

Beiersdorf's Brands

08 Our Brands Portfolio

BDF ● ● ●
Beiersdorf

NIVEA Eucerin



La Prairie SBT



SLEK Florena



Labello 8x4



Hansaplast tesa





Business and Strategy

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

Consumer Business Segment: Updated Strategy for Success

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

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

Focus on Skin Care. Closer to Markets.

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

Executive Board Structure and Organization

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

Streamlined Product Portfolio and Investments in Core Brands

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

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

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

tesa Business Segment: Innovative Product Solutions

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

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

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

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

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

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

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

Management and Control

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

The tesa business segment is managed as an independent subgroup.

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



[Beiersdorf.com/
Corporate_Governance_Statement](http://www.Beiersdorf.com/Corporate_Governance_Statement)

Value Management and Performance Management System

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

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

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



see
Chart 09
Chart 10
Chart 11

Economic Environment

General Economic Situation

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

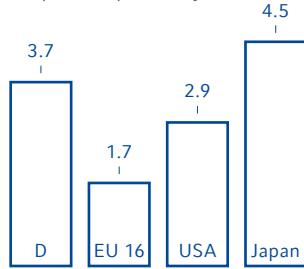
In the euro zone, the government debt crisis in certain countries escalated. The EMU states implemented bailout programs to provide financial support initially for Greece and subsequently for Ireland as well. In return, the governments had to introduce drastic austerity measures and structural reforms,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

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

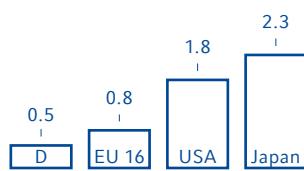
In the United States, high unemployment in particular acted as a drag on economic recovery. Although GDP growth in 2010 was close to the rates seen in recent years, it remained below potential growth rates. As a result, the Federal Reserve continued to support the economy with unconventional liquidity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

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

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



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



Sales Market Developments

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

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

Procurement Market

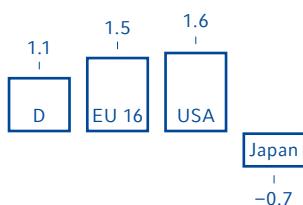
Procurement market developments in 2010 were dominated by bottlenecks resulting from the steady economic upturn, which led to a rise in demand for raw materials, on the one hand and supply shortages on the other. The relevant commodities indices increased steadily over the course of the year. In anticipation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

The Economic Situation – Summary

The tesa business segment was able to increase sales significantly, due to the recovery in its industrial markets in particular. In the cosmetics markets, the muted growth generated by the saturated European markets, which account for a high proportion of sales, had a negative effect on sales by the Consumer business segment. Sales growth in the rapidly growing markets was strong in most cases.

¹¹ Inflation Rate 2010 (in %)

Change compared to previous year



Results of Operations, Balance Sheet Structure, and Financial Position

Results of Operations – Group

¹² Income Statement (in € million)

Jan. 1 – Dec. 31

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

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

Sales



see
Chart 13
Chart 14

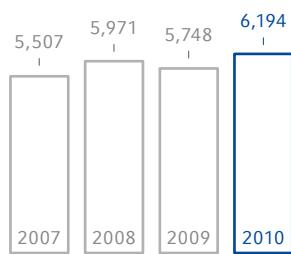
Organic Group sales in 2010 were up 3.1% on the prior-year figure. Organic growth in the Consumer business segment was 1.6% above the previous year. tesa experienced a significant recovery, recording a 13.3% rise in sales. At current exchange rates, Group sales increased by 7.8% to €6,194 million (previous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

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

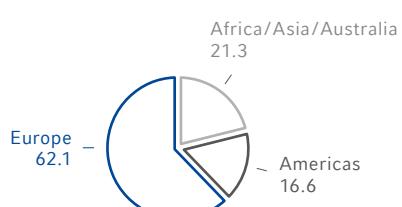
In the Americas region, sales in both North America and Latin America achieved double-digit growth rates. Overall, sales in the Americas rose by 15.4% (organic). At current exchange rates, sales increased by 21.0% to €1,030 million (previous year: €851 million).

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

¹³ Group Sales (in € million)



¹⁴ Group Sales by Region (in %)



Expenses/Other Operating Result

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

Operating Result (EBIT) Excluding Special Factors

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

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



see Chart 15

Special Factors

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



see Table 16

Operating Result (EBIT)

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

Financial Result

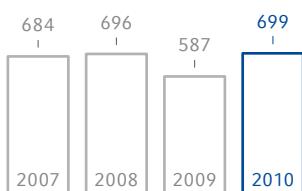
The financial result amounted to €–30 million (previous year: €–4 million). This item was mainly influenced by increased interest expenses, the sharp decline in interest rates for financial investments as well as currency losses.

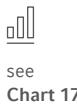


see Table 12

¹⁵ Group EBIT (in € million)

Excluding special factors





Taxes on Income

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

Profit after Tax

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

Earnings per Share – Dividends

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

¹⁶ Reconciliation to EBIT Excluding Special Factors

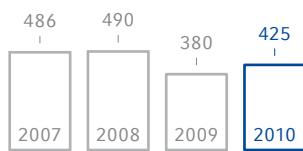
Jan. 1 – Dec. 31

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

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

¹⁷ Group Profit After Tax (in € million)

Excluding special factors



Results of Operations – Business Segments

Consumer

¹⁸ Key Figures – Consumer Business Segment

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

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

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



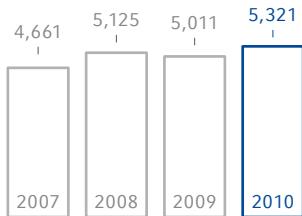
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Chart 19
Chart 20

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

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

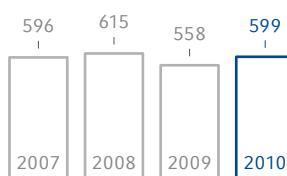
Our brand Eucerin generated extremely strong growth of 9.0%. Sales in the United States, Thailand, and Chile were particularly good.

¹⁹ Consumer Sales (in € million)



²⁰ Consumer EBIT (in € million)

Excluding special factors



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

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

Europe

²¹ Consumer Sales in Europe

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

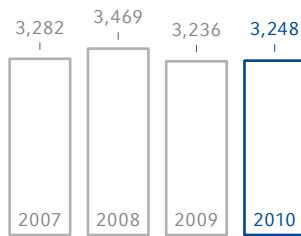


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Chart 23

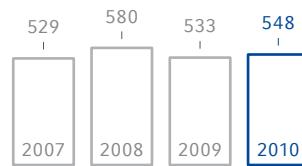
In **Europe**, sales in the Consumer business segment were down 1.8% on the previous year on a like-for-like (organic) basis. At current exchange rates, sales increased slightly by 0.4% to €3,248 million (previous year: €3,236 million). EBIT for the Consumer business segment totaled €548 million (previous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

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

²² Consumer Sales in Europe (in € million)



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



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

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

Americas

²⁴ Consumer Sales in the Americas

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

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

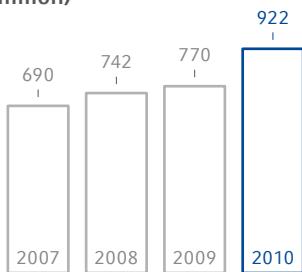


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Chart 25
Chart 26

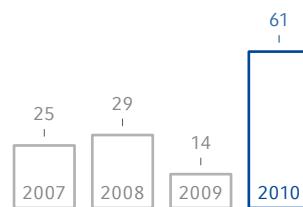
Organic sales growth in **North America** was up 14.2% on the previous year. NIVEA Body Care, NIVEA Shower, and NIVEA FOR MEN significant boosted growth. La Prairie returned to its former clear growth path after being badly hit by the economic crisis in the United States in the previous year. Eucerin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

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

²⁵ Consumer Sales in the Americas (in € million)



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



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

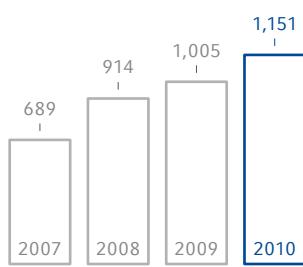
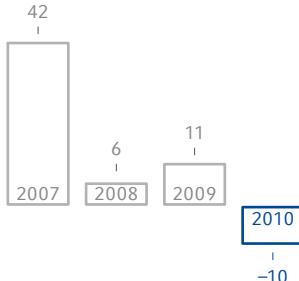
	Total
Sales 2010	(in € million) 1,151
Change (organic)	(in %) 2.5
Change (adjusted for currency translation effects)	(in %) 2.5
Change (nominal)	(in %) 14.5



see
Chart 28
Chart 29

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

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

**²⁸ Consumer Sales in Africa/Asia/Australia
(in € million)****²⁹ Consumer EBIT in Africa/Asia/Australia
(in € million) Excluding special factors**

tesa**³⁰ Key Figures – tesa Business Segment**

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

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

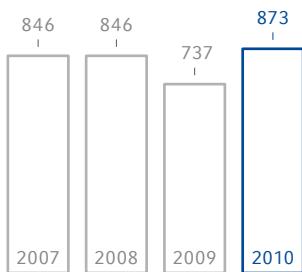
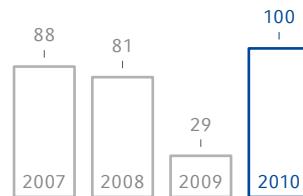


see
Chart 31
Chart 32

tesa Industrial Segment

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

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

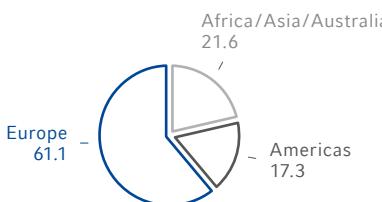
³¹ tesa Sales (in € million)**³² tesa EBIT (in € million)**

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

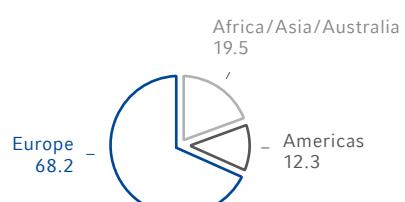
tesa Consumer Segment

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

³³ Consumer Sales by region (in %)



³⁴ tesa Sales by region (in %)



Balance Sheet Structure – Group

³⁵ Balance Sheet Structure (in € million)

Assets	Dec. 31, 2009	Dec. 31, 2010
Non-current assets	1,177	1,110
Inventories	561	632
Other current assets	2,089	2,380
Cash and cash equivalents	767	973
	4,594	5,095
Equity and liabilities	Dec. 31, 2009	Dec. 31, 2010
Equity	2,636	2,920
Non-current provisions	359	326
Non-current liabilities	173	168
Current provisions	391	486
Current liabilities	1,035	1,195
	4,594	5,095

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

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



see

Chart 36

³⁶ Financing Structure (in %)



█ Equity █ Non-current liabilities █ Current liabilities

Financial Position – Group

³⁷ Cash Flow Statement – Group (in € million)

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

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

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

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

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

Financing and Liquidity Provision

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

The Group's Economic Situation – Summary

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

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

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

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

Judgments by Management

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

Research and Development



Beiersdorf.com/
Research



see
Chart 38

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

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

Consumer

Focus on Skin as Core Area

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

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

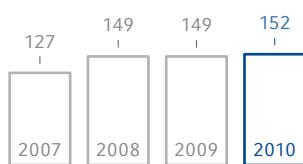
Beiersdorf also produced groundbreaking research results in the relatively new field of chronobiology. Our researchers were the first to show that gene expression in skin cells is driven by a day-night cycle. Our work on deodorants also received international recognition. The findings relating to the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

Unlocking the Secrets of Aging Together

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

³⁸ R&D Expenses (in € million)

(R&D = Research & Development)



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

Successful Search for "Pearls"

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



[http://pearlfinder.
Beiersdorf.com](http://pearlfinder.Beiersdorf.com)

Wide Range of New Products

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

- **Eucerin Aquaporin Active** was developed to offer optimum skin hydration. Inspired by a Nobel Prize-winning discovery, Eucerin's skin researchers succeeded in activating the skin's own moisturizing network. The product's innovative formula featuring nature-identical gluco-glycerol optimally hydrates even the skin's deeper epidermal skin layers, making the skin look fresher, smoother, and better. Gluco-glycerol contains a glycerol derivative that can stimulate the formation of new aquaporins. These natural channels increase water exchange through the skin cell membranes and hence substantially improve the transportation of moisture. The American scientist Peter Agre was awarded the Nobel Prize in 2003 for his discovery of aquaporins.
- **NIVEA FOR MEN Arctic Freeze** consists of three fast-absorbing face care products under the name "Cool Kick" that leave behind a long-lasting feeling of freshness after shaving. They contain a new cooling technology that has been enhanced at Beiersdorf's research laboratories together with cooperation partners over the past two years. Innovative ingredients activate the receptors (thermosensors) in the skin responsible for registering cold. The result is that the skin feels pleasantly cool after shaving.
- **NIVEA FOR MEN DNAge Lift** was developed as a face care product for the more mature man. The gel cream with its light texture contains creatine, which strengthens the skin's collagen structures, as well guarana extract. This combination of ingredients firms facial contours and gives the skin a fresh and healthy look.
- **NIVEA Deodorant Pure & Natural Action** is a deodorant with bioflorine, an innovative nature-identical antibacterial ingredient that fights bacteria effectively. It offers 100%, 24-hour protection and does not contain aluminum salts or preservatives. NIVEA Deodorant Pure & Natural Action allows the skin to breathe freely, as its mild but very effective formula does not clog the skin's pores or leave any residue. This reliable protection against body odor is available in a lotus fragrance and a jasmine fragrance version.
- **NIVEA Silver Protect Deo-Shower** guarantees extra long-lasting freshness thanks to an enhancement of the silver technology already used in deodorants for shower products. Its modern, masculine scent and pleasant foam makes NIVEA Silver Protect Deo-Shower an ideal shower gel for men.

- **NIVEA Hair Care Anti-Dandruff Shampoos** effectively combat dandruff right from the first wash, providing a pampering solution to users' individual needs. All six shampoos contain the innovative, patent-pending Liquid Clear System. The combination of active ingredients piroctone olamine and climbazole very effectively combats the malassezia yeast, the most common cause of dandruff, while polidocanol stops itching. NIVEA Liquid Clear System's completely soluble ingredients quickly find their way to the dandruff without leaving any unpleasant residues.

The La Prairie Group's development center in Zurich (Switzerland) also created a large number of product innovations in 2010 for our exclusive La Prairie and SBT Skin Biology Therapy brands. The most important product launches included the La Prairie White Caviar Illuminating Système series and the SBT Age Care Firming Cream.

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

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

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

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

tesa

Solvent-free Adhesives

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

Special Products for Maximum Precision

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

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

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

Sustainability

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



Sustainability.
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Consumer

New Business Unit to Manage All Activities

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

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



Sustainability.
Beiersdorf.com/
Environmental_
Protection

Successful Environmental Protection and Occupational Safety

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

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

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

Fewer Product Variants and Less Packaging

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

Risk Protection Improved

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

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

Helping People to Help Themselves

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

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

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



tesa

Significant Progress in Environmental Protection

We continued to make substantial progress in implementing our environmental program in fiscal year 2010. Since the beginning of 2007, for example, we have reduced VOC (volatile organic compound) emissions materially. To save even more energy, we installed a new and highly efficient ventilation system in the building in Hamburg that houses our central research and development department. The new system is supported by the city of Hamburg as part of its eco-partnership and will allow us to clearly reduce CO₂ emissions.

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

In-depth Corporate Citizenship Activities

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

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



[tesa.com/](http://www.tesa.com/)
Responsibility

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

Employees

High Employment Level

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



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Chart 39

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Chart 40

Consumer

Effective Implementation of New Structure

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

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

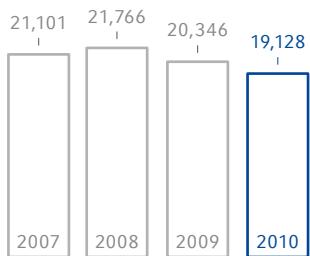
In addition to the reorganization of Beiersdorf's Consumer business, two other human resources issues took center stage in 2010: the optimization of performance-based pay and the development of junior staff.

Remuneration Linked More Strongly to Performance

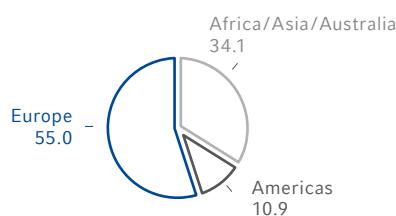
Ensuring employees receive fair remuneration that encourages performance and enabling them to share in the Company's success are key components of Beiersdorf's human resources policy, as they play a major part in improving commitment and motivation. As part of the implementation of the enhanced Consumer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

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

³⁹ Group Employees
as of Dec. 31



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



Diversity – The Secret to Global Success

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

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

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

Targeting Graduate Trainees

Having well-trained and motivated young staff is also essential to a company's long-term success. Moreover, as Beiersdorf is aware of its social responsibility, we again trained more young people in 2010 than we actually needed. As of December 31, 2010, Beiersdorf employed a total of 519 vocational trainees worldwide.

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

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

Knowledge – the Key to Competitiveness

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

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

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

Leadership Training

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

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

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

tesa

Rapid Capacity Adjustment

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

Qualifications are Extremely Important

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

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

A Word of Thanks to Our Employees.

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

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

Risk Report

Integrated Risk and Opportunity Management

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

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

Accounting-related Internal Control System

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

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

Independent Monitoring

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

Our Risk Profile

Strategic and Sector-specific Risks

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

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

Strong brands that balance innovation and continuity are our response to fierce global competition on price, quality, and innovation. By developing and implementing the "Consumer Insights" process, we have laid the groundwork for identifying consumer wishes even faster and reflecting them in the products we develop. This also counteracts the growing retail concentration and the regional emergence of private label products.

Expertise-based brands require a high degree of upfront investment in innovation and marketing. The continuous expansion of our trademark and patent portfolio therefore plays a key role. In particular, the systematic registration and enforcement of our intellectual property rights prevents imitations and counterfeiting of our products, and thus helps safeguard and further increase the earnings potential previously created.

Supply Chain and IT Risks

We counter the risk of bad debts through detailed monitoring of our customer relationships, active receivables management, and the selective use of trade credit insurance.

We counter procurement risks relating to the availability and price of raw materials, merchandise, and services by continuously monitoring our markets and suppliers and ensuring active management of our supplier portfolio, as well as appropriate contract management. Procurement strategies are reviewed regularly and adjusted to reflect internal and external requirements.

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

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

Financial Risks

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

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

Potential default risks relating to the investment of the Group's liquid funds are limited by only making short-term and mid-term investments with prime-rated counterparties. Counterparty risk is monitored on the basis of credit ratings and the counterparties' liable capital as well as our own risk-bearing capacity. In addition, we monitor counterparties' relative credit ratings using methods that provide up-to-the-minute assessments of market participants. These parameters are used to determine maximum amounts for investments with each partner bank (counterparty limits), which are compared regularly with the investments actually made across the Group. Given the developments in the capital markets, we have invested more than half of our liquidity in low-risk liquid investments (such as government and corporate bonds).

We use liquidity concentration methods and tools at our affiliates in order to optimally manage our investments. Appropriate systems ensure we have transparency concerning our affiliates' remaining funds. Positive balances are registered with central counterparty risk management.

Our financial risk management is characterized by the clear allocation of responsibilities, central rules for limiting financial risks as a matter of principle, and the conscious alignment of the instruments deployed with the requirements of our business activities.

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

Summary of the Group's Risk Situation

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



see
page 127ff.

Report by the Executive Board on Dealings Among Group Companies

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

Report on Post-Balance Sheet Date Events

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

Disclosures Required by Takeover Law

The disclosures required under § 315 (4) *Handelsgesetzbuch* (German Commercial Code, *HGB*) are presented below.

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

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

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

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

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);
2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, preemptive rights to new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);
3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. In the context of the restriction of this authorization to a total of 10% of the share capital, those shares must be included for which the preemptive rights of shareholders have been disapplied as of April 29, 2010 in accordance with § 186 (3) sentence 4 *AktG* when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);
4. in the case of capital increases against non-cash contributions, for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

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

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

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

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

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

The Annual General Meeting on April 29, 2010 also authorized the Company in accordance with § 71 (1) no. 8 *AktG* to purchase own shares in the total amount of up to 10% of the existing share capital in the period up to April 28, 2015. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders. The Annual General Meeting authorized the Executive Board, with the approval of the Supervisory Board, to sell in whole or in part the own

shares purchased on the basis of the above-mentioned or a prior authorization while disapplying the shareholders' preemptive rights, including in a way other than via the stock exchange or via a purchase offer to all shareholders, to the extent that these shares are sold for cash at a price that does not fall materially below the market price of the same class of shares of the Company at the time of the sale. The Executive Board was also authorized, with the approval of the Supervisory Board, to utilize the above-mentioned own shares in whole or in part as consideration or partial consideration in the context of a merger or the acquisition of companies, equity interests in companies (including increases in equity interests), or business units of companies, while disapplying the preemptive rights of shareholders. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to utilize these own shares in whole or in part, while disapplying the preemptive rights of shareholders, in order to satisfy the subscription and/or conversion rights from convertible bonds and/or bonds with warrants issued by the Company or companies in which it holds a direct or indirect majority interest. Finally, the Executive Board was authorized, with the approval of the Supervisory Board, to retire the above-mentioned own shares without requiring an additional resolution by the Annual General Meeting.

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

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

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

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

Report on Expected Developments

Expected Macroeconomic Developments

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

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

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

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

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

Sector Developments

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

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

Our Market Opportunities

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

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

Business Developments

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

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

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

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

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

Hamburg, February 8, 2011

Beiersdorf AG

The Executive Board