

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 due to its many years of experience in coating technology and developing adhesive masses.

Our Brand Portfolio



Business and Strategy

Beiersdorf is a global leader in the consumer goods industry with a total of over 17,000 employees in more than 150 affiliates. It is divided into two business segments:

- The Consumer Business Segment, whose strong brands focus on the international skin and body care markets, is the 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 aims to be the No. 1 skin care company in its relevant categories and markets. The company's Blue Agenda clearly defines the way to achieve this long-term objective. It consists of the following strategic focuses:

- Strengthening our brands – first and foremost NIVEA
- Increasing our innovation power
- Expanding our presence in the emerging markets and consolidating our market position in Europe
- The people at Beiersdorf

Beiersdorf continued to make substantial progress towards these objectives in the year under review – something that is also reflected in the key figures for fiscal year 2014. Beiersdorf recorded sustainable, profitable growth and saw a further increase in sales and earnings excluding special factors. This was achieved by increasing our share of a market that grew by about 3%.

STRONG BRANDS

Beiersdorf's consistently disciplined brand strategy further increased its brand presence in 2014, as can be seen from the positive performance by our three core brands – NIVEA, Eucerin, and La Prairie. The rollout of the new NIVEA logo and design, which began in 2013, was successfully completed in the year under review. This created a more consistent and eye-catching brand image, which has significantly strengthened the brand's identity and positioned NIVEA successfully and sustainably. In addition, Beiersdorf's newly created "Pearl Brands" unit generated new momentum for the Labello, 8x4, Hidrofugal, and Florena brands. Beiersdorf's goal is to strengthen their brand profile and hence leverage their economic potential, and in doing so further strengthen the company's brand portfolio.

INNOVATION POWER

The significant increase in Beiersdorf's innovation capacity substantially contributed to its success in the year under review. Beiersdorf focuses both on developing and launching new products and on systematically enhancing and supporting existing major innovations. Beiersdorf's NIVEA Deo Black & White, NIVEA Body In-Shower, and NIVEA Face Cellular Anti-Age set long-term trends in different segments, enabling the company to consistently extend its market position in the relevant categories and countries in 2014.

For example, NIVEA Face Cellular Anti-Age was also successfully launched in Latin America in the year under review. The NIVEA Body In-Shower product line, which is a big hit in Europe and Brazil, was expanded in 2014 and will be available worldwide in 2015. Moreover, Beiersdorf again set new standards in the mass market in the important face care category with its NIVEA Q10 pearls. A special pearl technology makes it possible to blend innovative Q10 plus serum pearls with hydrogel in a patented anti-wrinkle serum. This is the first time that this type of technology has been made accessible to a wider consumer group.

Beiersdorf's research and development expertise plays a key role in its continuous innovation strength. Dr. May Shana'a, Head of R&D at Beiersdorf since fall 2014, will continue to strategically enhance the efficacy of the company's R&D activities and deepen the growing focus on localization.

CLOSEST TO MARKETS

Each and every innovation begins with the specific needs of consumers in the different regions. Being close to consumers at a local level is crucial to being able to incorporate changing expectations into product development flexibly and quickly, and hence to secure our market share in the long term. In the year under review, Beiersdorf sustainably increased its brand presence and impact in the emerging markets with targeted investments in regional development and production capacities, and strengthened its position on the established European markets.

In July 2014, Beiersdorf opened a production facility and a regional laboratory in Silao, Mexico, in order to meet growing demand in Latin America. The factory was the first facility in the cosmetics industry ever to be awarded Leadership in

Energy and Environmental Design (LEED) platinum standard. Beiersdorf also began constructing a production facility in Sanand in order to strengthen its local footprint in India. Production is expected to start in early 2015.

DEDICATED BEIERSDORF PEOPLE – A STRONG CORPORATE CULTURE

Beiersdorf's corporate culture is inextricably bound up with dedicated and motivated employees, who make a crucial contribution to the company's success. In 2014, employees and managers worked together to reinterpret Beiersdorf's core values – which have shaped the company for over 130 years – and documented these in a common understanding.

- Care – at the heart of Beiersdorf's business. The company's responsibility towards its employees, consumers, and brands as well as to society and the environment.
- Simplicity – making clear, consistent, and quick decisions and always remaining focused on priorities.
- Courage – setting ambitious targets, taking the initiative, and approaching change as an opportunity.
- Trust – genuine, respectful, and reliable relationships with employees and consumers.

In order to ensure the Core Values are lived both now and in the future, Beiersdorf will integrate them even more strongly into its employees' day-to-day working practices in the future. In addition, Beiersdorf continued actively encouraging employees to make decisions and take an entrepreneurial approach in the year under review, systematically enhancing the company's speed and flexibility even further.

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's priorities lie in finding effective solutions and high-quality products with a focus on the following customer groups:

- tesa primarily provides system solutions for the automotive, electronics, printing and paper, and construction industries. In the electronics industry, tesa's adhesive systems are used in mobile devices such as smartphones, tablet PCs, and MP3 players.
- tesa's affiliate tesa Labtec GmbH 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 broad and constantly expanding product range that is continuously optimized and adapted to meet the changing needs of customers in crafts businesses, such as construction.

- 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 product ranges for professional craftsmen, such as painters and varnishers.

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 to develop needs-based products. tesa's knowledge of production processes, analysis of current industry trends, and wide range of high-quality, market-driven products provide competitive advantages, ensuring the long-term success of the business segment.

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 and Supply Chain, Human Resources, Consumer Brands and R&D, and Pharmacy – 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 and the Internal Audit function. 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. Additional information regarding management and control, the general management structure, and the Declaration of Compliance in accordance with § 161 *Aktien-gesetz* (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.

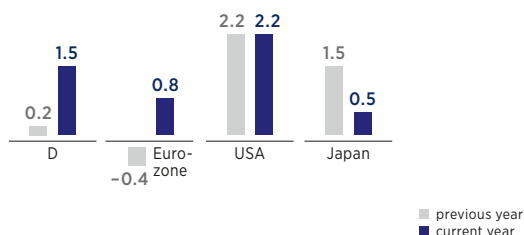
Economic Environment

General Economic Situation

Positive **global** growth was recorded in 2014, slightly above the previous year; however, the outlook deteriorated increasingly in the course of the year due to the geopolitical crises. While the mature economies continued on their modest path to recovery, growth rates in some emerging countries declined.

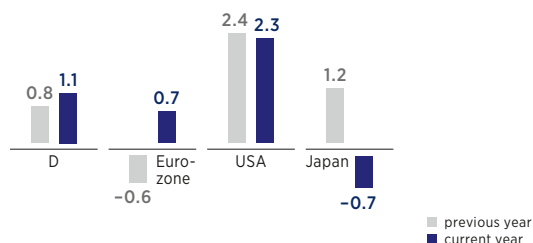
GROSS DOMESTIC PRODUCT (IN %)*

Change versus previous year



CONSUMER SPENDING (IN %)*

Change versus previous year



* Commerzbank Research

The economy in **Europe** stagnated in 2014. The unrest in Ukraine in particular dampened investor appetite and led to continuing high levels of uncertainty in the markets. Interest rate cuts and a new ECB securities purchase program led to a fall in the euro, improving eurozone companies' competitiveness and helping to mitigate adverse effects on exports. Positive growth was achieved, although the optimistic expectations voiced at the beginning of the year failed to materialize.

The **German** economy recorded moderate growth in 2014. Although Germany has consistently served as an economic motor in recent years, recording the highest growth rates in the eurozone, growth declined in 2014. The EU's economic sanctions against Russia slowed both exports and capital investment. Low unemployment, low interest rates, low inflation, and the weaker euro all helped to support the economy.

The economy in the **United States** recorded a positive performance in 2014. Results for the first quarter were lower than in the previous year due to adverse weather conditions. After that, economic momentum improved and was reflected in increased capital expenditure and consumer spending.

Capital expenditure and consumer spending in **Japan** declined following an increase in sales tax in April 2014. The government introduced an economic package aimed at countering the negative effects on consumer demand. Exports declined despite the fall in the yen.

Economic growth in **China** fell short of forecast targets in 2014. The country's industrial sector recorded its lowest growth since 2008 and domestic demand remained stubbornly low. The Chinese central bank and the government are pursuing a policy of reform in order to achieve sustainable long-term growth instead of high short-term growth rates.

The situation in the **other emerging markets** was mixed. Reforms in India had a positive effect on economic development and boosted exports. On the other hand, Brazil experienced reform gridlock. Russia is under pressure due to the conflict with Ukraine. The economic sanctions and the slump in oil prices led to a fall in the ruble and to lower capital expenditure.

Sales Market Trends

The growth rate in the cosmetics market – the market relevant for Beiersdorf – remained flat year-on-year at a global level. The Asia, South Africa, Middle East, and Latin America regions were the main growth drivers although the pace of growth has slowed. The saturated markets in Western Europe and North America continued last year's growth path, while Eastern Europe was unable to match its prior-year growth. The industrial sales markets experienced a recovery in Europe and further strong growth in Asia and America in 2014. A slight positive trend emerged in Europe as the year progressed. Asia and North America continued to benefit from a strong economic performance, while Latin America in contrast suffered domestic currency instability and a slowdown in real growth.

Procurement Market Trends

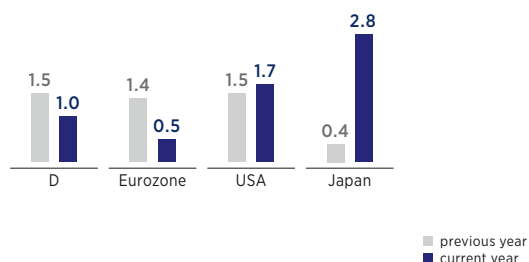
In 2014, raw material and packaging prices were overall, relatively flat as forecast. The significant reduction in global crude oil prices seen in the last quarter was not anticipated, but has not significantly affected prices of either plastics or fossil fuel-based raw materials.

Overall Assessment of the Economic Environment

Macroeconomic growth in 2014 was positive, despite momentum slowing in the course of the year. The global cosmetics market maintained the previous year's level of growth, although growth rates in some individual markets eased. The Consumer Business Segment recorded another increase in sales in this challenging economic environment. Sales by the tesa Business Segment rose again on the back of the recovery in its industrial sales markets in Europe as well as further growth in Asia and the Americas. The consumer business and the distribution business aimed at craftsmen also performed well in Europe.

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)

	2013	2014	% change
Sales	6,141	6,285	2.3
Cost of goods sold	-2,255	-2,367	5.0
Gross profit	3,886	3,918	0.8
Marketing and selling expenses	-2,605	-2,604	0.0
Research and development expenses	-154	-168	9.0
General and administrative expenses	-312	-330	6.0
Other operating result (excluding special factors)	-1	45	-
Operating result (EBIT, excluding special factors)	814	861	5.9
Special factors	6	-65	-
Operating result (EBIT)	820	796	-2.9
Financial result	-5	15	-
Profit before tax	815	811	-0.5
Income taxes	-272	-274	0.9
Profit after tax	543	537	-1.2

Percentage changes are calculated based on thousands of euros.

SALES

Organic Group sales in 2014 were up 4.7% on the prior-year figure. The Consumer Business Segment grew by 4.8%, while tesa generated a sales increase of 4.4%. Nominal Group sales rose by 2.3% as against the previous year, to €6,285 million (previous year: €6,141 million).

In **Europe**, organic sales were up 2.4% on the prior year. In nominal terms, sales amounted to €3,421 million (previous year: €3,390 million), 0.9% higher than the prior-year figure.

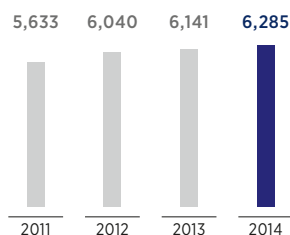
Organic growth in the **Americas** amounted to 5.6%. In nominal terms, sales rose by 2.2% to €1,116 million (previous year: €1,092 million).

The **Africa/Asia/Australia** region reported organic growth of 9.0%. In nominal terms, growth of 5.4% to €1,748 million was achieved (previous year: €1,659 million).

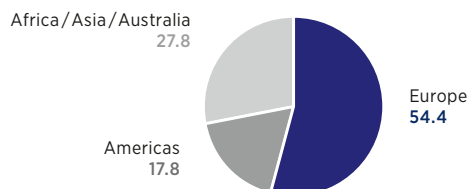
EXPENSES/OTHER OPERATING RESULT

Cost of goods sold rose by 5.0%, and hence faster than sales. This change was mainly due to the stronger increase in Consumer sales in the emerging markets, which generally entail a higher ratio of product costs to sales, and a change in the product mix. In some countries, exchange rate changes also had a negative impact on the companies' procurement costs. Advertising and trade marketing expenses declined to €1,461 million (previous year: €1,495 million) without reducing support for the brands, thanks to efficient use of the marketing budget. At €2,604 million, total expenses remained constant (previous year: €2,605 million), due to further investment in marketing and sales. Following the realignment of the Research and Development area in the Consumer Business Segment, Consumer expenses were increased again in order to further improve our innovation capacity. tesa also invested more in research and development; the total expenses of €168 million were up 9.0% on the prior-year value of €154 million. The increase in general and administrative expenses to €330 million (previous year: €312 million) reflects the work carried out to improve the existing

GROUP SALES (IN € MILLION)



GROUP SALES BY REGION (IN %)



software systems in the Consumer Business Segment in particular. The other operating result (excluding special factors) amounted to €45 million (previous year: €-1 million). The change in the other operating result was dominated by the reversal of provisions, income from the sale of fixed assets, and lower other operating expenses.

OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

The Beiersdorf Group's results of operations are assessed 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.

EBIT excluding special factors rose to €861 million (previous year: €814 million), while the EBIT margin was 13.7% (previous year: 13.2%). The Consumer Business Segment generated EBIT excluding special factors of €678 million (previous year: €638 million); the EBIT margin reached 13.0% (previous year: 12.5%). EBIT in the tesa Business Segment rose from €176 million in the prior year to €183 million in the past fiscal year; the EBIT margin was 17.0% (previous year: 16.9%).

The Group operating result before special factors in **Europe** was €589 million (previous year: €542 million). The EBIT margin was 17.2% (previous year: 16.0%).

The operating result before special factors in the **Americas** amounted to €80 million (previous year: €82 million). The EBIT margin was 7.1% (previous year: 7.5%).

In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €192 million (previous year: €190 million). The EBIT margin was 11.0% (previous year: 11.5%).

SPECIAL FACTORS

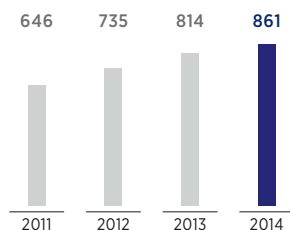
Special factors of €-65 million (previous year: €6 million) related to the Consumer Business Segment. Due to an adjustment to the long-term sales and earnings outlook for our Chinese hair care business, we performed an impairment test as of September 30, 2014. This led to our hair care brands being written down by €67 million to a residual carrying amount of €21 million. In addition, provisions that had been recognized in connection with the realignment of our corporate structures in the past but were no longer required were reversed. Prior-year special factors related to both business segments. In the Consumer Business Segment, expenses of €12 million were incurred in the previous year as part of the realignment of corporate structures and processes, mainly resulting from the reorganization of the business in China. In the tesa Business Segment, income of €18 million was generated in the previous year in connection with the closure of a production facility in Singapore.

RECONCILIATION TO EBIT EXCLUDING SPECIAL FACTORS

	in € million	in % of sales
Group		
Operating result (EBIT) for 2014	796	12.7
<i>Special factors included in the other operating result</i>	-65	-
Operating result (EBIT, excluding special factors) for 2014	861	13.7
Operating result (EBIT, excluding special factors) for 2013	814	13.2
Consumer		
Operating result (EBIT) for 2014	613	11.8
<i>Special factors included in the other operating result</i>	-65	-
Operating result (EBIT, excluding special factors) for 2014	678	13.0
Operating result (EBIT, excluding special factors) for 2013	638	12.5
tesa		
Operating result (EBIT) for 2014	183	17.0
<i>Special factors included in the other operating result</i>	-	-
Operating result (EBIT, excluding special factors) for 2014	183	17.0
Operating result (EBIT, excluding special factors) for 2013	176	16.9

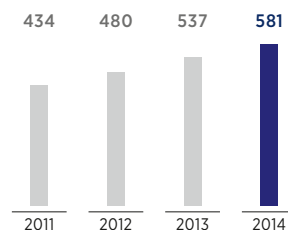
GROUP EBIT (IN € MILLION)

Excluding special factors



GROUP PROFIT AFTER TAX (IN € MILLION)

Excluding special factors



OPERATING RESULT (EBIT)

EBIT including special factors was €796 million (previous year: €820 million). This corresponds to an EBIT margin of 12.7% (previous year: 13.4%).

FINANCIAL RESULT

The financial result amounted to €15 million (previous year: €-5 million). The increase was due to income of €9 million in connection with a tax refund; interest income from financial assets remained stable. In addition, improvements in currency effects and in net income from investments were generated in the other financial result.

INCOME TAXES

Income taxes amounted to €274 million (previous year: €272 million). The tax rate was 33.8% (previous year: 33.4%).

PROFIT AFTER TAX

Profit after tax decreased to €537 million (previous year: €543 million); the return on sales after tax was 8.5% (previous year: 8.8%). Excluding special factors, profit after tax amounted to €581 million (previous year: €537 million). The corresponding return on sales after tax was 9.2% (previous year: 8.7%).

EARNINGS PER SHARE – DIVIDENDS

Earnings per share amounted to €2.33 (previous year: €2.35). Excluding special factors, earnings per share amounted to €2.53 (previous year: €2.33). These figures were calculated on the basis of the weighted number of shares bearing dividend rights (226,818,984). The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par value share bearing 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 note 17 “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 2014	(in € million)	2,799	973	1,437	5,209
Sales 2013	(in € million)	2,787	950	1,366	5,103
Change (organic)	(in %)	2.0	6.2	9.6	4.8
Change (nominal)	(in %)	0.4	2.4	5.2	2.1

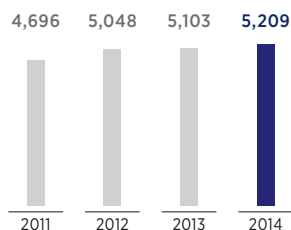
Sales by the **Consumer** Business Segment grew organically by 4.8% in 2014. The strong euro on average during the year led to a reduction of 2.6 percentage points in this figure as a result of negative effects from currency translation. Structural changes reduced growth by 0.1 percentage points. In nominal terms, sales therefore increased by 2.1% to €5,209 million (previous year: €5,103 million).

The healthy organic sales trend is proof of the systematic implementation of our corporate strategy as set out in our internal Blue Agenda program. Thanks to our strong innovations and outstanding marketing concepts, we increased our market share in both the saturated markets of Europe and the emerging mar-

kets, where we achieved double-digit growth rates in some cases. Our three core brands – NIVEA, Eucerin, and La Prairie – once again achieved very encouraging growth rates.

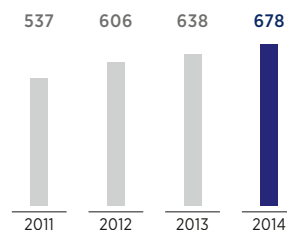
NIVEA achieved global organic growth of 6.2% in 2014. The key growth drivers were NIVEA Deo, NIVEA Shower, and NIVEA Body. In the NIVEA Deo category, Stress Protect – introduced in the previous year – and the launch of Powder Touch were particularly successful. The category was boosted by strong growth in the emerging markets. The launch of NIVEA Creme Care and Original Care was a significant growth driver for NIVEA Shower. Growth at NIVEA Body came from the successful expansion of the In-Shower product range.

CONSUMER SALES (IN € MILLION)



CONSUMER EBIT (IN € MILLION)

Excluding special factors



Overall, we gained market share in our core categories and a large majority of our key markets. In the NIVEA Deo category, we extended our market share in particular in Brazil and Australia. Growth in Brazil, Russia and Spain had a positive impact on our market share in the NIVEA Men category. In contrast, our market share in the NIVEA Sun category experienced a negative trend, with year-on-year declines in Switzerland, Germany, and Italy in particular. At the country level, our market share showed a particularly positive trend in Japan, Australia, Spain, and Brazil, whereas Poland experienced a negative development.

Our **Eucerin** brand generated organic growth of 6.0%. The Eucerin Body Care and the Eucerin Aquaphor categories made particularly strong contributions to this positive performance. Sales growth in the USA, Thailand, and France was particularly strong.

In the exclusive cosmetics segment, our **La Prairie** brand recorded an organic increase in sales of 5.1%. Growth was driven in particular by the launch of the Cellular Swiss Ice Crystal Collection and the continued positive performance of the Skin Caviar Collection. Sales growth in the USA, China, Russia, and Japan was particularly strong.

Results of operations in the European markets were very stable. Further investments in brand building and strengthening our position were made in the emerging markets, even though this led to losses in some markets.

EBIT excluding special factors was €678 million (previous year: €638 million), while the corresponding EBIT margin increased to 13.0% (previous year: 12.5%).

EUROPE

CONSUMER SALES IN EUROPE

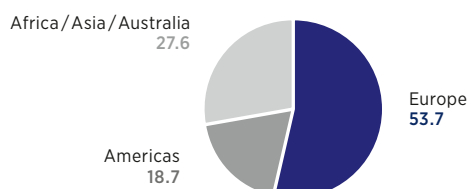
		Western Europe	Eastern Europe	Total
Sales 2014	(in € million)	2,244	555	2,799
Sales 2013	(in € million)	2,196	591	2,787
Change (organic)	(in %)	1.6	3.6	2.0
Change (nominal)	(in %)	2.2	-6.2	0.4

Organic sales in **Europe** were up 2.0% on the previous year. In nominal terms, sales increased by 0.4% to €2,799 million (previous year: €2,787 million).

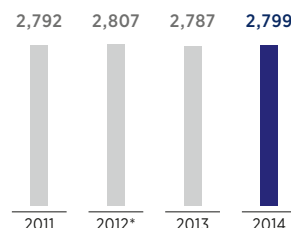
Sales in **Western Europe** rose 1.6% on the prior year. While strong sales growth was achieved in Germany, Spain, and the United Kingdom in particular, some of the markets in this region were unable to repeat their prior-year performance. Sales growth was largely due to our successful innovations. Sales of NIVEA Shower and NIVEA Deo performed well. Eucerin also saw strong growth.

Sales in **Eastern Europe** rose by 3.6%. Growth was mainly driven by the healthy trend in Russia, which recorded a rise in both sales and market share. In contrast, Poland experienced a decline in sales. La Prairie saw extremely strong growth in the region.

CONSUMER SALES BY REGION (IN %)



CONSUMER SALES IN EUROPE (IN € MILLION)



*The Turkish affiliate was reclassified from Western Europe to A/A/A in 2013 and the prior-year figures adjusted accordingly.

AMERICAS

CONSUMER SALES IN THE AMERICAS

		North America	Latin America	Total
Sales 2014	(in € million)	349	624	973
Sales 2013	(in € million)	334	616	950
Change (organic)	(in %)	4.6	7.1	6.2
Change (nominal)	(in %)	4.3	1.4	2.4

Organic sales in the **Americas** region rose by 6.2%. At €973 million, nominal sales were up 2.4% on the prior year (€950 million), largely due to exchange rate changes for the key South American currencies.

Sales in **North America** were up 4.6% on the previous year. NIVEA Body performed well and Eucerin saw strong growth.

Latin America saw sales growth of 7.1%, driven by excellent growth rates in Brazil and strong increases in most other key markets. NIVEA Deo, NIVEA Sun, and NIVEA Shower in particular performed extremely well across all markets. Growth rates were negatively impacted by developments in Venezuela and Argentina.

AFRICA/ASIA/AUSTRALIA

CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA

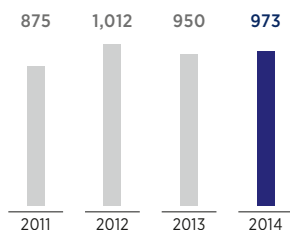
		Total
Sales 2014	(in € million)	1,437
Sales 2013	(in € million)	1,366
Change (organic)	(in %)	9.6
Change (nominal)	(in %)	5.2

The **Africa/Asia/Australia** region recorded a 9.6% increase in organic sales. The nominal increase was 5.2%, largely due to exchange rate changes affecting the Japanese yen, the Thai baht, and the South African rand. Sales amounted to €1,437 million (previous year: €1,366 million).

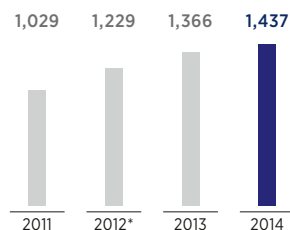
Although economic growth eased in a number of markets, including Thailand, Japan and China, many markets in this region, such as the Middle East and South Africa, generated good or extremely good growth rates. Weak sales

growth by our Chinese hair care brands in China negatively impacted the region's growth rate. By contrast, sales of NIVEA Deo and NIVEA Body performed particularly well. Eucerin saw extremely good growth.

CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



*The Turkish affiliate was reclassified from Western Europe to A/A/A in 2013 and the prior-year figures adjusted accordingly.

tesa

SALES – tesa BUSINESS SEGMENT

		Europe	Americas	Africa/Asia/Australia	Total
Sales 2014	(in € million)	622	143	311	1,076
Sales 2013	(in € million)	603	142	293	1,038
Change (organic)	(in %)	4.0	2.0	6.4	4.4
Change (nominal)	(in %)	3.1	0.5	6.3	3.6

Organic sales by the tesa Business Segment were up 4.4% on the previous year. Exchange rate effects reduced this figure by 0.8 percentage points. In nominal terms, sales therefore rose by 3.6% to €1,076 million (previous year: €1,038 million). EBIT increased to €183 million (previous year: €176 million). The EBIT margin was 17.0% (previous year: 16.9%).

tesa INDUSTRIAL BUSINESS

The industrial business performed very well in the past fiscal year, achieving organic sales growth of 4.5%. Both the direct customer business and the distribution business in all regions played a role in this. Business growth was significant in Asia, the USA, and Europe. In nominal terms, sales rose by 3.8% to €793 million (previous year: €764 million). The share of total sales accounted for by the industrial business amounted to 73.7% (previous year: 73.6%).

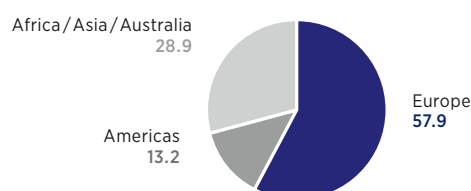
In the electronics industry business, tesa again generated significant growth, driven in particular by special adhesive strips and functional adhesive tapes. These products are essential in the industrial manufacturing process for mobile devices. For example, removable adhesive strips are used to mount batteries so that they can be changed easily and quickly. Functional adhesive tapes are used to shield and ground different voltages in the latest smartphones and tablets.

In the automotive area, there was a further increase from demand in Asia, North and South America, and Europe. Laser technology-based identification systems that are resilient against heat, abrasion, and chemicals – and that leave visible traces if there is any attempt at tampering – were particularly successful. Tape die cuts for hole covering in vehicle production also experienced high demand. These customer-specific bonding solutions optimize the production process and thus lower costs. tesa launched new products worldwide for cable fastening in vehicle interiors.

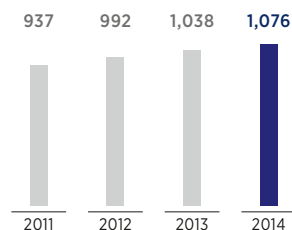
Sales of printing industry products showed encouraging growth. They were driven in particular by new variants of tesa's softprint solutions for flexographic printing. These softprint products are used to secure the printing plates to the printing cylinder. They are easy to fit and can be secured particularly soundly at critical points, thus ensuring the quality of the printing process. At the same time, these new product variants can now be removed more easily once the printing process is complete.

In its new Pharma business area, tesa more than doubled sales in the area of contract manufacturing of medicated plasters and fast-dissolving oral films, albeit from a still low base. New contracts were signed with customers, securing additional sales potential for the coming years. Moreover, tesa recorded a remarkable increase in order intake, both for development projects for patentable original pharmaceuticals and for generics for well-known customers. The Pharma business area's Transfilm®, Rapidfilm®, and Mucofilm® technologies have been well received by customers.

tesa SALES BY REGION (IN %)

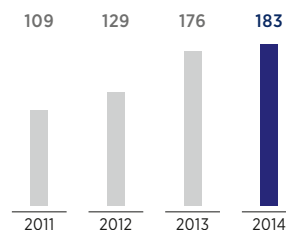


tesa SALES (IN € MILLION)



tesa EBIT (IN € MILLION)

Excluding special factors



Sales of our global anti-counterfeiting and anti-tampering products in the tesa scribos® business area saw a clear increase.

In the Building Supply business area, the products based on our patented ACX-plus technology continued their success story. The focus is on high-performance, weather-resistant, and particularly durable bonding solutions that can be used by the building industry both indoors and outdoors.

tesa CONSUMER BUSINESS

The consumer products and professional craftsmen business, which is focused on Europe and Latin America, performed well, with organic sales growth of 4.6%. In nominal terms, sales increased by 3.6% to €257 million (previous year: €248 million). As a result, the consumer business contributed 23.8% (previous year: 23.9%) of total sales by the tesa Business Segment in the period under review.

tesa expanded its market share in the two strategic business areas making up the consumer & craftsmen segment. This applied both to its DIY solutions and products for the office supplies and stationery sector in the consumer business and to its offering for professional craftsmen in the craftsmen business area.

Net Assets – Group

NET ASSETS (IN € MILLION)

Assets	Dec. 31, 2013	Dec. 31, 2014
Non-current assets	1,900	2,340
Inventories	733	786
Other current assets	2,181	2,228
Cash and cash equivalents	984	976
	5,798	6,330
Equity and liabilities	Dec. 31, 2013	Dec. 31, 2014
Equity	3,405	3,640
Non-current provisions	470	700
Non-current liabilities	142	73
Current provisions	527	466
Current liabilities	1,254	1,451
	5,798	6,330

Non-current assets increased by €440 million to €2,340 million (previous year: €1,900 million). Long-term securities were reclassified to current assets due to shorter maturities and new purchases were made. This item increased by €247 million to €1,041 million (previous year: €794 million). Capital expenditure on property, plant, and equipment, and intangible assets amounted to €301 million (previous year: €227 million). Of this amount, €201 million (previous

year: €147 million) related to the Consumer Business Segment and €100 million (previous year: €80 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. Group depreciation, amortization, and impairment losses amounted to €179 million (previous year: €106 million). This includes impairment losses of €67 million on our Chinese hair care brands.

FINANCING STRUCTURE (IN %)



Inventories rose by €53 million to €786 million (previous year: €733 million). Other current assets increased to €2,228 million (previous year: €2,181 million). This item includes short-term securities of €562 million (previous year: €791 million). Trade receivables increased by €173 million to €1,275 million (previous year: €1,102 million). Income tax receivables rose by €58 million to €113 million, while other current assets increased by €33 million to €170 million.

Cash and cash equivalents declined to €976 million (previous year: €984 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) remained almost constant at €2,527 million

(previous year: €2,529 million). Current liabilities to banks rose by €12 million to €52 million (previous year: €40 million).

Total non-current provisions and liabilities increased year-on-year to €773 million (previous year: €612 million). This change was caused by two offsetting effects. Provisions for pensions and other post-employment benefits rose to €627 million (previous year: €388 million) due to the lower discount rate, while deferred tax liabilities declined to €69 million (previous year: €134 million). Total current provisions and liabilities rose by €136 million to €1,917 million (previous year: €1,781 million) as a result of an increase in trade payables due to operational factors. The equity ratio was 58% (previous year: 59%). Non-current liabilities accounted for 12% (previous year: 10%) and current liabilities for 30% (previous year: 31%).

Financial Position – Group

CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2013	2014
Gross cash flow	648	598
Change in working capital	-119	-201
Net cash flow from operating activities	529	397
Net cash flow from investing activities	-139	-230
Free cash flow	390	167
Net cash flow from financing activities	-195	-192
Other changes	-45	17
Net change in cash and cash equivalents	150	-8
Cash and cash equivalents as of Jan. 1	834	984
Cash and cash equivalents as of Dec. 31	984	976

Gross cash flow amounted to €598 million in the period under review, down €50 million on the prior-year value.

The change in working capital led to an outflow of €201 million (previous year: €119 million). This comprised a €213 million increase in receivables and other assets and a €65 million increase in trade payables and current provisions. Inventories rose by €53 million.

The net cash outflow from investing activities amounted to €230 million in the period under review (previous year: €139 million). Net cash outflows from securities of €17 million, €55 million in interest and other financial income received, and proceeds of €33 million from the sale of property, plant, and equipment, and intangible assets were offset by capital expenditure of €301 million on property, plant, and equipment, and intangible assets.

Free cash flow was €167 million, down €223 million on the prior-year value (€390 million). The net cash outflow of €192 million from financing activities (previous year: €195 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financing expenses paid in the amount of €42 million.

Cash and cash equivalents amounted to €976 million (previous year: €984 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 2014 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 encouragingly strong growth rates. Group sales amounted to €6,285 million (previous year: €6,141 million). Organic growth amounted to 4.7% (previous year: 7.2%). After adjustment for special factors, EBIT amounted to €861 million (previous year: €814 million). The EBIT margin excluding special factors amounted to 13.7% (previous year: 13.2%).

The **Consumer** Business Segment made successful progress thanks to the systematic implementation of the corporate strategy, which is based on the Blue Agenda. This strategic compass aims to make Beiersdorf more competitive and to 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 further expanded its business both in the industrial markets and in the consumer business.

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

		Forecast for 2014 in 2013 Annual Report	Forecast for 2014 in H1 2014 Report	Forecast for 2014 in 9M 2014 Report	Result in 2014
Sales growth (organic)					
Consumer	(in %)	4–6	4–6	4–6	4.8
tesa	(in %)	slightly above market (2–3)	4	4	4.4
Group	(in %)	4–6	4–6	4–6	4.7
EBIT margin (excluding special factors)					
Consumer	(in %)	slight improvement	approx. 13	approx. 13	13.0
tesa	(in %)	slightly below prior year (16.9)	approx. 16	approx. 16	17.0
Group	(in %)	slightly above prior year (13.2)	above 13	above 13	13.7

At 4.8%, sales growth in the **Consumer** Business Segment was in the middle of the target range of 4–6% that was forecast for fiscal year 2014. The expansion of our impact and presence in the emerging markets was a particular contributing factor. The operating result (EBIT, excluding special factors) and the EBIT margin both increased in fiscal year 2014 as forecast.

The **tesa** Business Segment again recorded a positive performance in the past fiscal year. With sales growth of 4.4%, 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 2014.

Judgments by Management

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 driven the company's success for more than 130 years.

- The Consumer Business Segment develops innovative skin care products that are tailored to meet the needs and wishes of consumers worldwide.
- The tesa Business Segment develops top-quality self-adhesive system and product solutions, and is a world leader in its field.

At the end of 2014, 1,071 people were employed in Beiersdorf's Research and Development area (previous year: 990), 602 (previous year: 554) of whom were in the Consumer Business Segment and 469 (previous year: 436) in the tesa Business Segment.

Consumer

LEADING-EDGE SKIN CARE EXPERTISE

Beiersdorf is globally known for its leading-edge skin care expertise. Beiersdorf's scientists continually expand their knowledge of the complex skin processes using the latest internal and external scientific findings.

Research and development activities focused on skin aging processes and the development of ways to improve skin elasticity and firmness. The scientists discovered two major aging forces. One relates to the importance of the interaction between skin cells and the connective tissue (e.g. collagen) and skin aging. The other is the role of the protein Periostin in the formation of collagen and the

effect of UV exposure on periostin activity, which in turn reduces collagen formation and ultimately causes skin sagging.

Product safety and tolerability are of utmost importance. This is why Beiersdorf's scientists collaborate with external research groups to develop new methods of monitoring skin sensitization and preventing side effects. In 2014, a research consortium consisting of the Charité hospital in Berlin, a Berlin-based start-up, and Beiersdorf created the first functioning model of skin and liver. This model mimics the interaction between skin and liver cells by reproducing how substances are absorbed via the skin, transported by the blood, and broken down by the liver. The skin/liver organ model is an important first step on the way to producing a complex multi-organ model that could deliver an alternative toxicity screening method in the future.

Beiersdorf's scientists advance their research using pioneering scientific methodologies that push the limits of visualization and measurements of the skin and its properties. One good example is overcoming the limits of conventional microscopy by collaborating with Dr. Stefan Hell, the renowned Nobel Prize winner for Chemistry.

IN-DEPTH DIALOG WITH EXTERNAL INNOVATORS

Beiersdorf's Research and Development unit has integrated third-party knowledge since its inception. The Open Innovation initiative allows the company to involve leading research institutes, universities, and suppliers in its research and development activities at an early stage. Open Innovation combines two approaches:

- Technology scouting, a targeted search for ideas and solutions for Beiersdorf's unsolved research and development problems.
- The Pearlfinder initiative, launched in 2011. Researchers, institutes, and companies can present innovations on a secure online platform. This initiative enables Beiersdorf to build relationships with a growing number of new partners from a variety of industry sectors.

Pearlfinder staged the first Beiersdorf Innovation Pitch in 2014. This competition, organized in cooperation with the "in-cosmetics" trade fair, resulted in proposals from 67 exhibitors. The winning three ideas became active development projects for Beiersdorf and its chosen partners.

Further information on Pearlfinder can be found at
WWW.PEARLFINDER.BEIERSDORF.COM.

EXPANSION OF REGIONAL DEVELOPMENT LABORATORIES

In order to get even closer to consumers in its relevant markets, Beiersdorf continued its systematic regionalization of its production and development activities. In 2014, Beiersdorf expanded the Far East development laboratory in Wuhan, China, opened a new laboratory in Silao, Mexico, to meet the growing demand in the Latin American region, and laid the foundations for a new regional laboratory in Sanand, India, that will open in 2015.

RECOGNIZING AND MEETING CONSUMERS' NEEDS

Beiersdorf's top priority is to fulfill consumers' needs and ensure their safety.

For this purpose, Beiersdorf uses state-of-the-art consumer research methods. The data and information gathered from consumer feedback are used to supplement the company's scientific work when developing new products and adapting them to meet regional conditions and requirements. All products are subjected to intensive safety and efficacy testing before they are launched on the market. In the year under review, Beiersdorf conducted about 1,600 studies with approximately 36,000 participants in all regions.

INNOVATIONS

The Consumer Business Segment filed patents for 76 innovations in the year under review (previous year: 65) and its products repeatedly set significant new market trends. Key 2014 innovations included the following:

- **NIVEA Q10 plus Anti-Wrinkle Serum Pearls:** The use of this product's innovative pearl technology helps replenish the skin's own Q10 stores. The pearls' formula combines coenzyme Q10, hyaluronic acid, and creatine – three ingredients that are naturally present in skin – in a hydrogel suspension. The patented serum formula is freshly activated on dispensing the product: The pearls melt into the hydrogel to form a highly effective anti-aging serum that takes active anti-wrinkle skin care to a whole new level.
- **NIVEA In-Shower** products are among the most popular body care products. New varieties were added to the successful product range in 2014, including In-Shower Soft Milk and In-Shower Body Lotion Cocoa Indulging. To meet specific consumer needs in Asia, additionally two In-Shower Whitening products were launched.
- **NIVEA Sun In-Shower Refreshing After Sun Lotion** offers an innovative way to nourish and refresh the skin directly in the shower after sunbathing. The formula with cucumber extract supplies long-lasting moisture to skin stressed by exposure to the sun's rays, leaving it feeling refreshed and silky but non-sticky.
- Beiersdorf's **Eucerin Sensitive Skin In-Shower Body Lotion** is the first product of its kind in the pharmacy market. It was specially developed for sensitive skin. Used daily in the shower, its mild fragrance-free formula with 5% dexpanthenol strengthens the skin's natural protection. The result is easy-to-use sensitive skin care with an immediate moisturizing effect that makes the skin feel pleasantly soft.
- The products in the new **Eucerin UltraSENSITIVE** care range have been specially developed to treat hypersensitive facial skin. The formulas containing the innovative active ingredient SymSitive* have an immediate, long-lasting effect on unpleasant feelings of stinging or itchiness. The formulas are preservative-, alcohol-, and fragrance-free, soothe the skin, and strengthen its protective function. Special anti-contamination vacuum packaging provides additional protection for the pure formulas in the product range.

* Registered trademark of SYMRISE, Germany

- **Hansaplast Aqua Protect** is a waterproof Hansaplast plaster that keeps wounds 100% dry during washing and showering, bathing and swimming. The plaster's waterproof backing material is flexible and adapts itself to movement, so that it is very comfortable to wear. The new, especially strong adhesive material reliably protects the skin against water in particular, so that wounds can heal freely.
- In 2014, the **La Prairie Group AG** in Zurich, Switzerland, launched its unique, innovative **Cellular Swiss Ice Crystal Collection**. The product range consists of Cellular Swiss Ice Crystal Cream and Cellular Swiss Ice Crystal Dry Oil. The products contain extracts from especially robust Alpine plants. The formulas supply the skin with moisture and increase its resilience, helping it to protect itself against everyday stress factors and harmful environmental effects.

tesa

SOLVENT-FREE MANUFACTURING PROCESSES

In fiscal year 2014, research at tesa continued to focus on solvent-free manufacturing processes for adhesive tapes. tesa developed a process that allows reactive components to be incorporated into adhesive tapes without the need for solvents. These reactive adhesive tapes reach the required strength even at very low temperatures. This process, followed by subsequent hardening, means that it is now possible to bond even sensitive plastics and coated materials that previously could not be processed at normal temperatures.

ADHESIVE MASSES FOR TECHNOLOGICAL PROGRESS

Technological progress in mobile devices is leading to more stringent requirements for speaker membranes in smartphones and tablet PCs. In response, tesa developed laminates in fiscal year 2014 which combine outstanding acoustics with a long product life by bonding together multiple layers of special films with new types of adhesive masses that have special damping properties. In addition, mobile phone solutions were developed that stop housings from coming apart even when the phone is dropped and prevent water penetration.

ADHESIVE TAPES WITH ECOLOGICAL PROPERTIES

Products with special ecological properties require adhesive tapes that also possess the same properties. For example, new adhesive masses for use in compostable packaging systems were created in tesa's laboratories in the year under review. These can be combined with compostable film substrates to form a high-performance adhesive tape.

INNOVATIVE ADHESIVE TAPE SYSTEMS FOR THE AUTOMOTIVE INDUSTRY

Modern design technologies such as those employed in automotive engineering use materials that offer improved strength with less weight. However, traditional bonding techniques such as welding are no longer suitable for some of these materials. tesa has developed adhesive tape system technologies that can be used in supporting structures and that meet customers' requirements for strength, combinations of materials, and lightweight construction processes. These innovations are already being tested in initial concept studies for new car models.

For more information on research and development at Beiersdorf please visit 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 Beiersdorf's corporate culture and is strategically anchored in all its 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 the following 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 CO₂ emissions by 30% per product sold (base year 2005),
- reach and improve the lives of one million families (base year 2013).

In 2014, Beiersdorf continued to drive forward the implementation of projects in all three strategic areas throughout the company.

For example, Beiersdorf introduced a new global sustainability management system – "susy" (sustainability system) – in the year under review to measure progress towards its ambitious sustainability goals on an even broader basis and to facilitate reporting in accordance with GRI (Global Reporting Initiative) standards, among other things. Efficient and transparent data management enables Beiersdorf to respond dynamically to and accommodate constantly changing stakeholder demands, new European directives, and developments in the field of sustainability. In addition, improved control mechanisms ensure that these are optimally integrated with its internal processes.

PRODUCTS

Beiersdorf uses life cycle assessments (LCAs) to measure and reduce the environmental impact associated with each stage of the product life cycle. The assessment model complies with the independent ISO standards for LCAs (14040 and 14044) and covers raw materials, in-house manufacturing processes, transportation, product use, recycling, and disposal.

Beiersdorf made important progress in the year under review using LCAs: The new packaging for NIVEA Face Care products achieves CO₂ savings throughout the entire product life cycle since the jars are made out of two plastics, polyethylene terephthalate (PET) and polypropylene (PP). The LCA found that switching from glass to PET reduces the product's carbon footprint by up to 16%, and switching from glass to PP by as much as 28%.

Beiersdorf has also made further progress in transitioning to sustainable palm kernel oil. In addition to participating in the Roundtable on Sustainable Palm Oil (RSPO), the company is also active in the "Forum für nachhaltiges Palmöl"

(FONAP – the German Forum for Sustainable Palm Oil). By 2020, Beiersdorf intends to have converted the raw materials concerned to segregated or at least mass balanced palm (kernel) oil and derivatives. Until the changeover is complete, it will offset the share of raw materials that have not yet been converted with Green Palm certificates.

PLANET

In 2014, Beiersdorf rolled out a software program to calculate and manage its logistics emissions in Europe. The software is linked to susy, the new sustainability management system. Among other functions, it presents emissions for annual reporting purposes in accordance with the GRI and the Carbon Disclosure Project (CDP).

The new factory in Silao (Mexico) was awarded platinum Leadership in Energy and Environmental Design (LEED) certification, the highest sustainability standard for buildings, in the year under review. So far, only four production facilities worldwide have received platinum certification – the one in Silao is the only one to date in the Latin American region and the only one to date in the cosmetics industry. Beiersdorf aims to achieve gold LEED certification for the expansion of its factories in Chile and Thailand. The company has also been extending its “Blue Production Center” initiative to its production facilities in the Far East since 2013. The initiative focuses on energy and water efficiency, water treatment, and waste management.

Water is an increasingly scarce resource, not least in light of climate change and global population growth. This is why Beiersdorf attaches great importance to using water efficiently in its business activities and to continually reducing its water consumption. Unlike CO₂ emissions, water consumption is a regional issue. Some regions of the world do not have adequate access to drinking water. Beiersdorf has therefore launched its first local projects to assess water supply system risk and to implement appropriate measures.

PEOPLE

Beiersdorf aims to further improve workplace safety and to reduce the number of work-related accidents with its company-wide “zero accidents” initiative. For example, behavioral based safety (BBS) principles are being drawn up to make employees aware of possible sources of danger in the workplace and safe working practices – such as by defining clear behavioral patterns expressed in terms of “I will” and “I will not” rules. The concept was extended to include additional countries in 2014.

NIVEA supports families all over the world with long-term, locally relevant projects through its global “NIVEA cares for family” initiative. The initiative focuses on three areas:

- developing children's skills,
- supporting mothers,
- giving families the opportunity to spend time with each other.

The idea of strengthening families reflects Beiersdorf's tradition of social engagement and the core values of all of Beiersdorf's brands, especially NIVEA.

Children's experiences in the first few years of life are central to their development. NIVEA Brazil has launched a partnership with children's charity Plan International that aims to help around 85,000 families in Brazil by 2020. Among other measures, the initiative offers workshops for parents on topics such as motivation, and gives women the opportunity to obtain advice on income security. It is also building recreational facilities to encourage families to play together. Many of these projects are being supported by NIVEA volunteers. The partnership is scheduled to last for seven years and is initially starting in São Paulo and Itatiba before being extended to northeast Brazil. It will be reviewed annually for efficiency and sustainability.

Hansaplast/Elastoplast cooperates with local Red Cross organizations around the world to strengthen everyday first aid under the motto “Bringing First Aid Home.” Germany, France, the United Kingdom, Canada, the Netherlands, Austria, and Spain are already participating in the initiative. Hansaplast has been working with the German Red Cross since September 2014 under the motto “Erste Klasse – Erste Hilfe” (“First Grade – First Aid”). The partnership aims to familiarize elementary school children with basic first aid measures and to foster a desire to help at an early age.

Additional information can be found at WWW.BEIERSDORF.COM/SUSTAINABILITY.

tesa

HIGH LEVEL OF ENVIRONMENTAL PROTECTION

In 2014, tesa's priorities were again to make a significant contribution to social development and to enhance the company's environmental management system. tesa has been systematically establishing its environmental management system since 2001 and regularly exceeds its environmental protection goals. For example, its production locations around the world have cut emissions of volatile organic compounds (VOCs) by more than half since 2001 and have significantly reduced the amount of waste produced, CO₂ emissions, and solvent usage. All of the company's production facilities are certified in accordance with ISO 14001, the international environmental standard.

tesa's environmental management activities continued to focus on reducing energy consumption and CO₂ emissions in the year under review. Energy management at tesa's Hamburg and Offenburg locations was boosted by the installation of state-of-the-art energy monitoring systems. Offenburg has generated its own environmentally friendly electricity from a combined heat and power plant since July 2014, and Hamburg is expected to follow suit starting in 2015. The energy management systems at both locations are to be certified according to ISO 50001 in the first quarter of 2015.

tesa actively identifies and determines the ecological value drivers in the production process. The eco-balance method is used to analyze the environmental impact of individual products throughout their life cycle in order to further enhance their environmental compatibility. In the process, tesa constantly searches for more environmentally friendly alternatives for certain product components or packaging.

SPONSORSHIP OF UNESCO BIOSPHERE RESERVE AND COOPERATION IN SOCIAL PROJECTS

tesa completely refocused its social engagement in the year under review following an employee survey. The company provides donations, financial support, and sponsorship under the motto “tesa connects.” In addition, employees support charitable projects outside of their day-to-day work: In 2014, tesa employees contributed to social causes (“tesa helps” and “tesa donates”), education (“tesa fosters”), and environmental protection (“tesa protects”):

- For example, “tesa helps” aids social causes by supporting social, environmental, and cultural organizations in cooperation with the Hamburg association “Initiative tatkräftig e.V.” Seven teams with a total of around 100 employees participated in this initiative in 2014.
- “tesa donates” contributes to causes such as Typhoon Haiyan in the Philippines or the “Heroes Race” (“Course de Héros”) in France with donations in kind and with money.
- Under “tesa fosters,” the company contributes its technical expertise for educational purposes by cooperating with the “Initiative Naturwissenschaft und Technik” (Science and Technology Initiative, NAT). tesa’s experts give pupils in Hamburg an insight into different vocational fields and career paths at the company.
- Under “tesa protects,” tesa volunteers help to protect the UNESCO biosphere reserve in Lower Saxony’s Elbe Valley as part of a long-term partnership (corporate volunteering). tesa employees are helping to maintain this highly biodiverse, environmentally sensitive floodplain landscape with a range of activities.

All tesa’s activities are documented in an annual progress report that is available at WWW.TESA.COM/RESPONSIBILITY.

Employees

ONE TEAM WHERE EVERYONE COUNTS

The Beiersdorf Group employed 17,398 people worldwide at the end of 2014 (previous year: 16,708). Of this figure, 5,860 (previous year: 5,696) or 34% (previous year: 34%) were employed in Germany. 13,317 people worked in the Consumer Business Segment (previous year: 12,890), and 4,081 in the tesa Business Segment (previous year: 3,818).

Consumer

THREE BASIC PRINCIPLES OF GLOBAL PEOPLE PRACTICES

Beiersdorf’s Human Resources practices follow three basic operating principles. Firstly, the continuous strengthening of global HR standards and processes. Secondly, the delegation of decision-making to the lowest possible level, encouraging local HR professionals to take ownership and initiative. Thirdly, building and sustaining a long-term trustful relationship with the company’s employees and their representatives.

STRENGTHENING THE FUNDAMENTALS OF AN ENGAGING WORKING ENVIRONMENT

The Blue Agenda emphasizes the importance of the people at Beiersdorf for the company’s long-term success: they manage strong brands, develop innovative products and inspire consumers around the world. Therefore, strengthening an engaging working environment remained a top priority also in 2014, including the following focus areas:

- Introducing Beiersdorf’s Core Values as long-term company culture project
- Sustaining the efforts to foster an open feedback culture
- Extending diversity engagement
- Supporting company-wide social collaboration
- Improving Beiersdorf’s global talent management system
- Introducing a new leadership development architecture

INTRODUCING BEIERSDORF’S CORE VALUES AS A LONG-TERM COMPANY CULTURE PROJECT

Beiersdorf’s four Core Values – Care, Simplicity, Courage and Trust – are deeply rooted in its more than 130 years of corporate history. The employees’ high level of identification with these values provides an excellent opportunity to debate, review, and improve leadership quality and management effectiveness. 2014 marked the starting year of this long-term culture project with the active participation of all units and all employees. The Core Values have also already been incorporated into Beiersdorf’s continuous Employee Dialog process and its global leadership development programs.

SUSTAINING THE EFFORTS TO FOSTER AN OPEN FEEDBACK CULTURE

Beiersdorf conducted its global employee engagement survey for the second time in 2014. This year, a record 92% of employees took part in the survey and the overall employee engagement index increased significantly against the previous year. Results were openly presented throughout the company and discussed in more than 1,000 teams, with follow-up activities being facilitated and their implementation monitored by the local HR departments.

EXTENDING DIVERSITY ENGAGEMENT

Diversity is a strong asset that contributes to Beiersdorf's global success. In 2014, Beiersdorf continued its systematic global diversity action program launched in 2013.

On gender diversity, Beiersdorf's mentoring and networking programs promoting women's career development continued into a second wave. In practice, the first examples of job sharing at managerial level have been progressing successfully. Beiersdorf is well on its way to increasing the percentage of women in management positions in Germany to 30% by 2020: At the end of 2014, this figure stood at 27.5% (previous year: 25.5%).

On international diversity, Beiersdorf further increased the number of international employees at its Hamburg headquarters to 13% by the end of 2014 (previous year: 12%). The number of senior managers with international experience remained on a high level: about half of them have long-term overseas working experience.

SUPPORTING COMPANY-WIDE SOCIAL COLLABORATION

In 2013, Beiersdorf created BluePlanet – an internal platform for communication and collaboration that makes cross-border and cross-functional teamwork more efficient. In its first full year, BluePlanet has already become a vital part of employees' work life, with an average of 6,000 active users per month.

IMPROVING BEIERSDORF'S GLOBAL TALENT MANAGEMENT SYSTEM

Global talent management is a strategic priority: talent and people development is an integral part of every Executive Board meeting. Talent development at Beiersdorf consists of a variety of face-to-face exchanges such as coaching, mentoring, or round table events. In addition, annual "Talent Days" are held in which young executives discuss current business issues directly with the Executive Board. In 2014, process integration was the centerpiece of improvement initiatives: Firstly, the integration of all essential aspects of career development into one documented process chain covering performance, potential, individual development, and career planning. Secondly, the integration of local, regional, and global activities, creating a single, streamlined global process.

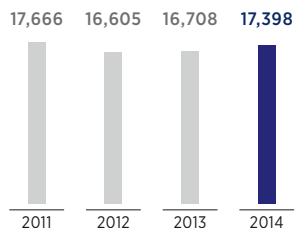
INTRODUCING A NEW LEADERSHIP DEVELOPMENT ARCHITECTURE

Beiersdorf's leadership development concept consists of on-the-job learning, mentoring and coaching, and classroom training elements. It puts particular emphasis on authenticity and self-reflection, decoding leadership into the management of human relationships. In 2014, two newly-designed development programs were launched in conjunction with the Core Value initiative: a "Base Camp" for first-time leaders and a "Step-up Camp" for middle and senior level managers. Both programs combine face-to-face modules with complementary coaching and experiential learning in-between over a total period of six months, and also closely involve the participants' team leaders.

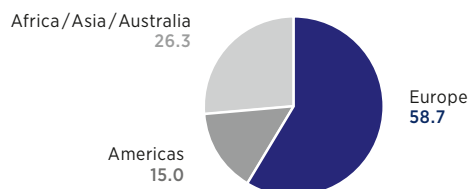
PEOPLE-ORIENTED WORKFORCE MANAGEMENT DAY-BY-DAY

Throughout 2014, many remarkable local and regional people initiatives brought Beiersdorf's philosophy of care and trust to life. In view of the high youth unemployment rate in southern Europe, Beiersdorf set up a program to hire 30 young academics in addition to its business plan. More than 70% of this group were offered permanent contracts in 2014 to continue their work. Many countries were hit hard by economic, political, and public health crises in 2014. Beiersdorf was able to maintain a high level of organizational stability in these cases through responsive and responsible HR practice. In Wuhan, China, Beiersdorf further extended its regional development capacities. In Brazil, Beiersdorf was one of the country's TOP 150 employers* for the third year in a row. In Mexico, the construction of a new production facility and the relocation of the existing plant from Vallejo to Silao affecting more than 900 employees, was successfully completed. In Germany, 30 students out of about 400 applicants from all over Europe came to Hamburg in November 2014 to participate in Beiersdorf's first "International Internship Challenge" for three fully sponsored internship positions at Beiersdorf affiliates worldwide. This marked a successful shift towards a new approach in communicating with young talents: Instead of simply giving presentations on university campuses, Beiersdorf opens its offices, labs, canteen, and kindergarten and establishes an open dialog between employees and students.

GROUP EMPLOYEES as of Dec. 31



EMPLOYEES BY REGION (IN %) as of Dec. 31; total 17,398 employees



* Voce S/A Guide – Best Companies to Work for, FIA – Fundacao Instituto de Administracao (October 2014)

tesa

tesa KEY COMPETENCIES MODEL

The focus of Human Resources work in the year under review was the launch of the new competency model. For the first time this took the form of a uniform competency model for all tesa employees and managers worldwide that will serve as the basis for recruitment, training, succession planning, and promotion in the future. It was developed with extensive international involvement from many employees and was met with great interest across the company. tesa intends to use the model to further professionalize succession planning and to promote and enhance the company's open culture in line with the tesa Strategy 2020. Together with its employees, tesa identified the key competencies required in order to achieve its corporate goals going forward and to clearly differentiate tesa from the competition. In order to ensure that these new ideas are also incorporated into employee management, the competency model will be integrated into the annual employee dialog worldwide.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Under the heading of "inpat management" – part of its internationalization policy – tesa aims to enable a growing number of high flyers from its international affiliates to learn about tesa's corporate culture at Group headquarters for a period of six months to three years. Employees receive a systematic program featuring comprehensive support and culture-specific induction, so that they quickly adapt to the different conditions at their new workplace and place of residence. The number of employees who are taking advantage of or are interested in this offer is rising all the time, and the feedback from the program is extremely positive.

CONSTRUCTION OF NEW tesa HEADQUARTERS

In the year under review, tesa SE's employees in Hamburg prepared for the upcoming move to the company's newly constructed headquarters in Norderstedt, which also features an integrated research and technology center (the "one tesa" project). The move is scheduled to take place in 2015 and is a milestone in the company's long-term growth. Consolidating the business units and the Research and Development function in a single space should significantly contribute to tesa's ability to respond more quickly and flexibly to market requirements from 2015 onwards. A large number of design details regarding the new working environment were agreed with employee representatives in the year under review. The design and layout of the building was based on a modern employer branding concept, which positions tesa as an attractive employer.

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. Our risk management structures and workflows are documented in a dedicated manual.

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 and controls reduce the probability of errors occurring and uncover any that are made at an early stage. Among other things, the measures include the separation of functions, manual and IT-based approval processes using the dual control principle, 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 most of its affiliates. The basic principles and processes and the reporting structure for Group accounting are documented in an accounting and financial control 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 – which serves as the Executive Board's financial control function – monitors risk management and the internal control system by means of systematic and regular audits. The department is independent of the Group's operating activities, and uses a risk-based approach to reviewing 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. Both the Internal Audit department and the external auditors 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.

Our management focus on the long-term success of our market activities ensures that we invest in promising markets in terms of both products and regions. At the same time, we ensure that we are generating the funds needed for this in the long term.

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. 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 27 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. However, no conclusive assessment of the risk from the Group perspective is possible at present.

External tax audits can result in additional tax payments at individual companies, potentially with additional financial penalties and interest payments.

Further information on the extent of the legal risks described above can be found in Note 28 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, has 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 60.69% (including 9.99% own shares held by Beiersdorf Aktiengesellschaft, which do not bear 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, rights to subscribe for new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);
3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price of the new shares 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 disapplied 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 bear 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 see only moderate improvement in 2015. We expect that this trend will be driven mainly by the industrialized nations, while growth in the emerging markets will continue to lose momentum. Tapering of bond sales and a planned increase in key interest rates by the US Federal Reserve, coupled with developments in the current crisis regions, are causing substantial uncertainty as regards global economic growth.

In **Europe**, we expect growth in 2015 to be up slightly on the prior year. Since the economic recovery in the eurozone is only progressing slowly, necessary reforms and structural adjustments will continue to restrict the potential for growth in some countries. Besides the uncertain effects of tapering by the US Federal Reserve, factors that could put the recovery at risk include ongoing high unemployment in many countries, the lack of appetite for reform in certain European countries, and geopolitical unrest. Overall, we anticipate a relatively muted trend due to the still weak economy in some countries.

In **Germany**, we expect growth to outstrip that in the rest of Europe in the coming year, and that it will continue to be 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 2015. Consumer spending is set to rise as a result of the further decline in unemployment. The increased confidence of American companies and the favorable economic environment are likely to be reflected in an increase in capital expenditure. However, tapering of bond sales and the planned increase in interest rates are a source of uncertainty for the economy and the financial markets.

In **Japan**, we expect growth to be on a level with the previous year. The Bank of Japan's continued expansionary monetary policy and the cheap yen are likely to have a positive impact on foreign trade.

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 more challenging. In India, we expect to see slightly higher growth than in the previous year, with continued high single-digit 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. The Russian economy is being impacted by the fall in oil prices, the fall of the ruble, and the results of sanctions.

Procurement Market Trends

Lower oil prices will cut purchase costs for the oil refining industries. However, as the prices of the refined materials are most strongly affected by supply and demand in their respective markets, we expect only a limited positive impact on procurement costs. The current weakness of the euro on the currency market is countering this trend slightly. In 2014, Beiersdorf stepped up its efforts across all its functions to identify and implement cost reduction opportunities. These activities will be continued in 2015, with the aim of largely keeping purchase costs constant.

Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will remain at the prior-year level in 2015. We continue to expect low but stable growth in the major European and North American markets. The emerging markets will make a positive contribution to overall performance, although momentum is likely to ease year-on-year.

Geopolitical risks and their impact on macroeconomic sentiment will dominate tesa's markets for the long term, especially in Europe. However, we expect stable growth in Europe overall, although the Ukraine conflict may continue to have a negative effect on Eastern European markets in particular. By contrast, North America is expected to gain significant momentum from the automotive industry in particular, while the growth of the electronics industry in Asia should also have a positive impact.

Our Market Opportunities

Market performance will remain mixed in 2015 and competition will continue to increase in some markets. The corporate strategy set out in the Blue Agenda will allow us to meet the challenges of tomorrow and hence to 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 aim to drive this process by strengthening our brands – especially NIVEA, Eucerin, and La Prairie – and boosting our innovation power. This analysis underpins our planning for 2015.

We will build on our sound financial structure and strong earnings position together with our dedicated and highly qualified employees to continue exploiting future opportunities 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.

In tesa's opinion its electronics industry business will remain attractive, with significant growth rates predicted again for 2015. However, its project-based nature means that the risks involved also remain. The automotive area will maintain its status as a second growth market for global customers. The Pharma business will also continue to perform well.

Business Developments

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

In light of the macroeconomic forecasts, Beiersdorf is expecting sales growth in the **Consumer** Business Segment to outperform the market in fiscal year 2015, at 3–5%. A comparatively weak start to fiscal 2015 is expected given the strong first quarter in 2014. The EBIT margin from operations is expected to slightly exceed the prior-year figure.

In the **tesa** business segment, we are also predicting sales growth of 3–5% for 2015. 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 3–5%. The consolidated EBIT margin from operations should slightly exceed the prior-year figure.

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 3, 2015
Beiersdorf AG

The Executive Board