

## Beiersdorf's Brands

Every day, millions of consumers trust Beiersdorf's innovative, high-quality skin and body care products. Our successful international brand portfolio is tailored to meet the individual needs and wishes of consumers, as well as regional requirements. The ongoing development of our strong brands is the basis for this closeness to consumers and markets, and hence for Beiersdorf's success.

tesa provides innovative self-adhesive products and system solutions. The manufacturer is a global market leader in a large number of application areas thanks to its many years of experience in coating technology and developing adhesive masses.

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### Our Brand Portfolio



## Business and Strategy

Beiersdorf is a global leader in the consumer goods industry with over 16,500 employees in more than 150 affiliates worldwide. We have two separate business segments.

The Consumer Business Segment, whose strong brands focus on the international skin and body care markets, is our main business.

The tesa Business Segment is a pioneering manufacturer of self-adhesive products and solutions for industry, craft businesses, and consumers.

### Consumer Business Segment

#### BLUE AGENDA - THE STRATEGIC COMPASS

Beiersdorf will be the number 1 Skin Care company in its relevant categories and markets. Its Blue Agenda, which clearly defines the company's objectives and how to implement them, was developed in 2012 to achieve this goal. The Blue Agenda focuses on five main areas:

- Strengthening our brands – first and foremost NIVEA
- Increasing our innovative power
- Systematically expanding our impact and presence in the emerging markets as well as strengthening our home markets in Europe
- Increasing efficiency and speed
- Dedicated employees.

Completing the Blue Agenda is expected to take three to five years. Beiersdorf made substantial progress towards this objective in 2013. The results for the past year reflect this success, with sales and earnings both rising significantly. Our market share has increased and our brand presence has been strengthened in many countries – both in the emerging markets and in Europe. Our positive performance in our German home market is particularly noteworthy.

#### NEW BRAND AND CORPORATE IMAGE

Work on the gradual rollout of the new NIVEA logo and design, including the re-design of the NIVEA Men product category, continued in the year under review. The plan is to complete the process by the end of 2014. The brand's core has been revitalized and brand recognition fundamentally improved. It is clearly differentiated from the competition and the NIVEA umbrella brand now has a uniform image.

Once the NIVEA brand logo had been changed, the corporate logo was also revised so as to create a uniform, eye-catching corporate image. In January 2014, Beiersdorf presented the new logo with its clean, clear design. Modifying the shade of blue to match that used by NIVEA has created a link between the company and its flagship brand. The logo symbolizes the company's focus on skin care and on the future. The lettering evokes the company's focus on quality and contemporary development, building a bridge between its tradition and its future.

#### INNOVATIVE POWER

In addition to continued developments and support for innovations such as NIVEA's Deodorant Invisible for Black & White, new product launches – including NIVEA Deodorant Stress Protect, NIVEA In-Shower Body Lotion, and NIVEA Cellular Anti-Age face care, and Eucerin's VOLUME-FILLER – made significant contributions to the positive trend in financial year 2013.

The reorganization of the Research and Development unit, a key focus of our strategic activities in the year under review, has been successfully completed. The new Research and Development model is no longer structured to reflect broad procedural stages but is aligned with our six core categories – Body, Face, Sun, Men, Deo, and Shower. This ensures that innovations are focused even more strongly on consumer expectations, allowing us to optimally leverage existing potential, increase our innovative power, and exploit our competitive advantages.

#### CLOSEST TO MARKETS

We continued to push forward with the expansion of our global development and production capacities in 2013. The regional development lab for the Latin American market was constructed in Silao, Mexico, and is scheduled to become fully operational in mid-2014 as well as the production facility. The development lab for the Far East region in Wuhan, China, was also expanded further. Our regional development activities aim to get closer to consumers in the emerging markets by local adaptations. In India Beiersdorf will invest more than €30 million in constructing a production facility that is scheduled to start operations in 2015 with around 300 employees. Beiersdorf intends to use local products to consolidate its position on the rapidly growing Indian market and to gain market share.

#### SPEED AND EFFICIENCY

Improving the company's efficiency and speed leads to a sustainable increase in its growth and earnings power. For example, concentrating the marketing budget on initiatives with a broad reach significantly improves the efficiency of our marketing spend without increasing costs. Beiersdorf works continually to make processes more efficient, speed up decisions, and optimize cost structures.

#### DEDICATED EMPLOYEES

Dedicated employees are a critical success factor when it comes to preserving long-term competitiveness and innovation in a globalized world. In line with our Blue Agenda, our corporate culture now concentrates more strongly on a clear focus, entrepreneurship, and a performance-driven approach. Attractive career development programs and locations, flexible working models, and a unique corporate culture are increasingly important means of attracting talent and reinforcing long-term ties with the company. Since Beiersdorf is a global company, diversity is a crucial competitive factor. Among other things, we are working hard to provide support for women in the form of mentoring and networking programs and to offer flexible working conditions for mothers and fathers. In addition, Beiersdorf is focusing on ensuring a more internationalized workforce.

#### tesa Business Segment

##### INNOVATIVE PRODUCT SOLUTIONS

The tesa Business Segment is an independent part of the Beiersdorf Group that develops, produces, and markets self-adhesive products and system solutions for industry, craft businesses, and consumers. Consistently high quality, extremely innovative thinking, and the use of state-of-the-art technology are core elements of its brand philosophy and strategy.

tesa focuses primarily on developing effective solutions and high-quality products for a wide cross-section of customer groups. In its industrial business, tesa primarily provides system solutions for companies in the automotive, electronics, printing and paper, and construction industries. In the electrical industry, tesa adhesive systems are used in particular in mobile devices such as smartphones, tablet PCs, and MP3 players.

tesa Labtec GmbH specializes in the forward-looking Pharma business area. The affiliate develops and produces transdermal systems, also called pharmaceutical plasters, for the pharmaceutical industry. It also focuses on medicated oral films that dissolve in the mouth without the need for additional fluids.

tesa offers specialist dealers a constantly expanding product range that is continuously optimized and adapted to meet the changing needs of customers in crafts businesses, such as building.

The tesa umbrella brand provides consumers in Europe and Latin America with a comprehensive range of innovative products for use in the home, office, and garden. In addition to the classic tesafilm adhesive tape, these include innovative solutions for insulation, painting and masking, repairing, packaging, and mounting, as well as household insect protection products.

In the Craftsmen business area, tesa focuses on customized ranges and marketing concepts for professional craftsmen, such as painters and varnishers.

tesa's international industrial business is concentrating on expanding its global structures, so as to offer customers everywhere optimum solutions and first-rate service. tesa is systematically expanding its business in the markets of Europe and Latin America so as to be able to offer distribution partners a range of products tailored to their needs.

Highly qualified employees and ongoing business process optimization enable tesa to respond quickly and flexibly to market changes, to design new solutions to problems, and develop needs-based products. Knowledge of production processes, the analysis of current industry trends, and its wide range of high-quality, market-driven products offer tesa competitive advantages, ensuring its success.

## Management and Control

The Executive Board manages the company and is dedicated to sustainably increasing its value. In addition to the functional areas of responsibility within the Executive Board – Finance, Human Resources, and Supply Chain, and Consumer Brands, Pharmacy, and R&D – there are regional areas of responsibility. This regional allocation of responsibilities is a key factor in ensuring the Executive Board is closely involved in the company's operational business. The Chairman of the Executive Board is responsible at an overarching level for corporate development, corporate communications, the internal audit function, and sustainability. The tesa Business Segment is managed as an independent subgroup.

Information on the remuneration of the Executive Board and the Supervisory Board as well as on incentive and bonus systems is provided in the Remuneration Report, which forms part of the Group Management Report. The Corporate Governance Statement in accordance with § 289a *Handelsgesetzbuch* (German Commercial Code, *HGB*) has been made publicly available on the company's website at [WWW.BEIERSDORF.COM/CORPORATE\\_GOVERNANCE\\_STATEMENT](http://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 *Aktengesetz* (German Stock Corporation Act, *AktG*) is also provided in the Corporate Governance Report.

## Value Management and Performance Management System

The goal of Beiersdorf's business activities is to sustainably increase the company's market share by achieving qualitative growth and at the same time to expand its earnings base. The long-term key performance indicators – sales growth in conjunction with market share, EBIT, and the EBIT margin (the ratio of EBIT to sales) – are derived from this. The goal is to generate internationally competitive returns through systematic cost management and the highly efficient use of resources.

The company has created an efficient management system in order to meet these strategic goals. Corporate management derives the business performance targets for the individual units in the Group for the coming year from the Group's strategic business goals. This planning covers all segments and affiliates. Generally, the Executive Board and Supervisory Board formally adopt the Group's planning for the following year in the fall.

Actual key performance indicators are compared with target values and with the current forecast for the year as a whole at regular intervals during the fiscal year. These comparisons are used to manage the business 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 sales growth, the operating result (EBIT), and the EBIT margin.

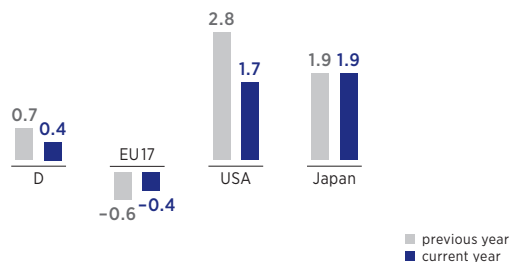
## Economic Environment

### General Economic Situation

Global growth was positive in 2013, though it remained down on the previous year. While parts of the eurozone moved out of recession, growth in emerging markets and developing countries was somewhat more modest than in previous years.

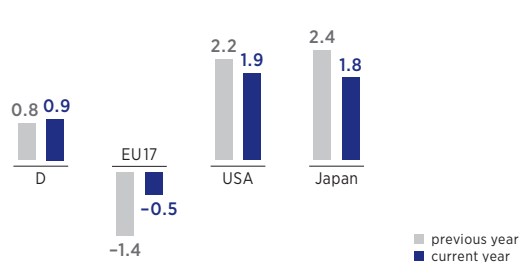
### GROSS DOMESTIC PRODUCT (IN %)\*

Change versus previous year



### CONSUMER SPENDING (IN %)\*

Change versus previous year



\* Commerzbank Research

The economy in **Europe** contracted slightly in 2013. The banking crisis in Cyprus caused uncertainty at the beginning of the year. The eurozone showed positive economic growth starting in the second quarter, driven by increased exports, consumer spending, and capital expenditure. However, these favorable trends were mitigated by structural adjustments and public sector budget consolidation in many countries – measures that began during the euro and sovereign debt crisis. As a result, the economies in Southern Europe continued to decline year-on-year, though more slowly than before. Assessments of the economic situation by industry, retailers, and service providers increasingly improved over the course of the year.

The **German** economy has recovered, recording the strongest growth within the eurozone. This trend was primarily the result of initial increases in capital spending and foreign demand flanked by the expansionary monetary policy and low interest rates.

The economy in the **United States** grew only slightly in 2013. Growth was driven mainly by consumer spending, which rose as a result of the positive labor market trend. Public spending cuts and the budget dispute in the fall depressed growth.

In **Japan**, a change in monetary policy led to growth in particular in the first half of 2013. The weak yen also fueled rising exports, and thus positive economic development. The growing budget deficit had a negative impact.

Growth in **China** declined again slightly in 2013 versus the previous year. The decrease was due to weaker demand for Chinese products abroad and uncertainty relating to the Chinese central bank's tighter monetary policy.

The situation in the **other emerging markets** was mixed. Growth was flat compared with the previous year in India and declined in most of the remaining emerging markets in Southeast Asia. Brazil saw muted growth in 2013. Although investments in connection with the soccer World Cup lent strong positive momentum, unemployment rose and the rise in consumer spending slowed. Growth in Russia was also weak, as consumer spending in particular – which has been strong in recent years – eased.

## Sales Market Trends

The growth rate in the cosmetics market relevant for Beiersdorf was up slightly on the prior year in 2013 at a global level. The Asia, Middle East, and Latin America regions were the main growth drivers. However, growth in the Latin American markets was down significantly on the prior-year figure. The saturated markets in Western Europe and North America saw only slight growth year-on-year. The effects of the weak economy and the associated poor consumer sentiment were felt in the Southern European markets in particular.

Global industrial sales markets grew in 2013. China remained the growth driver, seeing a consistent increase in industrial production. Europe was dominated by what was still a relatively weak first half of the year, but has seen clear momentum since mid-year. The same applies to the Southern European countries that were particularly hard-hit by the euro and sovereign debt crisis. North and Latin America recorded robust growth in the industrial sales markets.

## Procurement Market Trends

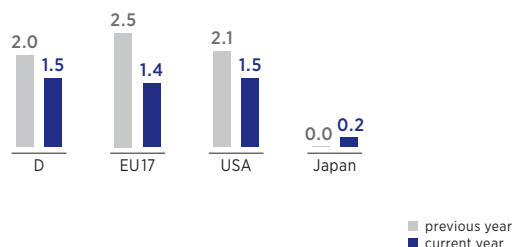
In 2013, global procurement markets were impacted by the euro and sovereign debt crisis as well as by the weakened global economy, which affected the United States and China in particular. The price of oil was relatively stable in 2013, but remained at the high level of USD 105 per barrel. This was due in part to the continued unstable political situation in the Near and Middle East. Increases in raw materials prices were more moderate than expected in 2013 despite highly volatile availability and price trends on the markets for specific raw materials that are used in a large number of our products. We continued to ensure raw materials security at our production facilities in 2013 by engaging in forward-looking primary materials management and by establishing additional alternative sources of supply.

## The Economic Situation – Summary

In the Consumer Business Segment, the strong growth rates recorded by the cosmetics markets in Asia and Latin America in particular contributed to the healthy overall performance. Sales in the saturated cosmetics markets of Germany and parts of Western Europe also recorded encouraging growth. The tesa Business Segment once again lifted sales both in the industrial markets and in the consumer business.

### INFLATION RATE (IN %)\*

Change versus previous year



\* Commerzbank Research

## Results of Operations, Net Assets, and Financial Position

### Results of Operations – Group

#### INCOME STATEMENT (IN € MILLION)

	2012	2013	% change
<b>Sales</b>	<b>6,040</b>	<b>6,141</b>	<b>1.7</b>
Cost of goods sold	-2,217	-2,255	1.7
<b>Gross profit</b>	<b>3,823</b>	<b>3,886</b>	<b>1.7</b>
Marketing and selling expenses	-2,539	-2,605	2.6
Research and development expenses	-159	-154	-3.3
General and administrative expenses	-311	-312	0.3
Other operating result (excluding special factors)	-79	-1	-
<b>Operating result (EBIT, excluding special factors)</b>	<b>735</b>	<b>814</b>	<b>10.7</b>
Special factors	-37	6	-
<b>Operating result (EBIT)</b>	<b>698</b>	<b>820</b>	<b>17.4</b>
Financial result*	15	-5	-
<b>Profit before tax*</b>	<b>713</b>	<b>815</b>	<b>15.0</b>
Income taxes*	-259	-272	5.4
<b>Profit after tax*</b>	<b>454</b>	<b>543</b>	<b>20.5</b>

Percentage changes are calculated based on thousands of euros.

\* The prior-year figures have been adjusted due to the retrospective application of IAS 19 (2011).

See the disclosures in the section entitled "Changes in Accounting Policies" of the notes to the consolidated financial statements.

#### SALES

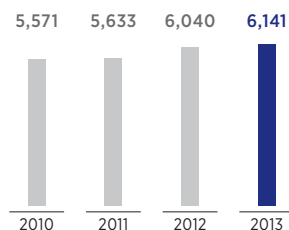
Organic Group sales in 2013 were up 7.2% on the prior-year figure. The Consumer Business Segment grew by 7.0%, while tesa generated a sales increase of 8.5%. Nominal Group sales rose by 1.7% as against the previous year, to €6,141 million (previous year: €6,040 million).

In **Europe**, organic sales were up 1.1% on the prior year. Nominal sales amounted to €3,390 million (previous year: €3,417 million\*\*), 0.8% lower than the prior-year figure.

In the **Americas** region, organic sales in Latin America again achieved double-digit growth rates. Overall, organic growth in the Americas amounted to 9.0%. Nominal sales decreased by 4.9% to €1,092 million (previous year: €1,149 million).

The **Africa/Asia/Australia** region reported organic growth of 19.8%. In nominal terms, growth of 12.5% to €1,659 million was achieved (previous year: €1,474 million\*\*).

#### GROUP SALES (IN € MILLION)



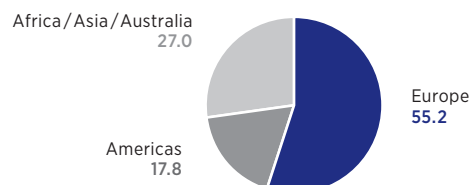
#### EXPENSES/OTHER OPERATING RESULT

Cost of goods sold rose by 1.7%, and hence in proportion to sales. Marketing and selling expenses rose disproportionately to sales, to €2,605 million (previous year: €2,539 million). Spending on advertising, trade marketing, and similar items contained in this heading amounted to €1,495 million (previous year: €1,460 million). Research and development expenses amounted to €154 million, down 3.3% on the previous year (€159 million). General and administrative expenses rose to €312 million (previous year: €311 million). The other operating result (excluding special factors) amounted to €-1 million (previous year: €-79 million).

#### OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

The Beiersdorf Group's results of operations are determined on the basis of the operating result (EBIT) excluding special factors. This figure is not part of IFRSs and should be treated merely as voluntary additional information. The special factors listed are one-time, non-operating transactions.

#### GROUP SALES BY REGION (IN %)



\*\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

EBIT excluding special factors rose to €814 million (previous year: €735 million), while the EBIT margin was 13.2% (previous year: 12.2%). In the Consumer Business Segment, EBIT excluding special factors amounted to €638 million (previous year: €606 million), while the EBIT margin was 12.5% (previous year: 12.0%). EBIT in the tesa Business Segment rose from €129 million in 2012 to €176 million in the past fiscal year; the EBIT margin was 16.9% (previous year: 13.0%).

The Group operating result before special factors in **Europe** was €542 million (previous year: €562 million\*\*). The EBIT margin was 16.0% (previous year: 16.5%\*\*). The operating result before special factors in the **Americas** was €82 million (previous year: €78 million), while the EBIT margin was 7.5% (previous year: 6.8%).

In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €190 million (previous year: €95 million\*\*). The EBIT margin was 11.5% (previous year: 6.4%\*\*).

### SPECIAL FACTORS

Special factors of €6 million (previous year: €-37 million) related to both business segments in 2013. In the Consumer Business Segment, expenses of €12 million were incurred as part of the realignment of corporate structures and pro-

cesses, mainly resulting from the reorganization of the business in China. In the tesa Business Segment, income of €18 million was generated in 2013 in connection with the closure of a production facility in Singapore. Special factors in the previous year related exclusively to the Consumer Business Segment and consisted of expenses incurred in the course of the realignment of corporate structures and processes (€24 million), an expense resulting from the acquisition in full of our Turkish affiliate (€6 million), and an impairment loss on the Chinese hair care brands (€7 million).

### OPERATING RESULT (EBIT)

EBIT rose to €820 million (previous year: €698 million). This corresponds to an EBIT margin of 13.4% (previous year: 11.6%).

### FINANCIAL RESULT

The financial result amounted to €-5 million (previous year: €15 million\*). The main reasons for the change were declining interest income, higher interest expenses for pension provisions, and lower net income from investments.

### INCOME TAXES

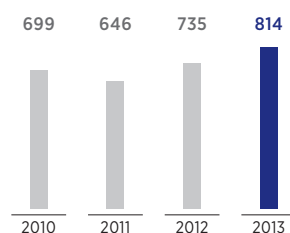
Income taxes amounted to €272 million (previous year: €259 million\*). The tax rate was 33.4% (previous year: 36.4%\*).

### RECONCILIATION TO EBIT EXCLUDING SPECIAL FACTORS

	in € million	in % of sales
<b>Group</b>		
Operating result (EBIT) for 2013	820	13.4
<i>Special factors included in the other operating result</i>	6	-
Operating result (EBIT, excluding special factors) for 2013	814	13.2
Operating result (EBIT, excluding special factors) for 2012	735	12.2
<b>Consumer</b>		
Operating result (EBIT) for 2013	626	12.3
<i>Special factors included in the other operating result</i>	-12	-
Operating result (EBIT, excluding special factors) for 2013	638	12.5
Operating result (EBIT, excluding special factors) for 2012	606	12.0
<b>tesa</b>		
Operating result (EBIT) for 2013	194	18.7
<i>Special factors included in the other operating result</i>	18	-
Operating result (EBIT, excluding special factors) for 2013	176	16.9
Operating result (EBIT, excluding special factors) for 2012	129	13.0

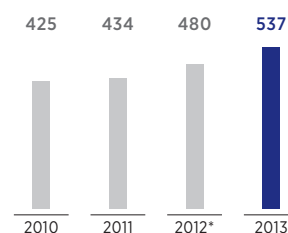
### GROUP EBIT (IN € MILLION)

Excluding special factors



### GROUP PROFIT AFTER TAX (IN € MILLION)

Excluding special factors



\* The prior-year figures have been adjusted due to the retrospective application of IAS 19 (2011).

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\*\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

## PROFIT AFTER TAX

Profit after tax increased to €543 million (previous year: €454 million\*); the return on sales after tax was 8.8% (previous year: 7.5%). Excluding special factors, profit after tax amounted to €537 million (previous year: €480 million\*). The corresponding return on sales after tax was 8.7% (previous year: 8.0%).

## EARNINGS PER SHARE – DIVIDENDS

Earnings per share amounted to €2.35 (previous year: €1.96\*). Excluding special factors, earnings per share amounted to €2.33 (previous year: €2.08\*). These figures were calculated on the basis of the weighted number of shares carrying dividend rights (226,818,984). The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par-value share carrying dividend rights to the Annual General Meeting (previous year: €0.70). For further information on the number, type, and notional value of the shares, please refer to the section 18 “Share Capital” in the notes to the consolidated financial statements.

## Results of Operations – Business Segments

### CONSUMER

#### SALES – CONSUMER BUSINESS SEGMENT

		Europe	Americas	Africa / Asia / Australia	Total
Sales 2013	(in € million)	2,787	950	1,366	5,103
Sales 2012**	(in € million)	2,807	1,012	1,229	5,048
Change (organic)	(in %)	0.9	9.0	19.0	7.0
Change (nominal)	(in %)	-0.7	-6.1	11.1	1.1

Sales by the **Consumer** Business Segment grew organically by 7.0% in 2013. The strong euro led to a reduction of 6.1 percentage points in this figure as a result of negative effects from currency translation. Structural changes, which were primarily the result of the acquisition of the Turkish affiliate in the previous year, boosted growth by 0.2 percentage points. In nominal terms, sales therefore increased by 1.1% to €5,103 million (previous year: €5,048 million).

The healthy organic sales trend is proof of the systematic implementation of our corporate strategy as manifested in our internal Blue Agenda program. We increased our market share in both the saturated markets of Europe and the emerging markets and achieved double-digit growth rates in some cases, thanks to strong innovations and outstanding marketing concepts. Our three core brands – NIVEA, Eucerin, and La Prairie – achieved very encouraging growth rates.

**NIVEA** achieved organic growth of 7.5% worldwide in 2013. The key growth drivers were NIVEA Deo, NIVEA Body, and NIVEA Sun. In the NIVEA Deo category, the launch of Stress Protect was particularly successful. This category was also boosted by strong growth in the emerging markets. Growth by NIVEA Body

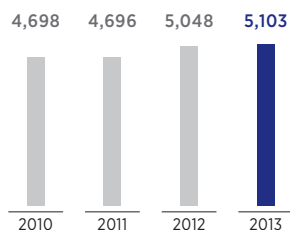
came from the successful launch of In-Shower as well as the complete category relaunch. The launch of Protect & Refresh Spray was a significant growth driver for NIVEA Sun. NIVEA Face also contributed to NIVEA's growth, with the launch of Cellular Anti-Age.

Our **Eucerin** brand generated strong organic growth of 11.5%, thanks in particular to the launch of Eucerin VOLUME FILLER and the development of Eucerin Even Skin. Sales growth in the USA, Latin America, and Scandinavia was particularly strong.

In the exclusive cosmetics segment, our **La Prairie** brand recorded an organic increase in sales of 7.5%. The Caviar Collection, with its strong core product portfolio and the launches of Skin Caviar Luxe Sleep Mask and Skin Caviar Luxe Soufflé Body Cream made a particular contribution to this growth. The White Caviar Collection was another key growth driver, with four new products. Sales growth in China and Russia was particularly strong.

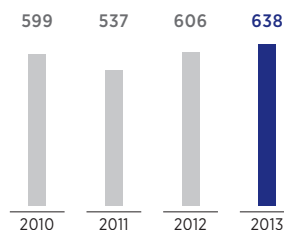
EBIT was €638 million (previous year: €606 million), while the EBIT margin rose to 12.5% (previous year: 12.0%).

#### CONSUMER SALES (IN € MILLION)



#### CONSUMER EBIT (IN € MILLION)

Excluding special factors



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\*\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

## EUROPE

### CONSUMER SALES IN EUROPE

		Western Europe	Eastern Europe	Total
Sales 2013	(in € million)	2,196	591	2,787
Sales 2012*	(in € million)	2,196	611	2,807
Change (organic)	(in %)	1.2	-0.4	0.9
Change (nominal)	(in %)	0.0	-3.3	-0.7

\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

Organic sales in **Europe** were up 0.9% on the previous year. In nominal terms, sales declined by 0.7% to €2,787 million (previous year: €2,807 million).

Sales in **Western Europe** rose 1.2% on the prior year. Significant sales growth was achieved in the United Kingdom and Spain in particular. Sales also performed well in Germany. This was primarily due to successful innovations. The markets of Southern Europe saw the first signs of a slight economic recovery.

Encouraging sales growth was seen for NIVEA Body and NIVEA Sun, while Eucerin recorded strong growth.

Sales in **Eastern Europe** declined by 0.4%. Sales in Poland were on a level with the previous year, while Russia failed to match the prior-year sales figure due to the overall market downturn. However, we did further expand our market position in Russia. Eucerin saw extremely strong growth in the region.

## AMERICAS

### CONSUMER SALES IN THE AMERICAS

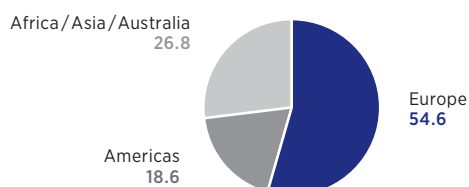
		North America	Latin America	Total
Sales 2013	(in € million)	334	616	950
Sales 2012	(in € million)	331	681	1,012
Change (organic)	(in %)	4.6	11.4	9.0
Change (nominal)	(in %)	1.1	-9.6	-6.1

Organic sales in the **Americas** region rose by 9.0%. At €950 million, nominal sales were down 6.1% on the previous year (€1,012 million), largely due to exchange rate changes for the Brazilian real, the Argentinean peso, and the Venezuelan bolivar.

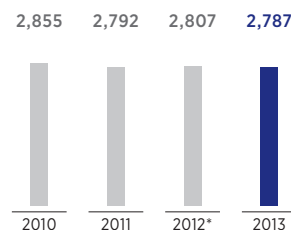
Sales in **North America** were up 4.6% on the previous year. NIVEA Shower performed well, while Eucerin saw extremely strong growth.

**Latin America** saw sales growth of 11.4%, driven by excellent growth rates in Brazil and strong increases in most other key markets. NIVEA Deo, NIVEA Body, and NIVEA Sun in particular performed extremely well across all markets. Eucerin also saw very strong growth.

### CONSUMER SALES BY REGION (IN %)



### CONSUMER SALES IN EUROPE (IN € MILLION)



\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.



## AFRICA/ASIA/AUSTRALIA

## CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA

		Total
Sales 2013	(in € million)	1,366
Sales 2012*	(in € million)	1,229
Change (organic)	(in %)	19.0
Change (nominal)	(in %)	11.1

\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

The **Africa/Asia/Australia** region recorded a 19.0% increase in organic sales. The nominal increase was 11.1%, largely due to exchange rate changes of the Japanese yen and the Indian rupee. Sales amounted to €1,366 million (previous year: €1,229 million).

resulted particularly from the successful relaunch of our Chinese hair care brands, SLEK and Maestro, and NIVEA's strong performance. In particular, sales of NIVEA Deo and NIVEA Body increased across all markets. Eucerin also saw extremely good growth.

China, India, and Japan turned in very good performances, and most other key markets also generated good or extremely good growth rates. Growth in China

## tesa

## SALES – tesa BUSINESS SEGMENT

		Europe	Americas	Africa/Asia/Australia	Total
Sales 2013	(in € million)	603	142	293	1,038
Sales 2012	(in € million)	610	137	245	992
Change (organic)	(in %)	2.1	9.0	23.8	8.5
Change (nominal)	(in %)	-1.1	3.8	19.4	4.7

Organic sales by the **tesa** Business Segment were up 8.5% on the previous year. Exchange rate effects depressed this figure by 2.3 percentage points. Structural changes resulting from the sale of tesa Bandfix AG in the previous year reduced growth by 1.5 percentage points. In nominal terms, sales therefore rose by 4.7% to €1,038 million (previous year: €992 million). EBIT increased to €176 million (previous year: €129 million). The EBIT margin was 16.9% (previous year: 13.0%).

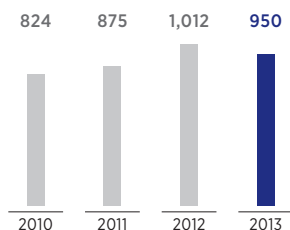
## tesa INDUSTRIAL BUSINESS

The industrial business again performed very well, with organic sales growth of 11.0%. Both the direct customer business and the distribution business in all regions played a role in this. Business growth was particularly brisk in Asia and in

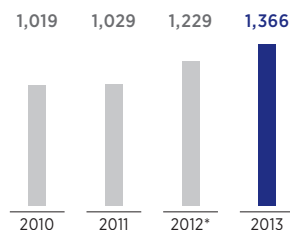
the USA, again driven by the electronics and automotive industries. In nominal terms, sales declined by 0.3% to €764 million (previous year: €766 million) due to a business area being transferred to the consumer business. As a result, the share of the tesa Business Segment's total sales accounted for by the industrial business decreased to 73.6% (previous year: 76.6%).

In the electronics industry business, we built on last year's success with special foam tapes, which are used to secure smartphone displays. An additional focus was on optically clear films, which are used to assemble the various layers within the displays. We manufacture these sophisticated products in the clean room unit of our Hamburg factory. Other successful products in this segment include electrically conductive adhesive tapes, which are used to conduct away the

## CONSUMER SALES IN THE AMERICAS (IN € MILLION)



## CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA (IN € MILLION)



\* The prior-year figures have been adjusted due to the reclassification of the Turkish affiliate from Western Europe to A/A/A.

electric charge produced in these devices, as well as adhesive tapes for mounting and removing battery packs that can be removed without leaving a residue.

In the automotive area, the introduction of innovative security labels allowing individual vehicles to be reliably identified was successful. The new system is primarily geared towards the strict statutory requirements in China. Particularly flexible adhesive tapes with very high adhesive strength for mounting cables in vehicle headliners were also very well received. The new products simplify the production process by replacing the more laborious use of liquid hot-melt adhesives. Around the world, we launched new, solvent-free coated fabric tapes for bundling and mounting wire harnesses. These new products meet the increasing requirements of the automotive industry for environmentally sustainable materials.

With regard to products for the printing industry, sales of a new variety of special foam tapes for flexographic printing performed very well. These softprint products are used to secure the plates to the plate cylinder. Our innovation ensures the edges are secured particularly soundly, preventing the plates from coming loose at these critical points during printing.

In our new Pharma business area, we finished work on establishing the production infrastructure. We implemented a comprehensive quality management system that meets the demanding requirements of both the European Union and the FDA, the US regulatory authority. We began manufacturing and delivering the first marketable products on schedule in the second half of the fiscal year. At the same time, we expanded our portfolio of contract development projects for more well-known customers.

Our anti-counterfeiting and anti-tampering solutions business, which is bundled in the tesa scribos business area, again performed well. PrioSpot® brought us additional customers from the consumer goods and technology industries.

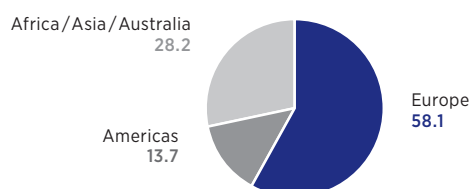
The Building Supply business area again saw considerable growth in products based on our new, patented ACX technology. The focus is on high-performance, weather-resistant, and particularly durable bonding solutions that can be used by the building and construction industry both indoors and outdoors.

## tesa CONSUMER BUSINESS

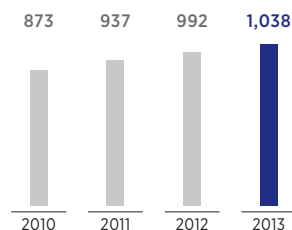
The consumer products and professional craftsmen businesses, which are focused on Europe and Latin America, performed positively. Organic sales grew by 1.0%. Nominal sales rose by 31.2%, from €189 million in the previous year to €248 million, due to the transfer of a business area from the industrial business. The consumer business contributed 23.9% (previous year: 18.9%) of total sales by the tesa Business Segment in the period under review.

We expanded our market share in the two strategic business areas that make up the consumer business – home improvement solutions and products for the office supplies and stationery sector – as well as in the Craftsmen business. Both product innovations and marketing activities, which are increasingly focusing on consumers in addition to specialist retailers, contributed to this. We recorded disproportionately strong growth in Eastern Europe and France.

## tesa SALES BY REGION (IN %)

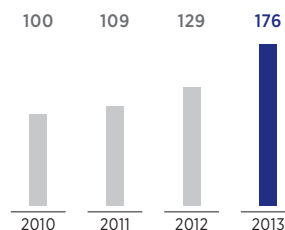


## tesa SALES (IN € MILLION)



## tesa EBIT (IN € MILLION)

Excluding special factors



## Net Assets – Group

### NET ASSETS (IN € MILLION)

Assets	Dec. 31, 2012	Dec. 31, 2013
Non-current assets*	1,717	1,900
Inventories	734	733
Other current assets*	2,311	2,181
Cash and cash equivalents	834	984
	<b>5,596</b>	<b>5,798</b>
Equity and liabilities	Dec. 31, 2012	Dec. 31, 2013
Equity*	3,143	3,405
Non-current provisions*	471	470
Non-current liabilities*	141	142
Current provisions	506	527
Current liabilities	1,335	1,254
	<b>5,596</b>	<b>5,798</b>

\* The prior-year figures have been adjusted due to the retrospective application of IAS 19 (2011).  
See the disclosures in the section entitled "Changes in Accounting Policies" of the notes to the consolidated financial statements.

Non-current assets increased by €183 million as against the prior-year figure to €1,900 million (previous year: €1,717 million). Long-term securities were reclassified due to shorter maturities and new purchases were made. Capital expenditure on property, plant, and equipment and intangible assets amounted to €227 million (previous year: €193 million). Of this amount, €147 million (previous year: €148 million) was attributable to the Consumer Business Segment and €80 million (previous year: €45 million) to the tesa Business Segment. The change is mainly attributable to investment in the Consumer Business Segment's new factory in Mexico and tesa's new headquarters near Hamburg. Depreciation, amortization, and impairment losses amounted to €106 million (previous year: €130 million). In addition, impairment losses of €15 million were recognized in the previous year on the goodwill of EBC (Turkey) and of €7 million on the Chinese hair care brands. At €733 million, inventories remained on a level with the previous year (€734 million). Other current assets decreased to €2,181 million (previous year: €2,311 million). This item includes short-term securities of €791 million (previous year: €926 million), which declined by €135 million as against the prior year. Trade receivables, which are also contained in the current assets item, rose by €38 million to €1,102 million (previous year: €1,064 million).

Cash and cash equivalents rose to €984 million (previous year: €834 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) increased to €2,529 million (previous year: €2,436 million). Current liabilities to banks rose by €19 million year-on-year and amounted to €40 million (previous year: €21 million).

At €612 million, total non-current provisions and liabilities were unchanged as against the prior-year figure (€612 million). Total current provisions and liabilities decreased by €60 million to €1,781 million (previous year: €1,841 million) as a result of a decline in trade payables due to operational factors. The equity ratio was 59% (previous year: 56%). The share of non-current liabilities amounted to 10% (previous year: 11%) and the share of current liabilities to 31% (previous year: 33%).

### FINANCING STRUCTURE (IN %)\*



\* The prior-year figures have been adjusted due to the retrospective application of IAS 19 (2011).  
See the disclosures in the section entitled "Changes in Accounting Policies" of the notes to the consolidated financial statements.

## Financial Position – Group

### CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2012	2013
Gross cash flow	545	648
Change in working capital	-25	-119
Net cash flow from operating activities	520	529
Net cash flow from investing activities	-382	-139
Free cash flow	138	390
Net cash flow from financing activities	-243	-195
Other changes	-2	-45
Net change in cash and cash equivalents	-107	150
<b>Cash and cash equivalents as of Jan. 1</b>	<b>941</b>	<b>834</b>
<b>Cash and cash equivalents as of Dec. 31</b>	<b>834</b>	<b>984</b>

Gross cash flow amounted to €648 million in the period under review, up €103 million on the prior-year value.

The change in working capital led to an outflow of €119 million (previous year: €25 million). This comprised the €53 million increase in receivables and other assets and the €67 million decrease in trade payables and current provisions. Inventories were on a level with the previous year.

The net cash outflow from investing activities amounted to €139 million in the period under review (previous year: €382 million). Net cash inflows of €37 million from securities, €37 million in interest and other financial income received, and proceeds of €14 million from the sale of property, plant, and equipment, and intangible assets were offset by capital expenditure of €227 million for property, plant, and equipment, and intangible assets.

Free cash flow was €390 million, up €252 million on the prior-year value (€138 million). The net cash outflow of €195 million from financing activities (previous year: €243 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financing expenses paid in the total amount of €53 million.

Cash and cash equivalents amounted to €984 million (previous year: €834 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.

### Overall Assessment of the Group's Economic Position

Business developments in 2013 show that Beiersdorf is on the right track. The **Group's** two business segments performed extremely well. Both the Consumer Business Segment and the tesa Business Segment recorded encouraging growth rates. Group sales amounted to €6,141 million (previous year: €6,040 million). Our organic sales were up 7.2% on 2012. Group EBIT increased to €820 million (previous year: €698 million). After adjustment for special factors, EBIT was €814 million (previous year: €735 million). Excluding special factors, the EBIT margin was 13.2% (previous year: 12.2%).

The **Consumer** Business Segment made successful progress thanks to the systematic implementation of the corporate strategy, which is based on our Blue Agenda. This strategic compass aims to make Beiersdorf more competitive and enhance its economic success. Its success can be seen particularly in the performance recorded by the emerging markets and the launch of new, high-selling products.

The **tesa** Business Segment once again lifted sales both in the industrial markets and in the consumer business.

### COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

		Forecast for 2013 in 2012 Annual Report	Forecast for 2013 in H1 2013 Report	Forecast for 2013 in 9M 2013 Report	Result in 2013
<b>Sales growth (organic)</b>					
Consumer	(in %)	above market	5–6	6–7	7.0
tesa	(in %)	slightly above market	4–5	6–7	8.5
Group	(in %)	above market	5–6	6–7	7.2
<b>EBIT margin (excluding special factors)</b>					
Consumer	(in %)	further increase	above 12	above 12	12.5
tesa	(in %)	slight improvement	approx. 14	approx. 16	16.9
Group	(in %)	further increase	12–13	approx. 13	13.2

The healthy sales growth of 7.0% in the **Consumer** Business Segment clearly exceeded the original forecast for fiscal year 2013. The expansion of our impact and presence in the emerging markets, where our progress was faster than expected, was a particular contributing factor. In addition, our expectations regarding the market success of our innovations in 2013 were exceeded. The operating result (EBIT, excluding special factors) and the EBIT margin both increased in fiscal year 2013, as forecast.

The **tesa** Business Segment again recorded a positive performance in the past fiscal year. With sales growth of 8.5%, tesa outperformed the forecasts, due in particular to the healthy trend in the automotive and electronics growth markets. Expectations for the operating result (EBIT, excluding special factors) and the EBIT margin were exceeded in fiscal year 2013.

### Judgments by Management

With the exception of the initial application of IAS 19 (2011), no accounting policies were applied and no 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, net assets, 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's expertise in the area of research and development has been driving the company's success for more than 130 years.

The Consumer Business Segment develops innovative products that are tailored to meet the individual wishes and needs of consumers worldwide. Beiersdorf products offer compelling quality, effectiveness, and excellent tolerability.

The tesa Business Segment develops and markets innovative, high-quality self-adhesive system and product solutions, making it a world leader in its field.

990 people were employed in the Research and Development area worldwide at the end of 2013 (previous year: 965), 554 (previous year: 528) of whom were in the Consumer Business Segment and 436 (previous year: 437) in the tesa Business Segment.

### Consumer

#### IN-DEPTH EXPERTISE IN SKIN CARE RESEARCH

Beiersdorf is known throughout the world for its leading-edge skin care expertise. Beiersdorf's scientists work continually to enhance their knowledge of the complex processes taking place in the skin. In addition, they make use of the latest scientific discoveries and also gain important new insights from collaborating with external partners. In the year under review, the Research and Development area focused on the complex processes involved in skin aging and on finding better approaches to this issue. How skin ages depends on an extremely wide range of factors. It is critical to find out which factors have a causative influence on the aging process and which are merely secondary. Beiersdorf is performing in-depth research into why the abilities of the epidermis and connective tissue to regenerate and repair themselves decline during the aging process.

For example, it has developed a method of demonstrating the core damage caused directly by sunlight to the DNA of epidermal stem cells. In addition to looking at epidermal stem cells, Beiersdorf researchers also studied dermal stem cells. They found a specific cluster of these cells, which are critical to skin regeneration, located in the vicinity of the capillaries, the number of which also declines during the aging process. This enhanced the researchers' understanding of why the cells in older skin no longer function as efficiently.

Research on connective tissue is critical because this is responsible for wrinkles and declining elasticity. Such problems are especially common in skin that has been exposed to light. In aged connective tissue, the regular production and degradation of the connective tissue fibers collagen and elastin is impaired. According to the latest insights from Beiersdorf's research team, a specific collagen receptor called Endo 180 is one reason why damaged fibers do not degrade properly. This receptor is used by connective tissue cells to ensure the uptake of damaged collagen fragments. Acute or chronic UV damage impairs the function of Endo 180, which contributes to an excessive accumulation of these fragments.

#### EXPANDED SCOUTING FOR NEW IDEAS

Beiersdorf's Research and Development unit has integrated third-party knowledge for many years now. Open Innovation – systematically enhancing collaboration through the timely integration of leading research institutions, universities, and suppliers in Beiersdorf's international innovation network and its "Pearlfinder" initiative – is a central component of Beiersdorf's innovation activities. The aim is to further enhance Beiersdorf's innovative potential by integrating external ideas and solutions. Scouting for new ideas and solutions was expanded in 2013 and is now firmly anchored within the Research and Development organization. A number of teams focus on innovations from external partners and sources. Their coordinated activities and strategies enable the company to make even more effective use of new ideas from external sources. This also means systematically looking beyond the boundaries of our own industry for new and interesting product forms and ingredients.

The "Pearlfinder" Open Innovation initiative was launched back in 2011. It is based on an online platform where companies, institutions, and scientists from around the world can collaborate with Beiersdorf in a secure environment on scientific topics and questions that serve as the basis for forward-looking innovations. A growing number of external innovators are using "Pearlfinder" to provide their own ideas and solutions to these issues. Increasingly, Beiersdorf is now working with innovators it did not previously know about.

Additional Open Innovation activities with external innovators were initiated under the "Pearlfinder" umbrella in fiscal year 2013. These include preparations for an ideas contest in spring 2014 in cooperation with "in-cosmetics" – the world's largest trade fair for cosmetics ingredients. Further information on "Pearlfinder" can be found at [HTTP://PEARLFINDER.BEIERSDORF.COM](http://pearlfinder.beiersdorf.com).

#### RECOGNIZING AND MEETING CONSUMERS' NEEDS

When developing new products, the top priority for Beiersdorf researchers is to meet consumers' wishes and needs. State-of-the-art consumer research methods have provided support in this area for over a decade. Based on a method developed in the past few years, consumers use visual and associative techniques to communicate the emotions they feel while they are using the products. In addition, a variety of communication channels are used to gather consumer feed-

back, which then flows into the development process. The resulting data and information is used to supplement the scientific work when developing new products and adapting them to meet regional conditions and requirements. Before being launched, all products are tested for safety and optimal effectiveness using the latest scientific methods. Every year, over 1,300 studies involving approximately 40,000 participants are conducted to demonstrate effectiveness, determine tolerability, and improve our understanding of consumer preferences.

#### EXPANSION OF REGIONAL DEVELOPMENT CENTERS

No two markets are alike. Beiersdorf continued to drive forward its global research and development activities by expanding its regional development centers so that it can provide personal care products that are tailored to meet regional needs to its consumers around the world. The regional lab for the Latin American market in Silao, Mexico, will be fully operational in mid-2014. In addition, the lab that opened in 2012 in Wuhan, China, was expanded in the year under review to become a central hub for the Far East region. Its core tasks include conducting local consumer tests, adapting formulas and packaging solutions, and regional sourcing. In the USA and Japan, Beiersdorf works to capture and efficiently implement ideas in the markets there as quickly as possible. By expanding its development labs directly in the regions, Beiersdorf is continuing to systematically implement its "Closest to Markets" strategic focus and is getting even closer to its consumers.

#### INNOVATIONS

The Consumer Business Segment applied for patents for 65 innovations in fiscal year 2013 (previous year: 87). Beiersdorf launches a constant stream of attractive new products on the market. Key launches in the period under review included the following:

- Beiersdorf researchers have developed an innovative anti-aging formula in the form of the **NIVEA Cellular Anti-Age** face care range. This combines the advantages of effective anti-aging ingredients with very special sensory properties.
- **NIVEA In-Shower** is a completely new application system for Beiersdorf body care products. The result of years of in-depth research and a large number of consumer studies, it marks another milestone in Beiersdorf's emulsion technology. The product is applied to wet skin in the shower and is then rinsed off. It instantly provides the care of a body lotion without needing to wait for it to be absorbed. The product range comprises the versions In-Shower Body Milk, In-Shower Body Lotion, and In-Shower Soft Milk.
- **NIVEA SUN Protect & Refresh Spray** combines effective protection against UVA and UVB radiation with a refreshing experience for the skin. The product offers a dual cooling effect: The aerosol's evaporative cooling effect and menthol interact with cold sensors in the skin to create an instantly noticeable, refreshing effect. The formula is extremely light and rapidly absorbed and, thanks to the modern aerosol spray, it can be applied upside down, allowing the user to spray difficult-to-reach patches of skin (such as the back) themselves.

- **NIVEA MEN Active Age** is a new care range designed for men aged 40 and up. It comprises three products – the Night Regenerator, Day Moisturizer, and Aftershave Balm. What is particularly innovative about the product range is that it includes the world's first night cream for men. The care range moisturizes men's skin for up to 24 hours, reduces wrinkles, enhances firmness, and protects skin from drying out.

- Beiersdorf research has spent many years intensively investigating the link between stress and sweating. This research resulted in **NIVEA Deodorant Stress Protect**, which has a highly effective combination of two different antiperspirant active ingredients, an antibacterial formula, and nurturing avocado oil. Its reliable 48-hour protection against stress-related perspiration and body odor was scientifically proven in a number of application studies and the results were published in the *International Journal of Cosmetic Science*\*.

- **Eucerin VOLUME-FILLER** restores volume to the facial skin. Over time, skin increasingly loses its firmness and elasticity, and its tissue volume declines. The formula with highly effective magnolol increases the amount and size of volume-giving cells\*\*, while oligopeptides stimulate the collagen network for a firmer skin structure\*\*. Hyaluronic acid supplies skin with intensive moisture and reduces wrinkle depth.

- **Eucerin AtopiControl** is Eucerin's first intensive care series for both the episode-free and acute phases of neurodermatitis. Omega-6 fatty acids from evening primroses and grapeseed oil stabilize the skin's protective lipid layer, while Licochalcon A, which is derived from licorice root, soothes reddened skin. For skin care during acute phases, **AtopiControl Acute Care Cream**, which is even suitable for babies' especially sensitive skin, is the optimal partner product.

- **Hansaplast Elastic+ Waterproof** is the first plaster that offers the feel and flexibility of an elastic fabric plaster while protecting wounds against water. It is based on the innovative Hi-DRY TEX technology with its highly effective three-ply layering structure. The plaster is comfortable to wear and provides reliable protection against contact, dirt, and water, allowing wounds to heal unimpeded.

The **La Prairie Group** in Zurich, Switzerland, expanded its Skin Caviar Collection in 2013 to include the products Skin Caviar Luxe Sleep Mask and Luxe Soufflé Body Cream.

Skin Caviar Luxe Sleep Mask is an intensive care mask that smoothes the skin during the nightly regeneration phase and replenishes its moisture reserves. The mask supplies nutrients that help make skin look firmer. The innovative formula improves the texture and lines appear finer.

Skin Caviar Luxe Soufflé Body Cream is an intensive care product for the entire body that helps improve the skin's firmness and elasticity, providing deep-down care. In addition, it strengthens the skin's moisture barrier, preventing water loss.

\* T. Schmidt-Rose, F. Lehmbeck, A. Bürger, B. Windisch, R. Keyhani, and H. Max, "Efficient sweat reduction of three different antiperspirant application forms during stress-induced sweating," *International Journal of Cosmetic Science* 2013 Dec; 35(6):622-631.

\*\* In vitro study.

The La Prairie Group also expanded its anti-aging range to include an Eye and Lip Contour Cream.

The Anti-Aging Eye and Lip Contour Cream provides intensive, nourishing care to the area around the eyes and lips, which is low in moisture. The cream fills in and smoothes lines and fine wrinkles from the inside. Its anti-aging effect is created by a large number of substances that supply moisture and nutrients to the skin.

## tesa

### SOLVENT-FREE MANUFACTURING PROCESSES

At tesa, research in 2013 remained focused on enhancing solvent-free technologies for manufacturing particularly high-performance single- and double-sided adhesive tapes. The technology center developed a process in which even sophisticated carrier materials such as tissue and non-woven products can be coated without the use of solvents.

### VALUE-ADDED SPECIAL PRODUCTS

tesa has developed a heat-activated adhesive tape that can conduct electricity for use in the electronics industry. This can be used to produce particularly strong electrically conductive bonds for flexible conductor strips in smartphones and tablet PCs, for example. Manufacturers are increasingly demanding bonding solutions for assembling electronic devices that firmly bond components while allowing easy and residue-free removal in the case of assembly errors and repairs, or so that the product can be disposed of in an environmentally responsible way at the end of its life. tesa researchers developed a new process for this.

As industrial customers' development processes become shorter, it is increasingly important for new types of adhesive tapes to be ready for series production within a very short space of time. This is why tesa is developing new lamination processes that allow all the functional layers of an adhesive tape to be assembled quickly, flexibly, and particularly firmly. These processes help meet new requirements in the automotive industry for bonding components to car bodies.

### ADHESIVE MASSES THAT MEET THE HIGHEST REQUIREMENTS

New acrylate adhesive masses are a key element in offering innovative adhesive tapes for expanded requirement profiles. They are characterized by their particularly strong hold and by their extremely high resistance to aging, the weather, and chemicals. In fiscal year 2013, tesa developed highly transparent, pure adhesive masses that flow onto uneven surfaces particularly well. This allows transparent bonding of 3D components. One example of an application is bonding the printed – and hence uneven – glass displays of smartphones and tablet PCs.

For more information on Research and Development at Beiersdorf please visit [WWW.BEIERSDORF.COM/RESEARCH](http://WWW.BEIERSDORF.COM/RESEARCH).

## Sustainability

For Beiersdorf, "care" is a core value and part of its core business. This encompasses not only skin care and protection, but also responsibility towards our fellow human beings and our environment. Sustainability is a living component of our corporate culture and is strategically anchored in all our business processes. Beiersdorf's goal is to continue to combine success and responsibility.

## Consumer

### CORPORATE SUSTAINABILITY

The "We care." sustainability strategy that Beiersdorf developed in 2011 focuses on three fields of activity: "Products," "Planet," and "People." The company has defined clear, long-term objectives for each field of activity. By 2020, Beiersdorf aims to:

- generate 50% of its sales from products with a significantly reduced environmental impact (base year 2011),
- have reduced its CO<sub>2</sub> emissions by 30% per product sold (base year 2005),
- reach and improve the lives of one million families (base year 2013).

The focus in 2013 was on continuing to roll out this strategy throughout the company and on implementing projects in all three areas.

### PRODUCTS

Beiersdorf has expanded its systematic product lifecycle assessments to additional product categories so as to improve the integration of sustainability aspects in the innovation process. In addition, FSC-certified papers are being successively rolled out for all NIVEA folding boxes.

Beiersdorf has made considerable progress towards deploying to sustainable palm kernel oil. In addition to participating in the Roundtable on Sustainable Palm Oil (RSPO), the company is also active in the newly formed "Forum für nachhaltiges Palmöl" (the German Forum for Sustainable Palm Oil). By 2020, Beiersdorf intends to switch the raw materials concerned to segregated or at least mass balanced palm (kernel) oil and corresponding derivatives. Until the changeover is complete, Beiersdorf will purchase certificates on the Green Palm trading platform. In 2013, 100%\* of the palm oil and palm kernel oil equivalents contained in its feedstocks were covered by certificates. In 2014, the first raw materials will be physically switched to mass balance certified palm kernel oil.

In addition, Beiersdorf has decided to discontinue its use of polyethylene particles (microparticles, scrub particles) in its care products worldwide as of the end of 2015. Although the use of this ingredient in skin care is considered harmless, extremely skin-friendly, and non-allergenic, it is viewed critically in some quarters due to the increased incidence of plastic in the world's oceans. Beiersdorf aims to help protect the environment with this precautionary decision in favor of finding alternatives to plastic particles in skin care products.

\* excluding Beiersdorf Hair Care China.

## PLANET

To reach its goal of reducing CO<sub>2</sub> emissions by 30%, Beiersdorf is systematically working to significantly increase energy efficiency at all its locations and to drive forward the use of renewable energies.

Beiersdorf's factory in Argentona (Spain) installed a photovoltaic facility at the beginning of 2013. The facility has 480 solar modules with a capacity of up to 170,000 kilowatt-hours; this corresponds to about 10% of the production facility's total annual requirements. In addition, Beiersdorf Consumer plans to meet all its electricity needs in Germany with renewable energy starting in 2016.

Beiersdorf's "Blue Building" program for constructing and using buildings aims at sustainably managing the entire lifecycle of its owner-occupied properties throughout the world. "Blue Building" helps to save energy, conserve resources, and at the same time to promote a healthy working environment for all employees.

Beiersdorf's new production center in Mexico is one of only a few facilities of its kind in the world to be planned in accordance with the LEED Platinum environmental standard. Compared with other production facilities, the new facility emits significantly less CO<sub>2</sub>, consumes less water, and uses resources more efficiently – despite its significantly higher production capacity.

Beiersdorf is also underscoring its social and ecological commitment by building the new "Troplo-Kids" daycare center in Hamburg, the location of the company's headquarters. The new daycare facility, which offers 100 places, will help improve the work-life balance and is fully compliant with the criteria of the German Sustainable Building Council (DGNB).

In addition, Beiersdorf – as in previous years – implemented initiatives for lowering CO<sub>2</sub> emissions along the entire value chain. In 2008, road transports were switched to rail in Switzerland. In 2013, the concept was applied in Germany. Now, a significant amount of the volumes transported in the two countries is handled by rail. Beiersdorf also developed a new logistics concept that optimizes the use of containers, reduces the number of transports, and hence significantly lowers CO<sub>2</sub> emissions and cuts costs.

## PEOPLE

Beiersdorf aims to reduce the number of work-related accidents and to continue to improve workplace safety with its company-wide "zero accidents" policy. For example, Behavioral Based Safety (BBS) principles have been established to make employees aware of possible sources of danger and hence develop safe working practices and optimize workplace safety. These define clear behavior patterns for avoiding accidents that are expressed in terms of "I will" and "I will not" rules. The concept will be extended to include additional countries in 2014.

In the year under review, Beiersdorf launched the "NIVEA cares for family" initiative. The latter's focus on supporting and assisting families is in keeping with the company's social traditions and corresponds to the core values of the Beiersdorf brands – first and foremost NIVEA. The objective of this initiative is to strengthen families in three areas. Under long-term local projects, children

will be given access to social and academic education, among other things, and mothers will receive individual support. In addition, NIVEA wants to give families the opportunity to spend more time with each other. Employees play a leading role in successfully implementing social responsibility at Beiersdorf. During the "NIVEA Family Days" held worldwide in December, employees were able to support local families. The voluntary employee component of the CSR strategy will be strengthened in the future and expanded to include additional initiatives.

CSR at Hansaplast/Elastoplast focuses on strengthening first aid in everyday situations. It aims to offer first aid training events in the units' local regions, increasing the ability to provide first aid if needed. Hansaplast/Elastoplast units in France, Canada, and the Netherlands have already been successfully working with their local Red Cross organizations for a long time. This initiative will now be extended to other countries.

Additional information can be found at [WWW.BEIERSDORF.COM/SUSTAINABILITY](http://WWW.BEIERSDORF.COM/SUSTAINABILITY).

## tesa

### HIGH LEVEL OF ENVIRONMENTAL PROTECTION

Since 2001, tesa has been systematically establishing a proprietary environmental management system. It successfully completed the second phase of its environmental program in 2013 and in fact exceeded its ambitious goals, especially due to the contributions made by its production locations worldwide. CO<sub>2</sub> emissions have been reduced considerably since the program began. In addition, solvent usage, waste, and emissions of volatile organic compounds (VOCs) were cut significantly. Almost all facilities are certified in accordance with ISO 14001, the international environmental standard.

Currently, tesa is working to determine various ecological footprints in the production process in order to further enhance its environmental compatibility. Using the eco-balance method, entire product lifecycles are being analyzed for their environmental effects – from raw materials extraction through the materials used, the manufacturing and transportation of the products, down to disposal after use. This work can be used, for example, to check whether more environmentally friendly alternatives for individual product components or packaging are available. Among other things, the goal is to consistently increase the proportion of recyclable materials used.

### SPONSORSHIP OF UNESCO BIOSPHERE RESERVE

In the year under review, tesa intensified the long-term partnership with the UNESCO biosphere reserve in Lower Saxony's Elbe valley that it entered into in 2011. tesa employees can take part in a variety of activities, all of which contribute to maintaining this highly biodiverse, environmentally sensitive floodplain landscape (corporate volunteering). Following on from the joint plantings in recent years, the reserve planted oak trees on a large scale in 2013 with financial support from tesa. This is the first step towards establishing a virgin forest typical of the landscape in the reserve. In addition, a flat water area was created to underscore the area's floodplain character, supporting species conservation of cranes and black storks within the forest. Additional plantings involving employees are planned for the spring of 2014.



### SUCCESSFUL COOPERATION IN SOCIAL PROJECTS

Once again, tesa took part in a large number of social projects in 2013. The company has entered into a long-term cooperation with nonprofit initiatives whose offerings are in line with the “tesa Corporate Giving Policy.” These include “Initiative Mentor – Hamburg e.V.” and the “Chancen für Kinder” foundation. tesa's affiliates participate in their own projects. For example, tesa employees in France took part in the “Heroes Race” (Course des Héros) for the fourth time. As well as the athletic challenge, their aim was to attract additional supporters and collect donations. All employees were invited to take part in a survey in order to enhance CSR at tesa. Around 200 of them provided feedback as well as voicing wishes and suggestions for future projects that would be appropriate for tesa.

All tesa's activities are documented in an annual report that is available at [WWW.TESA.COM/RESPONSIBILITY](http://WWW.TESA.COM/RESPONSIBILITY).

## Employees

### SUCCESSFUL TOGETHER

The Beiersdorf Group employed 16,708 people worldwide at the end of 2013 (previous year: 16,605). Of this figure, 5,696 (previous year: 5,697) or 34% (previous year: 34%) were employed in Germany. At the end of the fiscal year, 12,890 people worked in the Consumer Business Segment (previous year: 12,811). The tesa Business Segment accounted for 3,818 employees (previous year: 3,794).

### Consumer

#### MOTIVATIONAL WORKING ENVIRONMENT INCREASES COMMITMENT

Our employees are vital to our success. They manage strong brands, develop innovations, and enthuse consumers around the world with high-quality products. The Human Resources department's forward-looking activities aim to support the strategic goals from Beiersdorf's Blue Agenda.

In the year under review, the following topics addressed by Beiersdorf's Human Resources department are particularly worth mentioning:

- encouraging a culture of candid feedback
- fostering creativity through diversity
- enhancing cross-border collaboration
- Integrated Talent Management

In addition, Beiersdorf's Human Resources department is specifically focused on fostering motivation and a performance-driven culture. Dedication and enthusiasm at work are crucial for long-term corporate success.

### OPEN COMMUNICATION STRENGTHENS EMPLOYEES' EMOTIONAL TIES

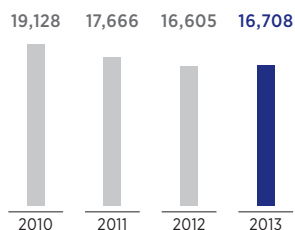
A key means of enhancing Beiersdorf's corporate culture lies in fostering a culture of candid and honest feedback. Out of the many initiatives in fiscal year 2013, the introduction of a global feedback process is particularly worth mentioning: TEAMVOICE 2013 was the first global employee survey of all Beiersdorf companies, and was conducted in collaboration with an international market and opinion research company. A total of 89% of the employees surveyed provided feedback on the main factors constituting a good working environment. The survey results are made available in anonymized form within the individual teams, who discuss them together and use them to derive relevant measures for the employees concerned. The aim of this dialog is to foster openness and trust at team level, strengthening long-term employee loyalty.

### DIVERSITY FOSTERS CREATIVITY

Beiersdorf is a global company, which means that diversity is not an end in itself, but a crucial competitive advantage. Diversity fosters creativity: Beiersdorf systematically promotes diversity in its workforces. In the year under review, the Human Resources department compiled a global diversity action program with a key focus on gender and internationalization that contains clear objectives with regard to employee development and recruitment.

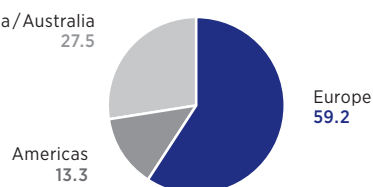
#### GROUP EMPLOYEES

as of Dec. 31



#### EMPLOYEES BY REGION (IN %)

as of Dec. 31; total 16,708 employees



For women, mentoring and networking programs were initiated. Creating more flexible working conditions for both men and women improves the work-life balance. These measures are already delivering initial results: The percentage of women in management positions in Germany rose from 22.5% at the end of 2012 to 25.5% at the end of 2013. We intend to systematically pursue this path over the coming years and to increase this figure to 30% by 2020.

As part of the continued internationalization of its workforce, Beiersdorf is focusing on increasing the number of international employees at its Hamburg location. The number of senior managers with international experience is to be increased throughout the Group.

#### **GLOBAL (NET)WORKING**

In the year under review, Beiersdorf created BluePlanet – a global internal platform for communication and collaboration that makes cross-border and cross-functional teamwork faster and more efficient. Employees can use this digital platform to hold direct discussions with each other, sharing knowledge and experiences. This will enable solutions for their daily work to be found and implemented faster. BluePlanet saves time and money by reducing the number of business trips, streamlining meetings, and avoiding the use of e-mail. It represents a new dimension in collaboration and brings the Beiersdorf world even closer together.

#### **CONTINUOUS PROFESSIONAL DEVELOPMENT AND QUALIFICATIONS ENSURE SUCCESS**

The Human Resources department supports team leaders in ensuring the development of their teams. Continuous professional development and knowledge acquisition are part of the Integrated Talent Management program. A wide range of opportunities for individual employees to strengthen their professional and personal skills are regularly revised in line with the company's strategy and organizational development so as to ensure that the specialized skills and management expertise needed are kept up to date as optimally as possible.

Equally typical of the company's Human Resources work are its wide variety of international initiatives: For example, Beiersdorf cooperates with local universities in Southern Europe, where the economic situation is currently extremely strained, to give talented young recruits an opportunity to make a global contribution to the Group. In Mexico, Beiersdorf's Research & Development area is collaborating with local universities to recruit qualified new staff for the new Beiersdorf development laboratory in Silao. Around 550 positions shall be created in the laboratory and the production facility in the period up to the end of 2015.

#### **tesa**

##### **CONSTRUCTION OF NEW tesa HEADQUARTERS**

Planning activities associated with the construction of the new corporate headquarters in Norderstedt near Hamburg Airport were one focus of Human Resources work in 2013. Relocation is scheduled for 2015 and affects around 800 employees. The plans focused on how the new space is to be used as well as on optimizing communication and social facilities. Preparations were made in close cooperation with the codetermination bodies and with employees.

##### **NEW CONCEPT FOR EMPLOYEE DIALOG**

The new concept for the dialog between individual employees and managers was launched in the year under review. The aim is to enhance tesa's open corporate culture in line with its Strategy 2015, to further improve the working atmosphere through dialog based on mutual respect, and to expand the leadership culture. The new concept separates the review from the assessment of employees' variable salary components and focuses on mutually open and constructive feedback. This creates more transparency for employees as to how their abilities and prospects are seen. The new concept was positively received by all involved.

##### **FEEDBACK FROM EMPLOYEE SURVEY**

Under the motto "tesa wants to know!" all employees at tesa SE were asked to provide feedback in a survey that was conducted in cooperation with a market-leading research and consulting institution. The results offer important information on how employee motivation can be further improved and their ties with the company strengthened. The tesa factory in Offenburg already conducted the survey back in 2012 and received an award for its working environment in the year under review.

##### **SUCCESSION PLANNING AND TALENT MANAGEMENT**

As a rule, tesa fills important management positions from within its own ranks. This preserves the company's expertise in relation to its customers, markets, and product applications. The succession planning and talent management process has now been revamped with the goal of identifying and developing the right talents in good time before positions become vacant. Succession planning scenarios for the most important positions in the tesa Business Segment are being developed at all organizational units based on a global process.

# 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. Relevant risks are identified and captured in a structured manner. They are classified based on the estimated probability of occurrence and the potential financial impact if they were to occur.

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 embedded in the organizational structure and workflows 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.

Shared service centers provide uniform processing of the core accounting processes at Beiersdorf AG and its European affiliates. The basic principles and processes and the reporting structure for Group accounting are documented in an accounting and financial control manual and a risk management manual. Legislation, accounting standards, and pronouncements are analyzed for their relevance and impact 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, and regularly reviews our business processes and the systems and controls we have put in place. In addition,

the external auditors audit the risk early warning and monitoring system. They regularly report their audit findings to the Supervisory Board and in particular to its Audit Committee.

## Our Risk Profile

### STRATEGIC AND SECTOR-SPECIFIC RISKS

Maintaining and increasing the value of our major consumer brands with their broad appeal is 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 latter's 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. We have laid the groundwork for identifying consumer wishes and reflecting them in the products we develop even faster by developing and implementing the "Consumer Insights" process. This also counteracts the growing retail concentration and the regional emergence of private label products.

Since expertise-based brands require a high degree of upfront investment in innovation and marketing, the continuous expansion of our trademark and patent portfolio 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. Third-party intellectual property rights are identified and respected when developing new products.

### SUPPLY CHAIN AND IT RISKS

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 by appropriate contract management. Procurement strategies are reviewed regularly and adjusted to reflect internal and external requirements. 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 through the establishment of a continuity management system that is an integrated part of our IT operations. We counter selected risks by transferring them to insurance companies.

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.

#### FINANCIAL 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.

Currency, interest rate, and liquidity risks are subject to active treasury management based on global guidelines. They are managed and hedged centrally to a very large extent, 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. Generally, 75% of forecasted annual net cash flows are hedged (cash flow hedges on forecasted transactions). Currency risks from cross-border intragroup financing are generally 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 investments with defined, reliable counterparties. Counterparty risk is monitored on the basis of ratings and the counterparties' liable capital as well as continuously updated risk indicators. These parameters are used to determine maximum amounts for investments with partner banks and securities issuers (counterparty limits), which are compared regularly with the investments actually made throughout the Group. Given the developments on the capital markets, we have invested the majority of our liquidity in low-risk investments (such as government/corporate bonds and Pfandbriefe).

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.

Further information on the extent of the currency, interest rate, default, and liquidity risks described above can be found in Note 29 of the consolidated financial statements, "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments."

#### LEGAL RISKS

Along with other international companies, the Beiersdorf Consumer Business Segment's Brazilian affiliates are involved in tax proceedings on a national level. As utilization is not considered to be probable, no provisions for demands for back taxes have been established. However, no conclusive assessment of the risk from the Group perspective is possible at present.

Beiersdorf also has potential obligations arising from antitrust proceedings, among other things. To the extent that an outflow of resources embodying economic benefits is likely to be required to settle these obligations, provisions were established for the pending antitrust proceedings. However, no conclusive assessment of the risk from the Group perspective is possible at present.

Further information on the extent of the legal risks described above can be found in Note 30 of the consolidated financial statements, "Contingent Liabilities, Other Financial Obligations, and Legal Risks."

#### Overall Assessment of the Group's Risk Situation

Our assessment of the risk situation is the result of our examination of all material individual risks listed above. There have been no structural changes in the risk situation compared with the previous year. Based on our current assessment, the Beiersdorf Group is not exposed to any risks that could endanger its continued existence.

## Report by the Executive Board on Dealings among Group Companies

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 taken or not taken, Beiersdorf Aktiengesellschaft received appropriate consideration for every transaction and has not been disadvantaged by the fact that measures were taken or not taken."

## 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 60.46% (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 Codetermination 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 disappplied 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 the 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 disappplied since April 29, 2010, in accordance with § 186 (3) sentence 4 *AktG* when the authorization to sell own shares is utilized and/or when the authorization to issue convertible bonds and/or bonds with warrants is utilized (Authorized Capital II);
4. in the case of capital increases against non-cash contributions, for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

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

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

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

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

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

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

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

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

## Report on Expected Developments

### Expected Macroeconomic Developments

The **global** economic situation looks set to improve slightly in 2014. We expect that this trend will be driven mainly by the industrialized nations, while growth in the developing countries and emerging markets will be somewhat lower than in previous years. However, tapering of the US Federal Reserve's bond purchases entails potential uncertainties with regard to its effect on the global economy.

**Europe** will probably come out of recession in 2014 and the uncertainty on the markets due to the euro and sovereign debt crisis should subside. This is suggested by improved leading economic indicators for the industrial, retail, and services sectors, as well as a forecast increase in demand from abroad. Besides the uncertain effects of tapering by the US Federal Reserve, factors that could put the recovery at risk include the ongoing high unemployment in many countries and the lack of appetite for reform in France and Italy. However, we anticipate a positive trend overall, although this is likely to be relatively muted in many countries due to the still weak economy.

In **Germany**, we expect to see stronger growth than in the rest of Europe in the coming year, driven by consumer spending and increasing investment as a result of the expansionary monetary policy.

We expect slightly higher growth in the **United States** economy in 2014. Alongside increased consumer spending due to a lower unemployment rate, we anticipate higher public spending. The construction sector may provide positive momentum. However, the start of tapering and its impact on the economy and the financial markets in the form of a possible increase in interest rates remain a source of uncertainty.

In **Japan**, we expect growth to be on a level with the previous year. The Bank of Japan is likely to further loosen its already expansionary monetary policy so as to avoid depressing the market recovery as a result of the announced increase in VAT. The cheap yen is likely to boost exports and hence also support growth.

In **China**, we expect growth to be down slightly on the prior-year level. Fiscal policy and the uncertain effects of the social and environmental reforms that have been announced are particular sources of uncertainty.

Conditions in the **remaining emerging markets** will probably be less favorable. In India, we expect to see slightly higher growth than in the previous year, with continued high inflation. We anticipate slight growth in the emerging markets of Southeast Asia. Given the highly protectionist tendencies in many Latin American countries, particularly in Venezuela, Ecuador, and Argentina, developments are difficult to forecast for this area. We expect growth rates in Russia to be only slightly higher than in 2013. The positive effects of exports to the recovering eurozone and the expected increase in energy prices will be contributing factors.

### Procurement Market Trends

We will work together with Research and Development and Quality Management to identify alternative sources of supplies and to define more open specifications, further improving raw materials security for our production facilities. This will also continue to reduce our dependence on individual suppliers and specific raw materials. As in the past, strategic partnerships with suppliers will secure the availability of raw materials in 2014, ensuring supplies for our production facilities. In 2014, the price of oil will probably continue to remain at a high but stable level of just over USD 100 per barrel. Overall, we expect moderate increases in the commodities markets and will take targeted measures in the area of procurement to further minimize them.

### Sales Market Trends

We believe that the global growth rates in the cosmetics market relevant for Beiersdorf will remain at the prior-year level in 2014. We continue to expect low but stable growth in the major European and North American markets. The emerging markets and developing countries will make a positive contribution to overall performance. Growth in Latin America is likely to weaken year-on-year, however.

The challenge for the tesa Business Segment in the coming year is likely to be to cater to different market speeds. Strong, dynamic growth in the electrical industry in Asia contrasts with relative stability in the European markets. By contrast, North America is likely to gain momentum from the automotive industry, while Latin America will participate in the positive market performance.

## Our Market Opportunities

Once again, market performance was mixed in fiscal year 2013 and competition continued to increase in some markets. We will supplement our corporate strategy, as manifested in our internal Blue Agenda program, to include additional emphases in 2014, so as to meet the challenges of tomorrow and achieve our objectives. We see strong opportunities both in systematically expanding our presence in the emerging markets and in consolidating our position in our European markets. We will drive this process by strengthening our brands – especially NIVEA, Eucerin, and La Prairie – and boosting our innovative power. This analysis underpins our planning for the coming fiscal year.

We will build on our sound financial structure and strong earnings position together with our dedicated and highly qualified employees to continue exploiting the opportunities that arise in the future with our internationally successful brand portfolio. Extensive research and development activities resulting in successful, consumer-driven innovations will be flanked by targeted marketing measures, strengthening our brand core and creating enduring confidence among our consumers.

tesa continues to consider its electronics industry business as highly attractive, with double-digit growth rates predicted. Due to the project-based nature of the business, however, the risk involved is also increasing. The automotive area will maintain its status as a second growth market for global customers.

## Business Developments

Our assessment of business developments in the coming year is based on the above assumptions.

We are expecting sales growth in the **Consumer** Business Segment to outperform the market in 2014, at 4–6%. The EBIT margin from operations is expected to slightly exceed the prior-year figure.

**tesa** is anticipating that sales will slightly outperform the market in 2014, with market growth estimated at 2–3%. The EBIT margin from operations is expected to be slightly below the prior-year level.

Building on the forecasts for the two business segments, we are expecting **Group** sales to grow by 4–6%. The consolidated EBIT margin from operations is expected to be up slightly on the previous year.

We firmly believe that we are well positioned for the future thanks to our internationally successful brand portfolio, our innovative and high-quality products, and our dedicated employees.

Hamburg, February 5, 2014

Beiersdorf AG

The Executive Board