Report of the Executive Board on Item 10 of the Agenda (Resolution on the authorization to issue convertible bonds and/or bonds with warrants and on the creation of Contingent Capital) in accordance with §§ 221 (4) sentence 2, 186 (3) sentence 4, (4) sentence 2 *Aktiengesetz* (German Stock Corporation Act, *AktG*)

As the previous Annual General Meeting authorization to issue convertible bonds and/or bonds with warrants contained in § 5 (5) of Articles of Association is set to expire, a new authorization is to be created in agenda item 10 that has been adapted to business developments and the Company's current financial situation. To service the subscription and/or conversion rights from convertible bonds and/or bonds with warrants if the authorization is utilized, new contingent capital is also to be resolved and the current contingent capital in accordance with § 5 (5) of the Articles of Association is to be cancelled.

In addition to the traditional options of raising debt capital and equity, the authorization to issue convertible bonds and/or bonds with warrants allows the Company to take advantage of attractive financing opportunities, depending on the market conditions pertaining at the time, so as to access capital at attractive interest rates and hence ensure an adequate capital base. The possibility of providing for a conversion obligation in the case of convertible bonds broadens the scope for structuring such financing tools. This includes the ability of the Company, via its investees, if appropriate, to access the German or international capital markets, depending on market conditions.

In principle, shareholders are entitled to the statutory pre-emptive rights attached to subscription and/or conversion rights from convertible bonds and/or bonds with warrants (§ 221 (4) in conjunction with § 186 (1) *Aktiengesetz* (German Stock Corporation Act, *AktG*)). In order to facilitate settlement, the option to issue bonds to a credit institution or a syndicate of credit institutions on condition that the bonds are offered to shareholders in accordance with their pre-emptive rights is to be utilized (indirect pre-emptive rights within the meaning of § 186 (5) *AktG*).

However, pre-emptive rights may be disapplied with the approval of the Supervisory Board if the convertible bonds and/or bonds with warrants are issued in each case at a price that, according to the Executive Board's due examination, is not materially lower than the theoretical market value of the bonds calculated by recognized methods, and in particular by financial methods. The ability to disapply pre-emptive rights allows the Company to take advantage of favorable market opportunities quickly and flexibly and to achieve better conditions when the interest rates and issue prices of bonds are determined by ensuring that the conditions are in line with the market.

According to § 221 (4) sentence 2 *AktG*, the provision laid down in § 186 (3) sentence 4 *AktG* applies mutatis mutandis to the disapplication of pre-emptive rights. In order to comply with the limit that this specifies for disapplying pre-emptive rights to a maximum of 10% of the share capital, the issue without pre-emptive rights of convertible bonds and/or bonds with warrants with conversion or option rights or with a conversion obligation in relation to shares with a notional interest in the share capital is limited to a total of up to 10% at the time that the authorization comes into effect or, in the event that this amount is lower, at the time the authorization is exercised. Furthermore, this is only permissible to the extent that this limit has not already been exhausted by the utilization of Authorized Capital II and/or by the utilization of the authorization to sell own shares in accordance with § 186 (3) sentence 4 *AktG*.

In addition, § 186 (3) sentence 4 *AktG* requires that the issue price may not be significantly lower than the market price. This is intended to ensure that there is no significant economic dilution of the value of shareholders' shares (discount to the market value). The likelihood of such a dilutive effect can be calculated by comparing the theoretical market value of the bond with the issue price. The Executive Board is obliged to guarantee, by means of due examination, that the theoretical market value of the bond is calculated by recognized methods, and in particular by financial methods. In this context, the Executive Board may obtain the support of experts, if it deems it necessary in a particular situation to obtain professional advice. If the issue price is not materially (i.e., not more than 5% less) lower the theoretical market value calculated by the methods mentioned above at the time of issue of the convertible bonds or bonds with warrants, disapplication of pre-emptive rights is permitted within the meaning and purpose of § 186 (3) sentence 4 *AktG* due to the only insignificant nature of the discount. When making use of this authorization, the Executive Board will keep any discount to the then-quoted market price as low as possible given the prevailing market conditions at the time when the issue price is finalized. This takes account of the need to protect shareholders against a dilution of their shareholdings. The provision in the authorization that the final issue price must not be significantly below the theoretical market value, means that the value of the pre-emptive rights is reduced to almost zero, which means that shareholders are not economically disadvantaged by the disapplication of the pre-emptive rights.

Please refer to the Report of the Executive Board on item 7 of the agenda regarding the authorization to disapply shareholders' pre-emptive rights for fractions and for holders of convertible bonds and/or bonds with warrants.

The contingent capital is required to service the conversion or option rights, or conversion obligations relating to the convertible bonds and/or bonds with warrants with Beiersdorf shares, if the Company exercises its discretion not to utilize own shares. The conversion or option price for a share may not fall below 80% of the average market price of the shares on the ten stock exchange trading days preceding the resolution on the issue. Alternatively, the conversion or option price for a share can be determined on the basis of the average market price of the shares during the first trading days for the pre-emptive rights. Furthermore, provision may be made for the conversion ratio and/or the conversion price specified in the conversion terms and conditions to be variable, and for the conversion price to be determined within a range to be specified depending on the share price development during the term of the bond. These options make it possible for the terms of the issue to be as close to the market as possible.

As a result of the *Gesetz zur Umsetzung der Aktionärsrichtlinie* (Act Implementing the Shareholder Rights Directive, *ARUG*), which largely came into force on September 1, 2009, the revised version of § 193 (2) no. 3 *AktG* has clarified that it is sufficient to determine the minimum issue price or the basis for finalizing the issue price or the minimum issue price in the resolution by the Annual General Meeting on a contingent capital increase designed to issue convertible bonds (§192 (2) no. 1 *AktG*) or in the associated resolution in accordance with § 221 *AktG*. This amendment also corresponds to the current interpretation of the law by the *Bundesgerichtshof* (German Federal Supreme Court), which states that the Executive Board of an *Aktiengesellschaft* (German stock corporation) can be authorized by the Annual General Meeting to determine the issue price of new shares in line with current capital market conditions when issuing convertible bonds. This enables the Executive Board to make flexible use of convertible bonds. The proposed authorization is in line with current legislation and the current interpretation of the law by the *Bundesgerichtshof*, which give the Executive Board the necessary freedom when issuing convertible bonds and/or bonds with warrants and therefore provides for a minimum issue price of 80% of the market price, which is defined in detail, at the time the bonds are issued.

Hamburg, February 2010

Beiersdorf Aktiengesellschaft

The Executive Board