized income and expense	**421**	**561**
Of which attributable to		
– Equity holders of Beiersdorf AG	416	554
– Minority interests	5	7

Consolidated Segment Reporting

(in € million)

BUSINESS SEGMENTS 2008	Consumer	tesa	Group
Net sales	**5,125**	**846**	**5,971**
Change in % (nominal)	10.0%	0.0%	8.4%
Change in % (adjusted for currency translation effects)	12.3%	1.3%	10.6%
Share of Group sales	**85.8%**	**14.2%**	**100.0%**
EBITDA	**805**	**106**	**911**
Operating result (EBIT)	**716**	**81**	**797**
As % of sales	14.0%	9.6%	13.4%
Operating result (EBIT, excluding special factors)*	**615**	**81**	**696**
As % of sales	12.0%	9.6%	11.7%
Gross operating capital	**2,355**	**471**	**2,826**
Operating liabilities	**1,211**	**128**	**1,339**
EBIT return on net operating capital	**62.6%**	**23.6%**	**53.6%**
Gross cash flow	**450**	**70**	**520**
Capital expenditure	**122**	**36**	**158**
Depreciation, amortization, and impairment losses	**89**	**25**	**114**
Research and development expenses	**123**	**26**	**149**
Employees (as of Dec. 31, 2008)	**17,865**	**3,901**	**21,766**

BUSINESS SEGMENTS 2007	Consumer	tesa	Group
Net sales	**4,661**	**846**	**5,507**
Change in % (nominal)	7.7%	6.7%	7.6%
Change in % (adjusted for currency translation effects)	9.3%	8.1%	9.1%
Share of Group sales	**84.6%**	**15.4%**	**100.0%**
EBITDA	**624**	**114**	**738**
Operating result (EBIT)	**528**	**88**	**616**
As % of sales	11.3%	10.4%	11.2%
Operating result (EBIT, excluding special factors)*	**596**	**88**	**684**
As % of sales	12.8%	10.4%	12.4%
Gross operating capital**	**1,745**	**450**	**2,195**
Operating liabilities**	**1,009**	**148**	**1,157**
EBIT return on net operating capital	**71.8%**	**29.1%**	**59.4%**
Gross cash flow	**395**	**82**	**477**
Capital expenditure	**82**	**24**	**106**
Depreciation, amortization, and impairment losses	**96**	**26**	**122**
Research and development expenses	**102**	**25**	**127**
Employees (as of Dec. 31, 2007)	**17,246**	**3,855**	**21,101**

* The special factors relate to income from divestments and to income and expenses for the realignment of the Consumer Supply Chain.
** Excluding acquisitions.

(in € million)

REGIONS 2008	Europe	Americas	Africa/Asia/ Australia	Group
Net sales	**4,090**	**832**	**1,049**	**5,971**
Change in % (nominal)	4.6%	6.3%	28.7%	8.4%
Change in % (adjusted for currency translation effects)	5.4%	11.9%	34.2%	10.6%
Share of Group sales	**68.5%**	**13.9%**	**17.6%**	**100.0%**
EBITDA	**795**	**64**	**52**	**911**
Operating result (EBIT)	**711**	**53**	**33**	**797**
As % of sales	17.4%	6.4%	3.1%	13.4%
Operating result (EBIT, excluding special factors)*	**632**	**37**	**27**	**696**
As % of sales	15.4%	4.5%	2.6%	11.7%
Gross operating capital	**1,934**	**331**	**561**	**2,826**
Operating liabilities	**901**	**122**	**316**	**1,339**
EBIT return on net operating capital	**68.8%**	**25.6%**	**13.4%**	**53.6%**
Gross cash flow	**462**	**36**	**22**	**520**
Capital expenditure	**116**	**13**	**29**	**158**
Depreciation, amortization, and impairment losses	**84**	**10**	**20**	**114**
Research and development expenses	**144**	**2**	**3**	**149**
Employees (as of Dec. 31, 2008)	**11,194**	**2,431**	**8,141**	**21,766**

REGIONS 2007	Europe	Americas	Africa/Asia/ Australia	Group
Net sales	**3,909**	**782**	**816**	**5,507**
Change in % (nominal)	5.2%	6.0%	22.7%	7.6%
Change in % (adjusted for currency translation effects)	5.2%	11.8%	27.9%	9.1%
Share of Group sales	**71.0%**	**14.2%**	**14.8%**	**100.0%**
EBITDA	**623**	**45**	**70**	**738**
Operating result (EBIT)	**522**	**34**	**60**	**616**
As % of sales	13.4%	4.4%	7.3%	11.2%
Operating result (EBIT, excluding special factors)*	**590**	**34**	**60**	**684**
As % of sales	15.1%	4.4%	7.3%	12.4%
Gross operating capital**	**1,581**	**316**	**298**	**2,195**
Operating liabilities**	**870**	**115**	**172**	**1,157**
EBIT return on net operating capital	**73.5%**	**17.3%**	**47.0%**	**59.4%**
Gross cash flow	**389**	**33**	**55**	**477**
Capital expenditure	**83**	**7**	**16**	**106**
Depreciation, amortization, and impairment losses	**101**	**11**	**10**	**122**
Research and development expenses	**124**	**1**	**2**	**127**
Employees (as of Dec. 31, 2007)	**11,189**	**2,341**	**7,571**	**21,101**

*The special factors relate to income from and expenses for the realignment of the Consumer Supply Chain and income from divestments.
**Excluding acquisitions.

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 (formerly: Tchibo Holding AG).

The activities of Beiersdorf AG and its affiliates ("Beiersdorf Group") consist primarily of the manufacture and distribution of branded consumer goods in the areas of skin and beauty 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, 2008, were prepared by the Executive Board on February 4, 2009, 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, 2008 were applied.

The consolidated financial statements were generally prepared using the historical cost convention. Exceptions to this rule relate to financial instruments assigned to the "available for sale" category and derivative financial instruments, which are 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.

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 relate in particular to the definition of uniform Group depreciation periods, impairment, write-downs of receivables and inventories, parameters applied to the measurement of pension provisions, the expected return on plan assets, other provisions, and the parameters for purchase price allocation, for impairment tests of goodwill, and for the trademarks. Actual amounts may differ from these estimates. Changes are recognized in profit or loss when more recent knowledge becomes available.

We also refer to our explanations to the single positions.

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 minority interests are presented separately in the consolidated income statement and as a component of equity in the consolidated balance sheet. In the case of successive purchases of the shares of subsidiaries, the difference between the cost of the new shares and the minority interests previously recognized in the Group for these shares is recognized directly in equity.

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. Deferred taxes are recognized for the tax effects of consolidation adjustments.

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. 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. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate at the transaction date.

As the foreign subsidiaries operate as financially, economically, and organizationally independent entities, their functional currency is always the local currency.

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	2007	2008
Swiss franc	CHF	1.6461	1.5786
Chinese yuan	CNY	10.4424	10.2301
Pound sterling	GBP	0.6873	0.8038
Japanese yen	JPY	162.0433	151.4825
Polish zloty	PLN	3.7834	3.5383
US dollar	USD	1.3790	1.4741

EXCHANGE RATE CHANGES (€ 1 =)

		Closing rates	
	ISO code	2007	2008
Swiss franc	CHF	1.6557	1.4860
Chinese yuan	CNY	10.7400	9.6090
Pound sterling	GBP	0.7346	0.9600
Japanese yen	JPY	165.0000	126.4000
Polish zloty	PLN	3.5928	4.1823
US dollar	USD	1.4716	1.3977

Changes in Accounting Policies

The accounting policies correspond generally to those applied in the previous year, with the following primary exceptions:

We applied IFRS 8, "Operating Segments", which is required to be applied for the first time for annual periods beginning on or after January 1, 2009, in fiscal year 2008, prior to the effective date. The comparative figures for the previous year were adjusted accordingly. Since the operating segments previously presented under IAS 14 "Segment Reporting" on the basis of the risks and returns approach already reflected the internal reporting structures, first-time application had no material effects on the consolidated financial statements apart from the modified disclosures in the Notes.

We applied the clarification of the accounting treatment of advertising expenditures resulting from revision of IAS 38 as part of the Improvement Project in fiscal year 2008, prior to the effective date. The revised standard is effective for fiscal years beginning on or after January 1, 2009. As a result of the revision, advertising and promotional expenditures are now recognized at the point when the entity obtains the right to access these products, and not when they are delivered to the customer. Since it was no longer possible to determine the relevant materials with sufficient accuracy as of January 1, 2007, the accounting policies were adjusted retrospectively as of January 1, 2008.

We are reporting the income tax provisions and the expenses for revenue-based deferred customer bonuses contained in our marketing and selling provisions as income tax liabilities and trade payables respectively for the first time. In addition, a distinction was made in the year under review between financial and non-financial items in the balance sheet presentation of assets and liabilities. The prior-year figures were adjusted accordingly.

There were no material effects on the consolidated financial statements from the first time adoption of IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction".

The following Standards and Interpretations relevant for the Beiersdorf Group's business operations have been issued as of December 31, 2008, but are not yet required to be applied for the fiscal year then ended:

- IAS 1 "Presentation of Financial Statements" (as from/after January 1, 2009)
- IAS 23 "Borrowing Costs" (as from/after January 1, 2009)
- IAS 27 "Consolidated and Separate Financial Statements" (as from/after July 1, 2009)
- IFRS 3 "Business Combinations" (as from/after July 1, 2009)
- IFRIC 13 "Customer Loyalty Programs" (as from/after July 1, 2008)
- The "Improvement Project" contains non-urgent-but necessary minor changes to 21 standards (as from/after January 1, 2009)

These Standards and Interpretations will be implemented in the year in which they are first required to be applied. Apart from additional or modified disclosure requirements, no material effects on the consolidated financial statements are expected on first-time adoption.

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 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. This item also includes write-downs of trade receivables.

Research and development expenses comprise the cost of research and of product and process development, including expenses for third-party services. In the case of development projects, a review is conducted to establish whether the criteria for capitalizing internally generated intangible assets laid down in IAS 38 are met. Development costs that do not meet these criteria are recognized in full as expenses of the period.

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 five years. 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

Residential and 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 in accordance with IAS 23 "Borrowing Costs." 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, property, plant, and equipment, and other assets 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 generally identified separately for each asset. If an asset does not generate cash inflows 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 generally 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 in accordance with IAS 2 "Inventories". 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 solely allocated to the "Loans and Receivables" (LaR), "Available for Sale" (AfS), "Held to Maturity" (HtM), and "Other Financial Liabilities" (OFL) 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 generally 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 generally measured at fair value. The resulting gains and losses are recognized directly in equity. When these financial assets are sold or written down for impairment, the cumulative gains and losses recognized in equity 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.

The Beiersdorf Group uses **derivative financial instruments** to manage current and future currency risks. Derivative financial instruments are recognized at fair value. Derivative financial instruments are recognized 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. The effective portion of the change in the fair value of a derivative financial instrument designated as a hedging instrument that qualifies for hedging accounting as a cash flow hedge is recognized directly in equity, 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 for matching risk and maturities at the balance sheet date.

Financial assets are tested for **impairment** as of each reporting date. Any impairment established is recognized immediately in profit or loss. In the case of financial assets available for sale, any loss previously taken to equity is also expensed. 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 aging structure, any substantial deterioration in creditworthiness, or a high probability of debtor insolvency, as well as changes in the political and macroeconomic environment.

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.

In accordance with IAS 19 "Employee Benefits", **pension obligations** 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 obligations 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 provision 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 both the partial retirement arrangements agreed with the employees and potential partial retirement arrangements that, at the balance sheet date, are expected to be agreed on the basis of existing collective bargaining agreements.

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.

Other financial liabilities are carried at amortized cost using the effective interest method. Non-current liabilities are discounted if the effect of the time value of money is material. Liabilities with remaining contractual maturities of more than one year are classified as non-current.

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 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 directly in equity are also recognized directly in equity, and not 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 as expenses for the period in the consolidated income statement.

Consolidated Group, Acquisitions, and Divestments

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 20 German and 144 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, the BODE Group was sold, two companies were newly established, and one company was acquired. Please refer to the sections entitled "Significant Acquisitions" and "Significant Divestments". Except for as described there, there was no material effect on the net assets, financial position, and results of operations.

The significant subsidiaries included in the consolidated financial statements are listed below. A complete list of Beiersdorf AG's shareholdings is issued separately.

(in %)

Name and registered office	Location	Equity interest
GERMANY		
Beiersdorf Manufacturing Hamburg GmbH	Hamburg	100.0
Beiersdorf Customer Supply GmbH	Hamburg	100.0
Juvena Produits de Beauté GmbH	Baden-Baden	100.0
Cosmed-Produktions GmbH	Berlin	100.0
tesa AG	Hamburg	100.0
tesa Werk Hamburg GmbH	Hamburg	100.0
tesa Werk Offenburg GmbH	Offenburg	100.0
Florena Cosmetic GmbH	Waldheim	100.0
REST OF EUROPE		
Beiersdorf Ges. mbH	AT, Vienna	100.0
SA Beiersdorf NV	BE, Brussels	100.0
tesa Bandfix AG	CH, Bergdietikon	100.0
Beiersdorf AG	CH, Münchenstein	100.0
Juvena (International) AG	CH, Volketswil, Zurich	100.0
Beiersdorf spol. s r.o.	CZ, Prague	100.0
Beiersdorf S.A.	ES, Argentona (Barcelona)	100.0
BDF Nivea S.A.	ES, Tres Cantos (Madrid)	100.0
Beiersdorf s.a.	FR, Paris	99.9
Beiersdorf UK Ltd.	GB, Birmingham	100.0
Beiersdorf Hellas AE	GR, Gerakas, Attikis	100.0
Beiersdorf d.o.o.	HR, Zagreb	100.0
Beiersdorf Kft.	HU, Budapest	100.0
Beiersdorf SpA	IT, Milan	100.0
Comet SpA	IT, Solbiate-Concagno	100.0
Beiersdorf NV	NL, Almere	100.0
NIVEA Polska sp. z o.o.	PL, Poznan	100.0
Beiersdorf Portuguesa, Limitada	PT, Queluz de Baixo	100.0
Beiersdorf Romania SRL	RO, Bucharest	100.0
Beiersdorf d.o.o. Beograd	RS, Belgrade	100.0
Beiersdorf OOO	RU, Moscow	100.0
Beiersdorf Aktiebolag	SE, Gothenburg	100.0
Beiersdorf Ukraine LLC	UA, Kiev	99.0

(in %)

Name and registered office	Location	Equity interest
AMERICAS		
Beiersdorf S.A.	AR, Buenos Aires	100.0
BDF NIVEA LTDA.	BR, São Paulo	100.0
Beiersdorf Industria e Comercio Ltda.	BR, São Paulo	100.0
Beiersdorf Canada Inc.	CA, Quebec	100.0
Beiersdorf S.A.	CL, Santiago de Chile	100.0
Beiersdorf S.A.	CO, Bogotá	100.0
BDF México, S.A. de C.V.	MX, Mexico City	100.0
tesa tape inc.	US, Charlotte, NC	100.0
La Prairie, Inc.	US, New York, NY	100.0
Beiersdorf North America Inc.	US, Wilton, CT	100.0
Beiersdorf S.A.	VE, Caracas	100.0
AFRICA/ASIA/AUSTRALIA		
Beiersdorf Middle East FZCO	AE, Dubai	100.0
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.0
C-BONS Hair Care Group	CN, Wuhan	85.0
Nivea (Shanghai) Company Limited	CN, Shanghai	100.0
Nivea-Kao Co., Ltd.	JP, Tokyo	60.0
Nivea Seoul Ltd.	KR, Seoul	100.0
Beiersdorf Singapore Pte. Ltd.	SG, Singapore	100.0
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.0
Beiersdorf Consumer Products (Pty.) Ltd.	ZA, Westville	100.0

Significant Acquisitions in 2008

Labtec GmbH

On December 17, 2008, tesa AG acquired 100% of the shares in Labtec GmbH, Langenfeld (Germany). The company has been consolidated as from this date. Because the acquisition took place close to the balance sheet date, the purchase price was only allocated on a provisional basis as of December 31, 2008. The final identification and determination of the fair values of the acquired assets and the liabilities assumed will be made within 12 months of the acquisition in accordance with IFRS 3 "Business Combinations."

The acquisition cost for Labtec GmbH including transactions costs was €19 million, of which €18 million had been paid by December 31, 2008. Cash acquired amounted to €1 million.

Non-current and current assets of €3 million and €6 million respectively, as well as non-current and current provisions and liabilities of €2 million and €7 million, were recognized as part of the provisional purchase price allocation on initial consolidation. This results in provisional goodwill from the acquisition of Labtec GmbH of €19 million at the acquisition date. In fiscal year 2008, Labtec GmbH generated sales of around €3 million and a result of less than €1 million. Because the acquisition took place close to the balance sheet date, Labtec GmbH did not make any significant contributions to the Group's sales and earnings.

Significant Acquisitions in 2007

C-BONS Hair Care

On December 5, 2007, Beiersdorf – through the Group company Beiersdorf CEE Holding GmbH, Vienna (Austria) – acquired an 85% interest in and the corresponding voting rights of C-BONS Hair Care, Wuhan (China). After transitional periods of two and three years respectively, the outstanding 10% / 5% minority interest can be acquired for at least €48 million (floor) or a higher price that is linked to business performance. Conversely, the seller has the right, under the same conditions, to dispose of this remaining 10% / 5% of the investment to Beiersdorf.

Due to these options, which regulate the acquisition of the outstanding shares by Beiersdorf in the coming years, C-BONS Hair Care has already been fully consolidated in Beiersdorf AG's consolidated financial statements and the part of the purchase price related to the option has been recognized as a financial liability. In 2007, C-BONS Hair Care generated sales of €122 million and earnings of €8 million.

The purchase price for C-BONS Hair Care was only allocated on a provisional basis as of December 31, 2007. Within the scope of the final purchase price allocation, the following fair values of the assets acquired and the liabilities and contingent liabilities assumed were recognized:

(in € million)

	Previous carrying amounts	Fair value at the date of acquisition
Intangible assets	140	164
Property, plant, and equipment	22	34
Trade receivables	22	23
Other current assets	24	22
Assets	**208**	**243**
Deferred taxes	1	9
Current financial liabilities	15	15
Trade payables	12	12
Other current liabilities	8	9
Liabilities	**36**	**45**

Intangible assets include trademarks and customer relationships. Acquired trademarks have been assigned an indefinite useful life due to their market positioning and expected long-term profitability. Customer relationships are amortized over four years using the straight-line method in keeping with their expected useful lives. In the property, plant, and equipment item, the aggregate fair values of leasehold interests and buildings were €12 million higher than the relevant carrying amounts. The realization of the hidden reserves led to deferred tax liabilities of €8 million. The contingent purchase price component of the purchase options was reviewed, based on the business planning data. This resulted in an increase of €8 million, which was taken directly to goodwill. Goodwill amounted to €129 million on December 31, 2007. It contains the fair value of expected synergies as a result of the business combination.

The acquisition cost as of December 5, 2007 therefore amounted to €329 million for 100% of the shares including transaction costs. €274 million was paid in cash for the 85% acquired in December 2007. The cash acquired as a result of the acquisition amounted to €12 million.

The following table provides a reconciliation of the items in the consolidated balance sheet to the adjusted figures for the purchase price allocation:

(in € million)	Original carrying amounts as of Dec. 31, 2007	Final purchase price allocation adjustments	Final carrying amounts as of Dec. 31, 2007 after allocation adjustments
Intangible assets	350	7	357
Property, plant, and equipment	687	12	699
Other non-current assets	44	-	44
Inventories	598	-	598
Trade receivables	823	-	823
Other current assets	265	–2	263
Cash and cash equivalents	1,117	-	1,117
ASSETS	**3,884**	**17**	**3,901**
Equity	2,070	-	2,070
Non-current provisions	407	-	407
Non-current liabilities	59	8	67
Deferred taxes	100	8	108
Current provisions	374	-	374
Income tax liabilities	82	-	82
Trade payables	573	-	573
Other current liabilities	219	1	220
EQUITY AND LIABILITIES	**3,884**	**17**	**3,901**

Beiersdorf AG (Switzerland)

On December 12, 2007, Beiersdorf took over the remaining 50% interest in and voting rights of Beiersdorf AG, Münchenstein (Switzerland), which until then had been consolidated proportionately under IAS 31. Goodwill deriving from this purchase amounted to €35 million, and is primarily based on expected synergies which are directly connected with Beiersdorf AG's business and cannot be recognized as a separate asset. The purchase was accounted for a business combination achieved in stages. In 2007, the Swiss company generated sales of €107 million and earnings of €18 million.

Significant Divestments in 2008

Futuro Business

Beiersdorf signed an agreement to sell the Futuro business to 3M Company, St. Paul (USA) on November 20, 2008; the agreement was executed on December 16, 2008. The Futuro business comprises the sale of health supports and compression hosiery. Most of its sales are generated in the USA. Futuro was previously part of the Consumer business segment and generated sales of around €41 million in 2008. As part of the sale, non-current and current assets of €1 million and €8 million respectively were transferred to the buyer.

BODE Group

On October 20, 2008, Beiersdorf sold the BODE Group with effect from December 31, 2008, to Paul Hartmann AG, Heidenheim (Germany). The BODE Group produces and sells disinfectants for hands, skin, instruments, and surfaces. The BODE Group was allocated to the Consumer business segment. It generated sales of around €63 million in 2008 and a result of around €3 million. As part of the sale, non-current and current assets of €14 million and €23 million respectively, as well as non-current and current provisions and liabilities of €12 million and €15 million, were transferred to the buyer.

Notes to the Income Statement

01 • Sales

Sales increased from €5,507 million in the previous year to €5,971 million in 2008. 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 increased by 9.8% to €2,874 million (previous year: €2,618 million). The expenditure on advertising, retail marketing, and similar items included in marketing and selling expenses amounts to €1,915 million (previous year: €1,748 million).

03 • General and Administrative Expenses

General and administrative expenses amounted to €292 million in fiscal 2008, up 12.6% compared with the previous year. This item comprises personnel expenses and other administrative costs, as well as the cost of external services that are not allocated internally to other functions.

04 • Other Operating Income

(in € million)

	2007	2008
Income from the reversal of provisions	39	46
Gains on disposal of non-current assets	13	11
Miscellaneous other income	51	51
	103	**108**

Miscellaneous other income includes income from license agreements, prior-period income, income from the reversal of valuation allowances on receivables, and miscellaneous other operating income.

05 • Other Operating Expenses

(in € million)

	2007	2008
Exchange losses on operating activities	5	2
Losses on disposal of non-current assets	3	6
Amortization of intangible assets	1	5
Miscellaneous other expenses	82	76
	91	**89**

Miscellaneous other expenses include additions to provisions for litigation and other risks, as well as miscellaneous other operating expenses.

06 • Special Factors (Divestments and Consumer Supply Chain)

The special factors include gains from the sales of Futuro and of the BODE Group of €96 million in total as well as expenses and income relating to the realignment of the Consumer Supply Chain in Europe. Proceeds from the disposal of production and logistics facilities relating to the realignment of the Consumer Supply Chain, especially Beiersdorf AG's production site in Hamburg-Hausbruch (Germany), exceeded the expenses incurred in 2008, resulting in income of €5 million (previous year: expense of €68 million). Expenses in the previous year primarily included personnel expenses in the amount of €20 million, IT costs in the amount of €11 million, and impairment losses on non-current assets in the amount of €8 million.

07 • Financial Result

(in € million)

	2007	2008
Interest income	47	55
Interest expense	–11	–14
Other net finance cost	–8	–16
	28	**25**

Interest income primarily results from the positions "cash and cash equivalents" and "securities". The interest expense on pension and other entitlements acquired in previous years is netted against any return on plan assets and the amortization of unrecognized actuarial gains and losses. This resulted in interest income of €8 million (previous year: expense of €1 million).

Interest expense primarily results from financial liabilities.

The other net finance cost relates in particular to currency gains and losses. In addition, the item includes income of €9 million (previous year: €0 million) representing the net income from the fair value measurement of financial instruments that were previously recognized directly in equity.

Gains and losses of €6 million (previous year: €0 million) from the fair value measurement of financial instruments classified as belonging to the "available for sale" category were directly recognized in equity during the fiscal year.

08 • Income Taxes

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

(in € million)

	2007	2008
Current income taxes		
Germany	92	78
International	133	147
	225	**225**
Deferred taxes	**–23**	**30**
	202	**255**

€12 million (previous year: €3 million) of deferred taxes shown in the balance sheet were directly recognized in equity.

Deferred taxes in 2007 included a positive effect of €19 million due to their recalculation as a result of the 2008 business tax reform in Germany.

No deferred tax assets have been recognized for tax loss carryforwards and unused tax credits of €64 million (previous year: €43 million). Of this amount, €45 million (previous year: €42 million) can be carried forward without restriction; the remaining amount can be carried forward over a period of up to five years.

Deferred taxes are generally not recognized for temporary differences relating to earnings of 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: €5 million) were recognized in the year under review.

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, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Non-current assets	21	20	51	63
Inventories	14	18	-	-
Receivables and other current assets	6	4	24	24
Provisions for pensions and other post-employment benefits	3	3	78	94
Other provisions	34	19	-	6
Liabilities	8	27	2	4
Retained earnings	-	-	7	22
Loss carryforwards	2	3	-	-
	88	**94**	**162**	**213**
Offset deferred taxes	–54	–58	–54	–58
Deferred taxes recognized in the balance sheet	**34**	**36**	**108**	**155**

Calculation of the Actual Tax Expense

For an effective tax rate of 31.0%, the actual tax expense is €19 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 28.7% (previous year: 31.4%). The following table shows the reconciliation of expected to actual tax expense:

ACTUAL TAX EXPENSE (in € million)

	2007	2008
Expected tax expense at a tax rate of 28.7% (previous year: 31.4%)	202	236
Tax deductions due to tax-free income	–6	–15
Tax increases due to non-deductible expenses	15	34
Changes in corporate tax rates	–20	–1
Other tax effects	11	1
Actual tax expense	**202**	**255**

09 • Profit Attributable to Minority Interests

€5 million of profit after tax is attributable to minority interests (previous year: €5 million). As of the reporting date, other shareholders primarily hold interests in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

10 • Basic/Diluted Earnings per Share

Earnings per share for 2008 amounted to €2.48 (previous year: €1.93). The basis for the calculation is the profit after tax excluding profit attributable to minority 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.

11 • Other Disclosures

Cost of Materials

The cost of raw materials, consumables, and supplies, and of purchased goods and services, amounted to €1,447 million (previous year: €1,285 million).

PERSONNEL EXPENSES (in € million)

	2007	2008
Wages and salaries	718	751
Social security contributions and other benefits	102	106
Pension expenses	69	65
	889	**922**

Employees

The breakdown of employees by function is as follows:

(number as of December 31)

	2007	2008
Production	6,839	7,191
Sales and marketing	9,900	10,173
Other functions	4,362	4,402
	21,101	**21,766**

(average during the year)

	2007	2008
Production	6,225	7,250
Sales and marketing	7,855	10,286
Other functions	4,075	4,345
	18,155	**21,881**

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

Notes to the Balance Sheet

12 • Intangible Assets

(in € million)	Patents, licenses, trademarks, software, and similar rights and assets	Goodwill	Total
Cost			
Opening balance Jan. 1, 2007	**427**	**7**	**434**
Currency translation adjustment	–2	-	–2
Changes in consolidated Group/acquisitions	168	164	332
Additions	5	-	5
Disposals/transfers	–46	-	–46
Closing balance Dec. 31, 2007	**552**	**171**	**723**
Amortization			
Opening balance Jan. 1, 2007	**400**	**4**	**404**
Currency translation adjustment	–2	-	–2
Additions	11	-	11
Disposals/transfers	–47	-	–47
Closing balance Dec. 31, 2007	**362**	**4**	**366**
Carrying amount Dec. 31, 2007	**190**	**167**	**357**
Cost			
Opening balance Jan. 1, 2008	**552**	**171**	**723**
Currency translation adjustment	–3	21	18
Changes in consolidated Group/acquisitions	-	19	19
Additions	8	-	8
Disposals/transfers	–57	-	–57
Closing balance Dec. 31, 2008	**500**	**211**	**711**
Amortization			
Opening balance Jan. 1, 2008	**362**	**4**	**366**
Currency translation adjustment	–4	-	–4
Additions	16	-	16
Disposals/transfers	–56	-	–56
Closing balance Dec. 31, 2008	**318**	**4**	**322**
Carrying amount Dec. 31, 2008	**182**	**207**	**389**

Prior-year figure adjusted.

The carrying amount of intangible assets increased by €32 million compared with the previous year to €389 million (previous year: €357 million). The adjustment of the prior-year figures is due to the final purchase price allocation for C-BONS Hair Care. Hidden reserves of €8 million were realized in connection with the trademarks acquired, and customer relationships amounting to €16 million were identified. Customer relationships were amortized in the amount of €4 million in the year under review.

The trademarks have been recognized with an indefinite useful life since it is planned to continue using them for an unlimited period. An impairment test did not reveal any need for write-downs as of December 31, 2008. The impairment test uses the royalty method, and is based on an extrapolation outside the planning horizon of 2.5% and a pre-tax discount rate of 10.9%.

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 from the purchase of C-BONS Hair Care increased to €144 million (previous year: €129 million) as a result of currency translation effects, the goodwill for Beiersdorf AG (Switzerland) was €39 million (previous year: €35 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 acquisition date. In the Beiersdorf Group these are 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 Schweiz) and the net realizable value (China Group) using cash flow projections. These estimated future cash flows used for impairment testing are based on the financial planning, which has a planning horizon of at least three years. Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account.

A growth rate of 2.5% was used for the China Group, while the figure for Beiersdorf AG (Switzerland) was 1.0%. The pre-tax discount rates used to discount the estimated cash flows were 11.2% for the China Group and 11.1% for Beiersdorf AG (Switzerland). The impairment tests did not result in any impairment losses on goodwill or trademarks in the year under review.

Planning is based on a variety of assumptions regarding the significant estimation parameters. The estimation parameters included gross margins, discount rates, commodity price trends, market share, and growth rates.

13 • 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, 2007	**718**	**789**	**505**	**30**	**2,042**
Currency translation adjustment	–4	–6	–5	-	–15
Changes in consolidated Group/acquisitions	21	19	3	1	44
Additions	8	26	36	31	101
Disposals/transfers	–124	–95	–82	–23	–324
Closing balance Dec. 31, 2007	**619**	**733**	**457**	**39**	**1,848**
Depreciation					
Opening balance Jan. 1, 2007	**395**	**537**	**368**	**2**	**1,302**
Currency translation adjustment	–2	–5	–4	-	–11
Additions	18	46	47	-	111
Disposals/transfers	–92	–90	–69	–2	–253
Closing balance Dec. 31, 2007	**319**	**488**	**342**	**-**	**1,149**
Carrying amount Dec. 31, 2007	**300**	**245**	**115**	**39**	**699**
Cost					
Opening balance Jan. 1, 2008	**619**	**733**	**457**	**39**	**1,848**
Currency translation adjustment	–3	6	–5	–1	–3
Changes in consolidated Group/acquisitions	3	-	-	-	3
Additions	11	34	52	53	150
Disposals/transfers	–3	–38	–30	–32	–103
Closing balance Dec. 31, 2008	**627**	**735**	**474**	**59**	**1,895**
Depreciation					
Opening balance Jan. 1, 2008	**319**	**488**	**342**	**-**	**1,149**
Currency translation adjustment	-	5	–2	-	3
Additions	17	42	39	-	98
Disposals/transfers	–17	–33	–32	-	–82
Closing balance Dec. 31, 2008	**319**	**502**	**347**	**-**	**1,168**
Carrying amount Dec. 31, 2008	**308**	**233**	**127**	**59**	**727**

Prior-year figures adjusted.

Property, plant, and equipment increased by €28 million compared with the previous year to €727 million. Investments in property, plant, and equipment amounted to €150 million.

Depreciation amounted to €98 million (previous year: €111 million). The prior-year figure contained impairment losses due to the realignment of the Consumer Supply Chain of €8 million. These impairment losses primarily related to the production center in Italy, which was closed in 2007. No impairment losses were reversed in the year under review.

For the background to the adjustments to the prior-year figures, please see the information provided in the section entitled "Significant Acquisitions in 2007" under "Consolidated Group, Acquisitions, and Divestments".

14 • Inventories

(in € million)

	2007	2008
Raw materials, consumables, and supplies	126	126
Work in progress	35	35
Finished goods and merchandise	434	468
Advance payments	3	5
	598	**634**

Inventories increased by €36 million compared with the previous year to €634 million, €128 million of which was carried at net realizable value. Write-downs of inventories amounted to €63 million as of the reporting date (previous year: €73 million).

15 • Trade Receivables

(in € million)

			Of which not individually impaired and past due in the following time buckets				
2007	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	823	658	67	14	7	2	6
2008							
Trade receivables	894	708	76	16	10	7	6

The trade receivables are classified as "loans and receivables" in accordance with IAS 39. The following changes in write-downs of trade receivables were recorded:

(in € million)

	2007	2008
January 1	**10**	**11**
Additions	5	4
Utilized	–1	–1
Reversals	–2	–3
Currency translation adjustment	–1	–1
December 31	**11**	**10**

16 • Securities

Due to the financial crisis since the fall of 2008, Beiersdorf switched a large proportion of its bank deposits into securities in order to diversify its risk. In total, €897 million was invested in government and corporate bonds, commercial paper, and near-money market retail funds. All bonds are listed and have a residual maturity of up to two 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.

17 • Cash and Cash Equivalents

(in € million)

	2007	2008
Cash	1,031	598
Cash equivalents	86	15
	1,117	**613**

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."

18 • Non-current Assets and Disposal Groups Held for Sale

In the previous year, as part of the realignment of the Consumer Supply Chain, the production centers in Almere (the Netherlands) and Brembate (Italy), the logistics centers in Almere and Brussels (Belgium), and the logistics center in Hamburg (Germany) were classified as "Non-current Assets and Disposal Groups Held for Sale" in the amount of €57 million. The sales of property and buildings were finalized in 2008. The assets held for sale in the previous year were attributable to the Consumer segment and did not represent discontinued operations of the Beiersdorf Group.

19 • 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, 2008, the equity ratio was 55% (previous year: 53%), while the return on equity was 25% (previous year: 23%). The total dividend distributed in fiscal year 2008 amounted to €165 million (previous year: €141 million).

20 • Statement of Changes in Equity

The table below details the individual equity components and the changes in them:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in € million)

	Share capital	Additional paid-in capital	Retained earnings*	Currency translation adjustment	Fair value measurement financial instruments	Total equity attributable to equity holders	Minority interests	Total
Jan. 1, 2007	**252**	**47**	**1,587**	**–93**	**–12**	**1,781**	**9**	**1,790**
Financial instruments	-	-	-	-	6	6	-	6
Currency translation adjustment	-	-	-	–28	-	–28	-	–28
Other changes	-	-	–9	–2	12	1	-	–4
Total income and expense recognized directly in equity	-	-	*–9*	*–30*	*18*	*–21*	-	*–21*
Profit after tax	-	-	437	-	-	437	5	442
Total earnings for the period	-	-	*428*	*–30*	*18*	*416*	*5*	*421*
Dividend of Beiersdorf AG for previous year	-	-	–136	-	-	–136	-	–136
Dividend of minority interests for previous year	-	-	-	-	-	-	–5	–5
Dec. 31, 2007 (as previously presented)	**252**	**47**	**1,879**	**–123**	**6**	**2,061**	**9**	**2,070**
Change in accounting treatment of advertising expenses	-	-	–6	-	-	–6	-	–6
Jan. 1, 2008 (adjusted opening balance)	**252**	**47**	**1,873**	**–123**	**6**	**2,055**	**9**	**2,064**
Financial instruments	-	-	-	-	19	19	-	19
Currency translation adjustment	-	-	-	–31	-	–31	2	–29
Other changes	-	-	4	-	-	4	-	4
Total income and expense recognized directly in equity	-	-	*4*	*–31*	*19*	*–8*	*2*	*–6*
Profit after tax	-	-	562	-	-	562	5	567
Total earnings for the period	-	-	*566*	*–31*	*19*	*554*	*7*	*561*
Dividend of Beiersdorf AG for previous year	-	-	–159	-	-	–159	-	–159
Dividend of minority interests for previous year	-	-	-	-	-	-	–6	–6
Dec. 31, 2008	**252**	**47**	**2,280**	**–154**	**25**	**2,450**	**10**	**2,460**

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

21 • 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.

22 • Authorized Capital

The Annual General Meeting on May 18, 2005 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until May 17, 2010 by up to a total of €87 million (Authorized Capital I: €45 million; Authorized Capital II: €21 million; Authorized Capital III: €21 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 AG, 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. to issue new shares at an issue price that 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 are disapplied 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 enterprises or equity interests in businesses (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.

23 • Contingent Capital

The Annual General Meeting on May 18, 2005 also resolved to contingently increase the share capital by up to a total of €40 million. In addition, the Annual General Meeting on May 17, 2006 resolved a capital increase from retained earnings. In accordance with § 218 sentence 1 *AktG*, contingent capital is increased by the same proportion. It therefore now amounts to €46,875,000. 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 rights and/or options attached to convertible bonds and/or bonds with warrants issued in the period until May 17, 2010 by Beiersdorf AG, 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 May 17, 2010 by Beiersdorf AG, 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 via the exercise of conversion rights or options, or as a result of compliance with a conversion obligation.

24 • Additional Paid-in Capital

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

25 • 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. The opening balance of the retained earnings was adjusted in accordance with IAS 8 as a result of the application of the revised IAS 38 prior to the effective date. The reduction in the amount of €6 million is due to the advertising expenditures of €9million contained in the inventories as of December 31, 2007, net of deferred taxes in the amount of €3 million.

26 • 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.

27 • 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 instruments held for sale of €4 million (previous year: €0 million) and financial derivatives designated as hedging instruments of €21 million (previous year: €6 million) that are recognized directly in equity.

28 • Minority Interests

Minority interests contain adjustments for the interests of non-Group shareholders in the equity of fully consolidated affiliates. Other shareholders hold interests primarily in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, and Beiersdorf India Limited.

29 • Provisions for Pensions and Other Employee 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 6.25% 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 December 31, 2008, and would have only a minor impact on the income statement for the following year due to the application of the limit method. 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 %)

	2007		2008	
	Germany	Other countries	Germany	Other countries
Discount rates	5.50	2.00–10.00	6.25	2.00–12.00
Expected return on plan assets	5.50	2.00–9.20	4.75–5.00	4.00–9.50
Projected wage and salary growth	3.00–3.50	1.25–8.00	3.00–3.50	2.00–10.00
Projected pension growth	1.75	0.50–3.00	2.00	0.50–3.00
Projected staff turnover	2.00–4.50	0.50–8.00	2.00–4.50	0.30–8.00

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.

PENSION BENEFIT EXPENSE (in € million)

	2007			2008		
	Germany	Other countries	Group	Germany	Other countries	Group
Current service cost	18	7	25	14	6	20
Past service cost	2	-	2	-	-	-
Effects on curtailments and settlements	-	–2	–2	-	1	1
Defined benefit expense (EBIT)	**20**	**5**	**25**	**14**	**7**	**21**
Interest expense	31	8	39	35	9	44
Expected return on plan assets	–26	–8	–34	–34	–9	–43
Amortization of actuarial gains (–) and losses (+)	–5	1	–4	–11	2	–9
Net interest income for defined benefit plans	**-**	**1**	**1**	**–10**	**2**	**–8**
Total expenses for defined benefit plans	**20**	**6**	**26**	**4**	**9**	**13**
Defined contribution expense (EBIT)	29	15	44	28	16	44
Total pension benefit expense	**49**	**21**	**70**	**32**	**25**	**57**

The defined benefit and defined contribution expenses are included in the costs of the respective functions. Defined contribution expenses primarily 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 in the income statement under interest income/expense.

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (in € million)

	2007			2008		
	Germany	Other countries	Group	Germany	Other countries	Group
Present value of defined benefit obligations, opening balance	755	185	940	657	178	835
Current service cost	18	7	25	14	6	20
Interest expense	31	8	39	35	9	44
Actuarial gains (–) and losses (+)	–119	–9	–128	–37	–14	–51
Contributions by plan participants	2	2	4	3	1	4
Pension benefits paid	–32	–8	–40	–34	-	–34
Currency translation adjustment	-	–8	–8	-	–2	–2
Other changes	2	1	3	–8	–6	–14
Present value of defined benefit obligations, closing balance	**657**	**178**	**835**	**630**	**172**	**802**

FUNDING STATUS OF PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (in € million)

	2007			2008		
	Germany	Other countries	Group	Germany	Other countries	Group
Partly or wholly funded defined benefit obligations	643	157	800	625	152	777
Unfunded defined benefit obligations	14	21	35	5	20	25
Present value of defined benefit obligations	**657**	**178**	**835**	**630**	**172**	**802**

CLASSIFICATION OF PLAN ASSET FAIR VALUE (in € million)

	2007			2008		
	Germany	Other countries	Group	Germany	Other countries	Group
Fair value of plan assets, opening balance	614	153	767	629	164	793
Expected return on plan assets	26	8	34	34	9	43
Actuarial gains (+) and losses (–)	–7	–3	–10	–60	–26	–86
Actual return on plan assets	**19**	**5**	**24**	**–26**	**–17**	**–43**
Employer contributions	2	9	11	3	11	14
Contributions by plan participants	-	1	1	-	3	3
Pension benefits paid	–6	–5	–11	–6	–1	–7
Currency translation adjustment	-	–7	–7	-	–1	–1
Other changes	-	8	8	-	–4	–4
Fair value of plan assets, closing balance	**629**	**164**	**793**	**600**	**155**	**755**

CATEGORIES OF PLAN ASSET FAIR VALUE (in € million)

	2007			2008		
	Germany	Other countries	Group	Germany	Other countries	Group
Equity instruments	234	91	325	163	73	236
Debt instruments	350	58	408	393	64	457
Real estate	33	-	33	34	-	34
Cash and cash equivalents	11	8	19	10	12	22
Other	1	7	8	-	6	6
Fair value of plan assets	**629**	**164**	**793**	**600**	**155**	**755**

RECOGNIZED PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS (in € million)

	2005	2006	2007	2008
Present value of defined benefit obligations	867	940	835	802
Fair value of plan assets	–626	–767	–793	–755
Net obligation	**241**	**173**	**42**	**47**
Net cumulative unrecognized actuarial gains (+) and losses (–)	61	107	222	178
Other recognized amounts	1	8	11	10
Recognized provisions for pensions and other employee benefits	**303**	**288**	**275**	**235**

30 • Other Provisions

(in € million)	Personnel expenses	Marketing and selling expenses	Restructuring	Miscellaneous	Total
Opening balance Jan. 1, 2008	**186**	**118**	**18**	**184**	**506**
Of which non-current	*74*	*2*	-	*56*	*132*
Currency translation adjustment	–1	–4	-	1	–4
Change in consolidated Group	-	-	-	2	2
Additions	94	120	17	84	315
Utilized	–89	–93	–11	–87	–280
Reversals	–11	–11	-	–23	–45
Closing balance Dec. 31, 2008	**179**	**130**	**24**	**161**	**494**
Of which non-current	*66*	*2*	-	*63*	*131*

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 restructuring provisions relate primarily to provisions in connection with the realignment of the Consumer Supply Chain.

The miscellaneous provisions include provisions for litigation risks, among other things.

Taxes on planned dividends, which were previously recognized in the income tax provisions, were reported for the first time as deferred tax liabilities. The remaining income tax provisions were shown for the first time as income tax liabilities. The prior-year figure of €82 million was adjusted accordingly. The expenses for revenue-based deferred customer bonuses included in the provisions for marketing and selling expenses were reported as trade payables for the first time. The prior-year figure of €44 million was adjusted accordingly.

31 • Liabilities

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

(in € million)

	2007			2008		
		Contractual maturities			Contractual maturities	
	Carrying amount Dec., 31	2009–2012	After 2012	Carrying amount Dec., 31	2010–2013	After 2013
Non-current financial liabilities	60	74	2	72	76	2
Other non-current liabilities	7	3	4	6	3	3
	67	**77**	**6**	**78**	**79**	**5**

Non-current financial liabilities include financial instruments of €71 million (previous year: €60 million) assigned to the "Other Financial Liabilities" category and of €1 million (previous year: €0 million) assigned to the "Derivative Financial Instruments" category. The non-current financial liabilities primarily comprise the liabilities from the option to purchase the remaining interest in C-BONS Hair Care amounting to €66 million.

The following table gives a breakdown of current liabilities:

(in € million)

	2007	2008
Trade payables (OFL)	**573**	**690**
Other current financial liabilities	**160**	**174**
Other financial liabilities (OFL)	156	160
Negative fair value of derivatives (DFI)	4	14
Other current liabilities	**60**	**74**
Other tax liabilities	44	59
Social security liabilities	11	11
Advance payments received	5	4
	793	**938**

Other financial liabilities (OFL) primarily relate to overdrafts and short-term bank loans amounting to €109 million (previous year: €82 million), as well as to other financial obligations in the amount of €50 million (previous year: €70 million).

32 • Additional Disclosures on Financial Instruments

(in € million)

		Measurement category under IAS 39			
2008	Carrying amount Dec. 31	Amortized cost	Fair value recognized directly in equity	Fair value through profit or loss	**Fair value Dec. 31**
ASSETS					
Loans and receivables (LaR)	*1,592*	*1,592*	-	-	*1,592*
Non-current financial assets	6	6	-	-	6
Trade receivables	894	894	-	-	894
Other current financial assets	79	79	-	-	79
Cash and cash equivalents	613	613	-	-	613
Available-for-sale financial assets (AfS)	*248*	*4*	*244*	-	*248*
Non-current financial assets	4	4	-	-	4
Securities	244	-	244	-	244
Held-to-maturity financial investments (HtM)	*653*	*653*	-	-	*653*
Securities	653	653	-	-	653
Derivative financial instruments used for hedges (DFI)	*50*	-	*50*	-	*50*
EQUITY AND LIABILITIES					
Other financial liabilities (OFL)	*921*	*921*	-	-	*921*
Non-current financial liabilities	71	71	-	-	71
Trade payables	690	690	-	-	690
Other current financial liabilities	160	160	-	-	160
Derivative financial instruments used for hedges (DFI)	*14*	-	*14*	-	*14*
2007					
ASSETS					
Loans and receivables (LaR)	*2,027*	*2,027*	-	-	*2,027*
Non-current financial assets	2	2	-	-	2
Trade receivables	823	823	-	-	823
Other current financial assets	85	85	-	-	85
Cash and cash equivalents	1,117	1,117	-	-	1,117
Available-for-sale financial assets (AfS)	*5*	*5*	-	-	*5*
Non-current financial liabilities	5	5	-	-	5
Derivative financial instruments used for hedges (DFI)	*14*	-	*14*	-	*14*
EQUITY AND LIABILITIES					
Other financial liabilities (OFL)	*789*	*789*	-	-	*789*
Non-current financial liabilities	60	60	-	-	60
Trade payables	573	573	-	-	573
Other current financial liabilities	156	156	-	-	156
Derivative financial instruments used for hedges (DFI)	*4*	-	*4*	-	*4*

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. Non-current liabilities amounting to €71 million (previous year: €60 million) primarily relate to the variable-interest liability for the purchase price option for the remaining interest in C-BONS Hair Care. Therefore, the carrying amount of the non-current liabilities corresponds approximately to their fair value. Net gains and losses from held-to-maturity financial investments amounted to €1 million (previous year: €0 million).

33 • Contingent Liabilities and Other Financial Obligations

(in € million)

	2007	2008
Contingent liabilities		
Liabilities under bills	1	-
Liabilities under guarantees	-	1
Other financial obligations		
Obligations under rental and lease agreements:	46	40
Due within the next year	21	17
Due in 2 to 5 years	23	23
Due after more than 5 years	2	-
Obligations under purchase commitments:	20	17
Due within the next year	20	13
Due in 2 to 5 years	-	4

Beiersdorf has potential obligations arising from legal actions (including antitrust proceedings relating to cosmetics products) and from claims brought against the Company. Due to the early stage of the preliminary investigations, a reliable assessment of the risk arising from the antitrust proceedings is not currently possible.

34 • 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, interest rate, and default risk.

Derivative financial instruments are used to hedge the core operational business and material financial transactions. These 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 balance 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 within 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. Owing to these hedging activities, Beiersdorf is not exposed to any significant currency risks in its financing activities as of the balance sheet date.

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. All these transactions are centrally recorded, measured, and managed 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 primary monetary 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 mainly 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 €36 million (previous year: €10 million), and their notional value was €799 million (previous year: €525 million). €746 million (previous year: €520 million) of the forward contracts have a remaining maturity of up to one year, €53 million (previous year: €5 million) have a remaining maturity of between one and five years, and none (previous year: none) have a remaining maturity exceeding five years. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not offset.

If the euro had appreciated (depreciated) by 10% against all currencies as of the balance sheet date, the hedging reserves in equity and the fair values of the currency forwards would have increased (decreased) by €29 million (previous year: €7 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 of 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 €11 million higher (lower) (previous year: €12 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 €2,543 million as of December 31, 2008 (previous year: €2,046 million). In the area of trade receivables, 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 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.

The total proceeds received from the divestments made in the fiscal year amounted to €139 million, and were paid completely in cash. Cash transferred with the divestments amounted to €2 million. Proceeds from the sale of non-current assets amounted to €85 million.

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 also reflects the internal organizational structure. The classification by region shows the global breakdown of business activities in the Beiersdorf Group.

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

Consolidated companies domiciled in Germany generated **sales** in 2008 of €1,506 million (previous year: €1,469 million) and reported **non-current assets** (not including financial instruments, deferred taxes, and plan assets) of €515 million (previous year: €499 million).

EBIT excluding special factors represents the operating result, adjusted for income from and expenses for the realignment of the Consumer Supply Chain as well as income from divestments.

EBITDA represents the operating result (EBIT) before depreciation and amortization/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 €1,487 million (previous year: €1,038 million) consists of gross operating capital less operating liabilities. In the previous year net operating capital as at the year-end did not include the figures for the acquisitions made towards the end of 2007, since the results of the acquired entities were not included in consolidation in 2007 due to the fact that the acquisitions took place extremely close to the reporting date. As a result, the acquired assets did not contribute to the operating result for that year.

The following tables show the reconciliation of net operating capital to the balance sheet items:

(in € million)

ASSETS	2007	2008
Intangible assets	357	389
Property, plant, and equipment	699	727
Inventories	598	634
Trade receivables	823	894
Other receivables and other assets (operating portion)[1]	133	182
Gross operating capital attributable to acquisitions	–415	-
Gross operating capital	**2,195**	**2,826**
Gross non-operating assets	1,706	1,633
Total balance sheet assets	**3,901**	**4,459**

EQUITY AND LIABILITIES	2007	2008
Other provisions (operating portion)[2]	506	494
Trade payables	573	690
Other liabilities (operating portion)[3]	159	155
Operating liabilities attributable to acquisitions	–81	-
Operating liabilities	**1,157**	**1,339**
Equity	2,070	2,460
Non-operating liabilities	674	660
Total balance sheet equity and liabilities	**3,901**	**4,459**

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

Other Disclosures

Remuneration of the Executive and Supervisory Boards

Please refer to the Remuneration Report, which is a component of the consolidated financial statements and the Group Management Report, for the disclosures required by § 314 (1) No. 6 of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) and IAS 24.16.

Related Party Information in Accordance with IAS 24

Since March 30, 2004, maxingvest ag (formerly Tchibo Holding AG) has held 50.46% 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 regarding dealings among Group companies in accordance with § 312 (1) sentence 1 *AktG*. In fiscal year 2008, Beiersdorf AG and its affiliated companies and maxingvest ag and its affiliated companies pooled purchase quotas to cut costs, as well as sourcing products from each other on a very small scale at standard market terms, as in the previous year. There was also limited collaboration with respect to marketing campaigns and in the area of market research and product testing.

Exercise of Exemption Options

The following German affiliates included in the consolidated financial statements of Beiersdorf AG exercised the exemption option under § 264 (3) *Handelsgesetzbuch* (German Commercial Code, *HGB*) in fiscal year 2008:

– Beiersdorf Manufacturing Hamburg GmbH	Hamburg
– Cosmed-Produktions GmbH	Berlin
– Florena Cosmetic GmbH	Waldheim
– La Prairie 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
– Prof. Steinkraus Research Laboratories Produkte GmbH	Baden-Baden

Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of Beiersdorf AG submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*) at the end of December 2008, and made this declaration permanently accessible to shareholders on the Company's website at **www.Beiersdorf.com/Corporate-Governance**.

Audit

The Annual General Meeting on April 30, 2008 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2008.

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

FEES PAID TO THE GROUP AUDITORS (in € thousand)

	2007	2008
Audit services	644	776
Other assurance services	-	109
Tax advisory services	101	184
Other services	13	-
Total	**758**	**1,069**

Shareholdings of Beiersdorf AG

A complete list of Beiersdorf AG's shareholdings is issued separately.

Shareholdings in Beiersdorf AG

In accordance with the provisions of the *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), Beiersdorf AG received the following notifications by shareholders of the Company by the preparation date of the balance sheet (February 4, 2009):

Allianz SE, Munich, Germany, informed us in accordance with § 21 (1) *WpHG* that Allianz Aktiengesellschaft, Munich, Germany, had revealed on February 3, 2004, that its share of voting rights in our Company had fallen below the threshold of 10% and that it amounted to 7.85% as of this date (this corresponds to 6,593,491 voting rights out of the total of 84,000,000 voting rights at that time). The transformation of Allianz

Aktiengesellschaft into Allianz SE was entered in the commercial register on October 13, 2006. Consequently, Allianz SE's share of voting rights in our Company continued to amount to more than 5% on October 13, 2006 and totaled 7.20% (corresponding to 18,133,974 voting rights) as of this date. 1.09% (2,736,357 voting rights) of these were attributable to Allianz SE, in accordance with § 22 (1) sentence 1 no. 1, (3) *WpHG*.

Allianz SE, Munich, Germany, also informed us in accordance with § 21 (1) *WpHG* in conjunction with § 24 *WpHG* that, due to an intra-Group share transfer, the share of voting rights held by AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich, Germany, in our Company exceeded the thresholds of 3% and 5% on June 13, 2008, and that it amounted to 5.65% (14,246,917 voting rights) as of this date. There have been no changes to Allianz SE's share of the voting rights in our Company that are subject to mandatory reporting.

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 exceeded the threshold of 3% on November 3, 2008. As of this date, Capital Research and Management Company held 3.11% of the voting rights in Beiersdorf AG (voting rights from 7,849,457 ordinary shares). These 3.11% of the voting rights (voting rights from 7,849,457 ordinary shares) were attributed to Capital Research and Management Company in accordance with § 22 (1) sentence 1 no. 6 *WpHG*.

maxingvest ag, Hamburg, Germany, informed us in accordance with § 21 (1) *WpHG* that Tchibo Holding AG's Annual General Meeting held on July 5, 2007 resolved to change the company's name to "maxingvest ag" and that the new name was entered in the commercial register on September 12, 2007. Consequently, maxingvest ag's share of voting rights in our Company continued to amount to more than 50% on September 12, 2007 and totals 50.46% (corresponding to 127,154,415 voting rights). As before, 50.46% (corresponding to 127,154,415 voting rights) is attributable to maxingvest ag via Tchibo Beteiligungsgesellschaft mbH in accordance with § 22 (1) sentence 1 no. 1 *WpHG*.

In addition, the following persons and companies listed below informed us in accordance with § 21 (1) *WpHG* that their share of voting rights had each exceeded the threshold of 50% on March 30, 2004, and that they were each entitled to 50.46% of voting rights, which are fully attributable to each of them in accordance with § 22 (1) sentence 1 no. 1, sentence 3, (3) *WpHG*:

- SPM Beteiligungs- und Verwaltungs GmbH, Norderstedt, Germany
- Scintia Vermögensverwaltungs GmbH, Norderstedt, Germany
- Trivium Vermögensverwaltungs GmbH, Norderstedt, Germany
- Michael Herz, Germany
- Wolfgang Herz, Germany
- Ingeburg Herz GbR, Norderstedt, Germany
- Max und Ingeburg Herz Stiftung, Norderstedt, Germany
- Ingeburg Herz, Germany

Agneta Peleback-Herz, Germany, E.H. Real Grundstücksgesellschaft mbH & Co. KG, Norderstedt, Germany, and E.H. Real Grundstücksgesellschaft mbH, Norderstedt, Germany, all informed us on March 11, 2008 in accordance with § 21 (1) sentence 1 *WpHG* that their share of the voting rights in our Company fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5%, and 3% as of January 15, 2007, and amounts to 0% (corresponding to 0 votes).

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 treasury shares held by the Company do not carry voting or dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act, *AktG*).

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

(in € million)

	2008
Profit after tax of Beiersdorf AG	293
Transfer to retained earnings	–66
Net retained profits of Beiersdorf AG	**227**

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that the net retained profits for fiscal 2008 of €227 million will be utilized as follows:

(in € million)

	2008
Distribution of a dividend of €0.90 (€0.70 plus €0.20) per no-par value share carrying dividend rights (226,818,984 no-par value shares)	204
Transfer to other retained earnings	23
Net retained profits of Beiersdorf AG	**227**

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

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

Hamburg, February 4, 2009

Beiersdorf AG

The Executive Board

Beiersdorf AG Boards

Honorary Chairman of the Company

Georg W. Claussen

Supervisory Board

Prof. Dr. Reinhard Pöllath, Munich

Chairman (since April 30, 2008, previously Deputy Chairman)

Lawyer P+P Pöllath + Partners

Chairman of the Supervisory Board
- maxingvest ag
- SinnerSchrader AG
- Escada AG (since July 9, 2008)

Member of the Supervisory Board
- Primera AG (since July 31, 2008)
- Tchibo GmbH
- Top Holding AG (until June 30, 2008)
- Wanzl GmbH & Co. Holding KG

Member of the Board of Directors
- Tisbury Capital Ltd., London

Thorsten Irtz, Stapelfeld

Deputy Chairman

Chairman of the Works Council of Beiersdorf AG

Member of the Supervisory Board
- maxingvest ag

Dr. Arno Mahlert, Hamburg

Deputy Chairman (since April 30, 2008)

Chairman of the Executive Board of maxingvest ag

Chairman of the Supervisory Board
- GfK AG (since September 27, 2008, previously Deputy Chairman)
- Tchibo GmbH

Deputy Chairman of the Supervisory Board
- Saarbrücker Zeitung GmbH

Chairman of the Board
- Springer Science + Business Media S.A., Luxembourg

Dieter Ammer, Hamburg

(Chairman until April 30, 2008)

Chairman of the Executive Board of Conergy AG

Member of the Supervisory Board
- GEA Group AG
- Heraeus Holding GmbH
- IKB Deutsche Industriebank AG (until November 30, 2008)

Dr. Walter Diembeck, Hamburg

Head of Biocompatibility, Research & Development of Beiersdorf AG

Member of the Supervisory Board
- maxingvest ag (since April 4, 2008)

Frank Ganschow, Kiebitzreihe

Chairman of the Works Council of tesa AG

Member of the Supervisory Board
- tesa AG (in the future: tesa SE; intragroup)

Michael Herz, Hamburg

Merchant

Member of the Supervisory Board
- maxingvest ag
- Tchibo GmbH
- tesa AG (in the future: tesa SE; intragroup)

Dr. Rolf Kunisch, Überlingen

Former Chairman of the Executive Board of Beiersdorf AG

Member of the Supervisory Board
- maxingvest ag (since June 19, 2008)

Member of the Advisory Board
- Dr. August Oetker Nahrungsmittel KG

Tomas Nieber, Bad Münder

Head of the Division Economic Policy – Industry Groups of Industriegewerkschaft Bergbau, Chemie, Energie

Member of the Supervisory Board
- BP Refining & Petrochemicals GmbH (until June 26, 2008)
- Evonik Degussa GmbH (since August 4, 2008)
- maxingvest ag

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

Stefan Pfander, Berg

Management Consultant

Deputy Chairman of the Supervisory Board
- GfK AG (since September 26, 2008, previously Member)

Member of the Supervisory Board
- maxingvest ag (until April 30, 2008)
- Tchibo GmbH

Member of the Board of Directors
- Barry Callebaut AG, Zürich
- GfK e.V. (until January 27, 2009)

Ulrich Plechinger, Hamburg

Head of Corporate Pension and Insurance Management of Beiersdorf AG

Prof. Manuela Rousseau, Rellingen

Head of Corporate Social Responsibility of Beiersdorf AG

- Professor at the Academy of Music and Theater, Hamburg

Supervisory Board Committees

Members of the Executive Committee

Prof. Dr. Reinhard Pöllath (Chairman since April 30, 2008)
Michael Herz
Thorsten Irtz
Dr. Arno Mahlert (since April 30, 2008)
Dieter Ammer (until April 30, 2008, previously Chairman)

Members of the Audit and Finance Committee

Dr. Arno Mahlert (Chairman)
Dieter Ammer
Dr. Walter Diembeck
Prof. Dr. Reinhard Pöllath

Members of the Nomination Committee

Prof. Dr. Reinhard Pöllath (since April 30, 2008, Chairman)
Dr. Rolf Kunisch
Dr. Arno Mahlert
Stefan Pfander
Dieter Ammer (until April 30, 2008, previously Chairman)

Members of the Mediation Committee

Prof. Dr. Reinhard Pöllath (Chairman since April 30, 2008)
Thorsten Irtz
Dr. Arno Mahlert (since April 30, 2008)
Ulrich Plechinger
Dieter Ammer (until April 30, 2008, previously Chairman)

Executive Board*

Thomas-B. Quaas
Chairman

Chairman of the Supervisory Board
- tesa AG (in the future: tesa SE; intragroup)

Member of the Supervisory Board
- Euler Hermes Kreditversicherungs-AG

Dr. Bernhard Düttmann
Finance – Finance/Controlling/Legal/IT

Deputy Chairman of the Supervisory Board
- tesa AG (in the future: tesa SE; intragroup)

Peter Kleinschmidt
Human Resources – Human Resources/Sustainability – Labor Director

Pieter Nota
Brands – Marketing/Research & Development/Sales

Member of the Board of Directors
- GfK e.V.

Markus Pinger
Supply Chain – Procurement/Production/Logistics/Quality Management

*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.

Auditors' Report

We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, cash flow statement, statement of recognized income and expense, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2008. 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 5, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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 4, 2009

The Executive Board

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

INCOME STATEMENT – BEIERSDORF AG (in € million)

	2007	2008
Sales	1,447	1,050
Stock movements	–5	-
Other operating income	74	121
Cost of materials	–547	–228
Personnel expenses	–246	–213
Depreciation and amortization of property, plant, and equipment, and intangible assets	–28	–46
Other operating expenses	–550	–578
Special factors relating to the realignment of the Consumer Supply Chain	–23	35
Operating result	**122**	**141**
Financial result	162	213
Result from ordinary activities	**284**	**354**
Taxes on income	–72	–61
Profit after tax	212	293

BALANCE SHEET – BEIERSDORF AG (in € million)

ASSETS	Dec. 31, 2007	Dec. 31, 2008
Intangible assets	**142**	**115**
Property, plant, and equipment	**116**	**66**
Financial assets	**1,538**	**1,201**
Non-current assets	**1,796**	**1,382**
Inventories	76	1
Trade receivables	88	88
Other receivables and other assets	244	251
Cash and cash equivalents	1,061	2,051
Current assets	**1,469**	**2,391**
	3,265	**3,773**

EQUITY AND LIABILITIES	Dec. 31, 2007	Dec. 31, 2008
Equity	**1,922**	**2,056**
Special reserve with an equity portion	-	40
Provisions for pensions and other employee benefits	511	519
Other provisions	276	255
Provisions	**787**	**774**
Trade payables	37	26
Other liabilities	519	877
Liabilities	**556**	**903**
	3,265	**3,773**

*The full version of Beiersdorf AG's annual financial statements and management report, together with an 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.

05 Additional Information

+ 12.1%

SALES GROWTH IN 2008

NIVEA FOR MEN

Thanks to the resounding success of our NIVEA FOR MEN products, beauty care is becoming a "new form of masculinity" for men around the world; the new NIVEA FOR MEN Extreme Comfort shaving gel, which allows an extremely close shave without any skin irritations, is now one of the bestselling products in the range.

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Ten-year Overview

TEN-YEAR OVERVIEW (in € million, unless otherwise stated)

	1999	2000	2001	2002	2003[1]	2004	2005	2006[2]	2007[2]	2008[2]
Sales	**3,638**	**4,116**	**4,542**	**4,742**	**4,435**	**4,546**	**4,776**	**5,120**	**5,507**	**5,971**
Change against prior year in %	8.7	13.1	10.3	4.4	–1.3	2.5	5.1	7.2	7.6	8.4
Consumer[7]	3,010	3,448	3,870	4,049	3,739	3,840	4,041	4,327	4,661	5,125
tesa	628	668	672	693	696	706	735	793	846	846
Europe	2,687	2,855	3,183	3,410	3,329	3,388	3,498	3,717	3,909	4,090
Americas	630	832	903	819	638	635	687	738	782	832
Africa/Asia/Australia	321	429	456	513	468	523	591	665	816	1,049
EBITDA	**468**	**538**	**620**	**633**	**614**	**656**	**693**	**660**	**738**	**911**
Operating result (EBIT)	**339**	**389**	**466**	**472**	**455**	**483**	**531**	**477**	**616**	**797**
Profit before tax	**323**	**382**	**468**	**478**	**491**	**492**	**535**	**851**	**644**	**822**
Profit after tax	**175**	**226**	**285**	**290**	**301**	**302**	**335**	**668**	**442**	**567**
Return on sales (after tax) in %	4.8	5.5	6.3	6.1	6.4	6.6	7.0	13.0	8.0	9.5
Earnings per share in €	0.68	0.87	1.11	1.12	1.17	1.29	1.45	2.93	1.93	2.48
Total dividend equity holders	60	84	109	118	121	121	129	136	159	204
Dividend per share in €	0.24	0.33	0.43	0.47	0.53	0.53	0.57	0.60	0.70	0.90
Beiersdorf share year-end closing price[6]	**22.22**	**37.17**	**42.5**	**35.37**	**32.07**	**28.53**	**34.64**	**49.12**	**53.00**	**42.00**
Market capitalization as of Dec. 31[7]	5,599	9,366	10,710	8,912	8,081	7,190	8,736	12,378	13,356	10,584
Cost of materials	**995**	**1,112**	**1,196**	**1,205**	**1,149**	**1,113**	**1,147**	**1,229**	**1,285**	**1,453**
Personnel expenses	**713**	**786**	**817**	**863**	**808**	**804**	**840**	**889**	**889**	**922**
Research and development expenses	**79**	**88**	**92**	**93**	**97**	**101**	**109**	**118**	**127**	**149**
In % of sales	2.2	2.1	2.0	2.0	2.2	2.2	2.3	2.3	2.3	2.5
Employees as of Dec. 31	**16,065**	**16,590**	**17,749**	**18,183**	**18,664**	**16,492**	**16,769**	**17,172**	**21,101**	**21,766**
Intangible assets	56	118	138	128	94	58	34	30	357	389
Property, plant, and equipment	782	808	871	917	876	887	882	740	699	727
Non-current financial assets	26	24	18	22	94	93	5	8	7	11
Inventories	515	595	695	677	629	558	536	548	598	634
Receivables and other assets[4]	701	804	811	832	789	815	967	940	1,123	2,085
Cash and cash equivalents	622	632	714	722	828	290	483	1,230	1,117	613
Equity	**1,289**	**1,458**	**1,636**	**1,727**	**1,831**	**1,033**	**1,293**	**1,790**	**2,070**	**2,460**
Liabilities	**1,413**	**1,523**	**1,611**	**1,571**	**1,479**	**1,668**	**1,614**	**1,706**	**1,831**	**1,999**
Provisions	690	752	761	808	790	776	752	809	781	729
Trade payables	322	356	337	293	293	308	369	485	573	690
Other financial liabilities	174	180	237	191	157	300	197	137	220	246
Other liabilities[5]	227	235	276	279	239	284	296	275	257	334
Total equity and liabilities	**2,702**	**2,981**	**3,247**	**3,298**	**3,310**	**2,701**	**2,907**	**3,496**	**3,901**	**4,459**

[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 81.
[3] Excluding changes in carrying amounts resulting from measurement using the equity method.
[4] Including non-current assets and disposal groups held for sale.
[5] Including liabilities held for sale.
[6] Figures 1999 to 2005 adjusted to the number of shares after the share split.
[7] Consumer figures 1999 to 2002 include sales of the former segments cosmed and medical.

Financial Calendar

DATES

April 30, 2009	Annual General Meeting
May 4, 2009	Dividend Payment
May 5, 2009	Interim Report January to March 2009
August 4, 2009	Interim Report January to June 2009
November 3, 2009	Interim Report January to September 2009, Financial Analyst Meeting
January 2010	Publication of Preliminary Group Results
February/March 2010	Publication of Annual Report 2009, Annual Accounts Press Conference, Financial Analyst Meeting
April 29, 2010	Annual General Meeting
May 2010	Interim Report January to March 2010
August 2010	Interim Report January to June 2010
November 2010	Interim Report January to September 2010, Financial Analyst Meeting

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This Annual Report is also available in German.
The online version of the Annual Report as well as the Annual Financial Statements and the Management Report of Beiersdorf AG are available at **www.Beiersdorf.com/Annual_Report**. The Interim Reports can be found at **www.Beiersdorf.com/Interim_Report**.

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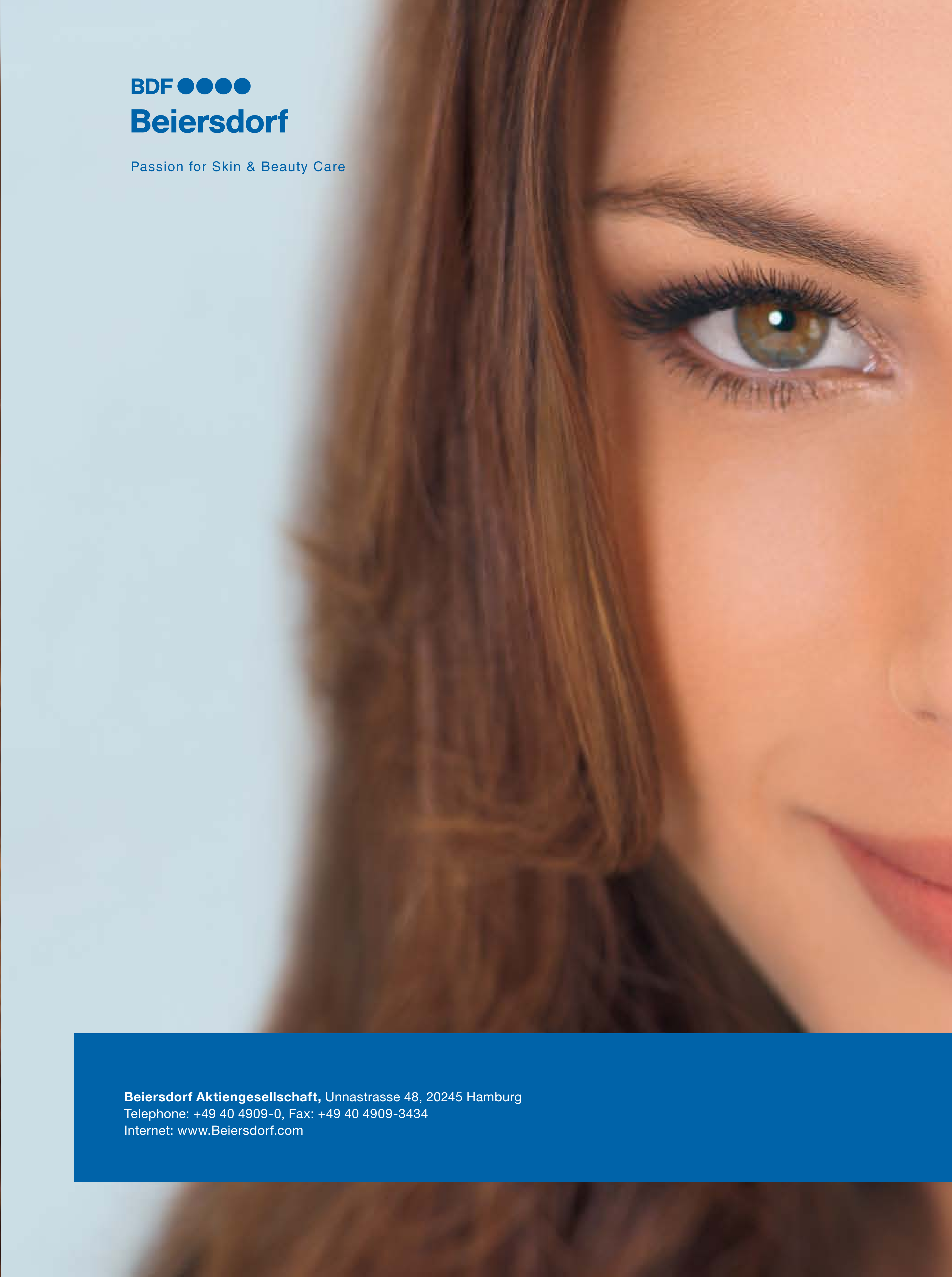

BDF ●●●●
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