

2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board (§ 15 of the Articles of Association) takes into account the responsibilities and scope of tasks of the individual members of the Supervisory Board as well as the company's economic situation.

In addition to being reimbursed for cash expenses, Supervisory Board members also receive a fixed and a variable dividend-based remuneration component, which is geared towards sustainable enterprise performance, and attendance fees for Supervisory Board and committee meetings. The Chairman of the Supervisory Board receives two-and-a-half times the standard Supervisory Board remuneration and his two deputies each receive one-and-a-half times the standard Supervisory Board remuneration. Members of committees – with the exception of the Nomination Committee and the committee set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*) – receive additional compensation for their work in these committees. If a member of the Supervisory Board simultaneously holds several offices for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying office.

The fixed remuneration component per Supervisory Board member is €40,000 for each full fiscal year. The variable remuneration is €1,000 for each cent by which the dividend per share exceeds €0.25. 40% of this will be paid out after the actions of the Supervisory Board member in question have been approved by the Annual General Meeting for the fiscal year for which remuneration is being paid (initial year). The remaining amount will be paid out following the Annual General Meeting to which the annual financial statements for the third fiscal year following the initial year are submitted, insofar as the average dividend for the initial year and the three following fiscal years is not lower than the dividend for the initial year. Interest in line with current market rates will be paid on this amount until such time as it is paid out. Furthermore, members of the Supervisory Board and committees receive an attendance fee of €1,000 for participating in full at a meeting of the Supervisory Board or committee and €500 for participating in the majority of a meeting.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN FISCAL YEAR 2015 (IN €)^{1/2}

	Fixed ³		Total Variable		Long term Variable (60%)		Total	
	2014	2015	2014 ⁴	2015 ⁵	2014	2015	2014	2015
Dr. Andreas Albrod	71,000	69,000	45,000	45,000	27,000	27,000	116,000	114,000
Frank Ganschow	32,384	45,000	31,932	45,000	19,159	27,000	64,316	90,000
Michael Herz	68,500	67,000	45,000	45,000	27,000	27,000	113,500	112,000
Thomas Holzgreve (Deputy Chairman until August 31, 2015)	74,000	47,945	67,500	44,938	40,500	26,963	141,500	92,883
Thorsten Irtz (Deputy Chairman)	68,000	67,500	67,500	67,500	40,500	40,500	135,500	135,000
Matthias Locher	32,384	45,000	31,932	45,000	19,159	27,000	64,316	90,000
Dr. Dr. Christine Martel	76,384	88,000	45,000	45,000	27,000	27,000	121,384	133,000
Tomas Nieber	64,192	69,000	45,000	45,000	27,000	27,000	109,192	114,000
Isabelle Parize	30,884	42,500	31,932	45,000	19,159	27,000	62,816	87,500
Frédéric Pflanz (from September 1, 2015, Deputy Chairman)	-	24,055	-	22,562	-	13,537	-	46,617
Prof. Dr. Reinhard Pöllath (Chairman)	114,000	110,500	112,500	112,500	67,500	67,500	226,500	223,000
Prof. Manuela Rousseau	47,000	45,000	45,000	45,000	27,000	27,000	92,000	90,000
Poul Weihrach	30,884	41,000	31,932	45,000	19,159	27,000	62,816	86,000
Total	773,379⁶	761,500	639,804⁶	652,500	383,881⁶	391,500	1,413,183⁶	1,414,000

¹ Subject to the resolution of the Annual General Meeting on March 31, 2016, concerning the dividend to be distributed for 2015 in accordance with the proposal for a dividend of €0.70 per share.

² Presented exclusive of value added tax.

³ Fixed remuneration component and remuneration for membership of Supervisory Board committees (including attendance fees).

⁴ The figure contains the long-term portion (60% – see separate column) of the variable Supervisory Board remuneration that will be paid out after the 2018 Annual General Meeting if the preconditions for payment are met (plus interest in accordance with § 15 (1) of the Articles of Association, if applicable).

⁵ The figure contains the long-term portion (60% – see separate column) of the variable Supervisory Board remuneration that will be paid out after the 2019 Annual General Meeting if the preconditions for payment are met (plus interest in accordance with § 15 (1) of the Articles of Association, if applicable).

⁶ These totals additionally include the following payments made to members of the Supervisory Board who left in 2014 for activities in fiscal year 2014: Prof. Dr. Eva Eberhartinger – fixed: €25,452, variable: €13,192 (long-term variable: €7,915), total: €38,644; Elke Gabriel – fixed: €15,726, variable: €13,192 (long-term variable: €7,915), total: €28,918; Thomas-B. Quaas – as contractually agreed, Thomas-B. Quaas' Supervisory Board remuneration was offset against his total annual remuneration of €965 thousand from his former Executive Board activities; Volker Schopnie – fixed: €22,589, variable: €13,192 (long-term variable: €7,915), total: €35,781.

Members of the Supervisory Board did not receive any loans or advances from the company, nor were any contingent liabilities entered into in their favor. In addition, members of the Supervisory Board did not receive any compensation or benefits for services provided on a personal basis, such as advisory or agency services.

3. GROUP MANAGEMENT REPORT

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Beiersdorf's Brands

Every day, millions of consumers worldwide 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 local requirements. The ongoing development of our strong brands is the basis for this closeness to consumers and markets, and hence for Beiersdorf's sustainable 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

Beiersdorf aims to be the No. 1 skin care company in its relevant categories and markets. The Blue Agenda sets the strategic direction to achieve this goal and fully leverage the growth potential of our strong brands. It consists of the following strategic focuses:

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

The Core Values describe what Beiersdorf stands for and shape the work of each one of our employees: Care, Simplicity, Courage, and Trust. During the year under review, we further substantiated our strategic framework. We defined the topics that Beiersdorf will focus on in the next few years in order to ensure the company's sustainable success: people, brands, innovations, localization, digitalization, sales, and efficiency.

The performance of our business shows that our strategy is paying off. Beiersdorf picked up further momentum in the reporting period and continued its profitable growth path. Earnings excluding special factors hit a record level in 2015, as did the EBIT margin. With strong brands, product innovations, and an increased presence in emerging markets, the company gained further market share and built on its strong position.

BRANDS

The strength of our brands, and particularly of NIVEA, plays a decisive part in our economic success. Beiersdorf's brands embody trust, quality, and consistency, and precisely meet consumers' needs. In our core business of skin care, for example, NIVEA was again voted Europe's most trusted brand in 2015*. Our disciplined brand strategy has managed to sustainably expand our brands' impact. The good performance of NIVEA, Eucerin, and La Prairie over the past fiscal year clearly underlines this success.

INNOVATIONS

In order to further increase its innovation capacity, Beiersdorf is pursuing a long-term strategy that is clearly aimed at sustainable growth. This means introducing new products with great potential to be future growth drivers, as well as extending innovation cycles to make optimum use of the growth of our major innovations. Combining these two aspects is key to Beiersdorf's success, as is reflected in the development of innovations in the year under review. The all-purpose skin creams introduced in 2015 – NIVEA Care and NIVEA MEN Creme – are the result of the latest skin care research technologies and offer outstanding value for money. With these two entry-level skin care products, we are not only tapping new consumer groups for our most important core brand, but are also once again setting new market trends. The figures in 2015 underline the potential of both creams to drive long-term growth: they achieved double-digit market share in many markets only a short time after their launch.

Major innovations such as NIVEA Deo Black & White, NIVEA Body In-Shower, NIVEA Face Cellular Anti-Age, and NIVEA Face Q10 Pearls saw continued growth and significantly contributed to the success of the business in 2015. This consistently strong performance shows that our products not only deliver outstanding quality, but unique added value for our consumers, too.

MARKETS

In order to market products successfully, having a precise knowledge of consumers' specific needs is essential. When it comes to customers' expectations of products, there are sometimes major differences from region to region. Being close to consumers at a local level is crucial in order to incorporate changing expectations into product development flexibly and quickly. This is the only way to secure market share in the long term. In the year under review, Beiersdorf continued its targeted investments in local development and production capacity in order to further improve our presence and impact in important emerging markets. We were also able to further build on our strong position in the established European and North American markets.

India is an important growth market for Beiersdorf. The opening of a production facility and regional laboratory in Sanand in May 2015 has given us greater proximity to Indian consumers. The facility was completed just one and a half years after the decision to build it was made. It manufactures various care products in mini bottles and sachets: the perfect match for Indian consumers' requirement for good value products in small packaging units.

PEOPLE

The successes of 2015 are first and foremost the achievement of our committed employees. We worked together over the reporting period to further simplify our cost structures and processes, putting the company on a considerably more efficient foundation. In the coming years, we will focus on further improving Beiersdorf's competitiveness and impact.

In order to integrate the culture of feedback and dialog even more closely into the day-to-day work of every employee, we launched a brand new dialog format in 2015: "CEO Direct" is a moderated question and answer session, in which the Chairman of the Executive Board regularly takes questions from employees on a particular focus issue.

tesa Business Segment

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.

* Reader's Digest, European Trusted Brands Study, 2015

- o 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, including construction.
- o 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 tesa film adhesive tape, these include innovative solutions for insulation, painting and masking, repairing, packaging, and mounting, as well as household insect-protection products.
- o 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, there are regional areas of responsibility. The Executive Board is closely involved in the company's operational business in particular through the allocation of responsibilities for the regions and markets. A breakdown of the Executive Board's areas of responsibility can be found in the chapter "Beiersdorf AG Boards" of the Notes to the Consolidated Financial Statements. The tesa Business Segment is managed as an independent subgroup.

Information on the remuneration of the Executive and Supervisory Boards 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 – organic sales growth in conjunction with market share, EBIT, and the EBIT margin before special factors (the ratio of EBIT to sales) – are derived from this. The aim 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 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. Formal adoption by the Executive Board and Supervisory Board of the Group's planning for the following year is generally 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.

In addition to the key financial performance indicators shown above, the company employs a number of non-financial indicators that are described in the chapters "Research and Development," "People at Beiersdorf," and "Sustainability" of the Group Management Report.

Economic Environment

General Economic Situation

Global economic growth in 2015 was at the previous year's level. However, the outlook increasingly deteriorated over the course of the year as a result of weak growth in emerging markets. While economic performance further improved in industrialized countries, commodity-rich emerging markets were hit by lower energy and commodity prices.

The **European** economy continued its recovery and achieved slightly higher growth than in the previous year on the back of comparatively low commodity costs, the depreciation of the euro, and the low interest rate level. Growing demand within the eurozone compensated for a fall in demand from emerging markets.

The **German** economy benefited from the healthy labor market, low interest rates, and positive consumer sentiment. However, the advancing slowdown in key emerging markets and falling demand in China adversely affected performance. Overall, the German economy experienced moderate growth.

The economy in the **United States** recorded a positive performance in 2015. Growth was bolstered by the positive trend on the labor market and rising domestic demand. There was a moderate key interest rate increase in December.

Japan saw only moderate economic growth in 2015. The economy was affected by weak domestic demand and the economic slowdown in China.

The picture in the **emerging markets** was mixed. Economic growth in **China** fell short of expectations in 2015. The growth rate was at its lowest since 2009. Rising concern about a downturn caused the overheated Chinese stock market to crash. Reforms in **India** had a positive effect on economic development. The country's export momentum declined, however. In **Brazil**, the economic situation remained difficult due to poor domestic demand and low commodity prices. The country's output fell.

The ongoing geopolitical conflict between Russia and Ukraine, and the rapid drop in crude oil prices, led to a recession and hit the region's development.

Sales Market Trends

The global growth rate in the cosmetics market – the market relevant for Beiersdorf – was at the prior-year level. The Asia and Latin America regions were the main growth drivers. The saturated markets in North America and Western Europe continued on the previous year's growth path. Southern Europe saw an easing of the negative trend.

In the industrial sales markets relevant for tesa, 2015 was marked by stable growth in Europe and America together with a sharp slowdown in some cases in the largest Asian markets. Eastern European and Latin American countries were growth drivers. The trend in North America was also positive.

Procurement Market Trends

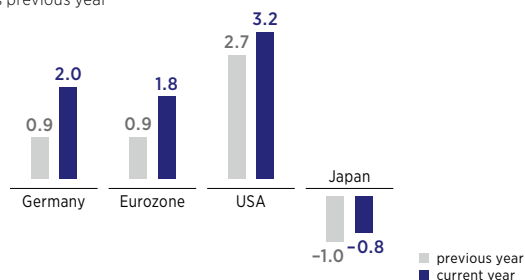
In 2015, raw material and packaging prices overall moved slightly lower. The commodity environment was generally favorable, especially concerning the oil price development. However, as the prices of the refined materials and plastic resins are most strongly affected by supply and demand in their respective markets, only a limited positive effect on procurement costs emerged.

Some material market prices remained very robust. In particular the markets for palm oil derivatives and for plastic resins on the European market were very resilient.

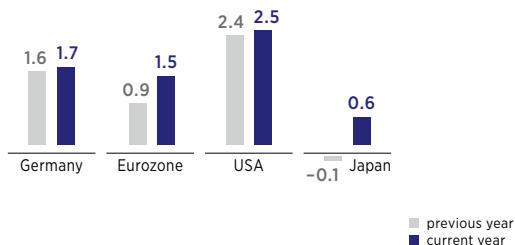
Overall Assessment of the Economic Environment

Macroeconomic growth in 2015 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. The tesa Business Segment slightly increased its sales in 2015. While the market for consumer electronics stagnated, the automotive industry performed well. The US market also saw a positive trend and drove growth along with Europe. At the same time, market conditions in China worsened as a result of the local economic situation. The consumer market in Europe has seen further improvement year-on-year.

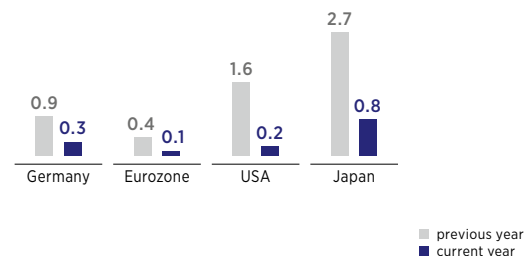
CONSUMER SPENDING (IN %)*
Change versus previous year



GROSS DOMESTIC PRODUCT (IN %)*
Change versus previous year



INFLATION RATE (IN %)*
Change versus previous year



Results of Operations, Net Assets, and Financial Position

Results of Operations – Group

INCOME STATEMENT (IN € MILLION)

	2014	2015	% change**
Sales	6,285	6,686	6.4
Cost of goods sold*	-2,671	-2,785	4.3
Gross profit*	3,614	3,901	7.9
Marketing and selling expenses*	-2,300	-2,430	5.6
Research and development expenses	-168	-183	9.2
General and administrative expenses	-330	-366	10.9
Other operating result (excluding special factors)	45	40	-
Operating result (EBIT, excluding special factors)	861	962	11.6
Special factors	-65	-	-
Operating result (EBIT)	796	962	20.8
Financial result	15	6	-
Profit before tax	811	968	19.2
Income taxes	-274	-297	8.2
Profit after tax	537	671	24.9

* Change in presentation (cf. p. 54, Significant Accounting Policies).

** Percentage changes are calculated based on thousands of euros.

SALES

Organic Group sales in 2015 were up 3.0% on the prior-year figure. The Consumer Business Segment grew by 3.6%, while tesa generated a sales increase of 0.4%. Nominal Group sales rose by 6.4% as against the previous year, to €6,686 million (previous year: €6,285 million).

In **Europe**, organic sales were up 1.3% on the prior year. In nominal terms, sales amounted to €3,447 million (previous year: €3,421 million), 0.8% higher than the prior-year figure.

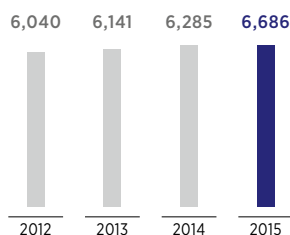
Organic growth in the **Americas** amounted to 8.1%. In nominal terms, sales increased by 11.4% to €1,243 million (previous year: €1,116 million).

The **Africa/Asia/Australia** region reported organic growth of 3.1%. In nominal terms, growth of 14.1% to €1,996 million was achieved (previous year: €1,748 million).

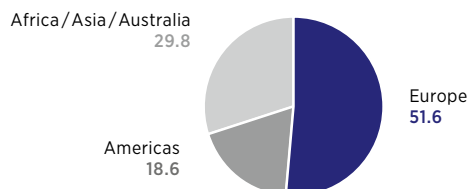
EXPENSES / OTHER OPERATING RESULT

Cost of goods sold rose by 4.3%, and hence not as fast as sales. Projects to enhance efficiency in production and logistics, the favorable trend in commodity and energy prices, as well as product-mix effects all had a bearing on this positive development. Thanks to the efficient use of resources, marketing and selling expenses rose by just 5.6% to €2,430 million (previous year: €2,300 million*) and thus also at a slower rate than sales. The advertising and trade marketing expenses included in this item amounted to €1,529 million (previous year: €1,486 million*). Research and development expenditure was increased to €183 million (previous year: €168 million) in order to safeguard the future of the concern. The increase in general and administrative expenses to €366 million (previous year: €330 million) reflects the work carried out to improve existing software systems, especially in the Consumer Business Segment. The other operating result (excluding special factors) amounted to €40 million (previous year: €45 million).

GROUP SALES (IN € MILLION)



GROUP SALES BY REGION (IN %)



OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

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

EBIT excluding special factors rose to €962 million (previous year: €861 million), while the EBIT margin was 14.4% (previous year: 13.7%). The Consumer Business Segment generated EBIT excluding special factors of €771 million (previous year: €678 million); the EBIT margin reached 13.9% (previous year: 13.0%). EBIT in the tesa Business Segment rose from €183 million in the prior year to €191 million in the past fiscal year; the EBIT margin was 16.8% (previous year: 17.0%).

The Group operating result before special factors in **Europe** was €618 million (previous year: €589 million). The EBIT margin was 17.9% (previous year: 17.2%). The operating result before special factors in the **Americas** amounted to €104 million (previous year: €80 million). The EBIT margin was 8.4% (previous year: 7.1%). In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €240 million (previous year: €192 million). The EBIT margin was 12.0% (previous year: 11.0%).

SPECIAL FACTORS

No special factors required recognition in the 2015 fiscal year. The special factors of €-65 million in the previous year concerned the Consumer Business Segment and included a write-down of €67 million on our Chinese hair care brands, and the reversal of provisions in connection with the realignment of corporate structures.

OPERATING RESULT (EBIT)

EBIT including special factors was €962 million (previous year: €796 million). This corresponds to an EBIT margin of 14.4% (previous year: 12.7%).

FINANCIAL RESULT

The financial result amounted to €6 million (previous year: €15 million). Against a backdrop of stable interest income from financial assets and interest expenditure from financial liabilities, this decrease was the result of an expense item of €7 million from a tax reassessment (as compared with a refund of €9 million in the previous year). Thanks to gains from financial assets, the other financial result was €6 million above the prior-year figure despite unfavorable currency-exchange effects.

INCOME TAXES

Income taxes amounted to €297 million (previous year: €274 million). The tax rate was 30.7% (previous year: 33.8%).

PROFIT AFTER TAX

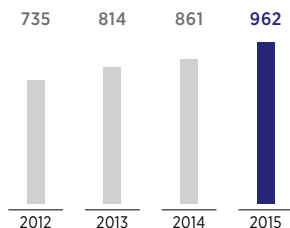
Profit after tax increased to €671 million (previous year: €537 million; excluding special factors: €581 million); the return on sales after tax was 10.0% (previous year: 8.5%; excluding special factors: 9.2%).

EARNINGS PER SHARE - DIVIDENDS

Earnings per share were €2.91 (previous year: €2.33; excluding special factors: €2.53). 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.

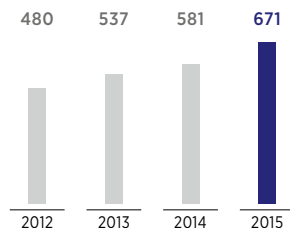
GROUP EBIT (IN € MILLION)

Excluding special factors



GROUP PROFIT AFTER TAX (IN € MILLION)

Excluding special factors



Results of Operations – Business Segments

CONSUMER

SALES – CONSUMER BUSINESS SEGMENT

		Europe	Americas	Africa/Asia/Australia	Total
Sales 2015	(in € million)	2,816	1,076	1,654	5,546
Sales 2014	(in € million)	2,799	973	1,437	5,209
Change (organic)	(in %)	1.3	8.4	4.8	3.6
Change (nominal)	(in %)	0.7	10.6	15.1	6.5

Sales by the **Consumer** Business Segment grew organically by 3.6% in 2015. The weak euro on average during the year led to an increase of 3.1 percentage points in this figure as a result of positive effects from currency translation. Structural changes reduced growth by 0.2 percentage points. In nominal terms, sales increased by 6.5% to €5,546 million (previous year: €5,209 million).

The healthy organic sales trend is proof of the systematic implementation of our business strategy, the Blue Agenda. Thanks to our strong innovations and outstanding marketing concepts, we increased our market share in both the saturated markets of Europe and the emerging markets, where we achieved double-digit growth rates in some cases. Our core brands, NIVEA and Eucerin, once again produced very encouraging growth rates.

NIVEA achieved global organic growth of 4.5% in 2015. The key growth drivers were NIVEA Deo, NIVEA Shower and the NIVEA All-Purpose Creams. In the NIVEA Deo category, NIVEA Black & White and NIVEA Fresh remained particularly strong, generating double-digit growth once again. The successful introduction of NIVEA Protect & Care in the Latin American market also fueled growth. The launch of NIVEA Active Clean and NIVEA Cream Smooth was a significant growth driver for NIVEA Shower. The growth in the category of NIVEA All-Purpose Creams was generated in particular by the newly introduced product NIVEA Care Cream.

Overall, NIVEA gained market shares in the core categories and a large majority of our key markets. In the NIVEA Deo category, we extended our market share

particularly in Thailand, the United Kingdom, and Russia. In our NIVEA Hand and Body category, growth in Japan, Russia, and Brazil had a positive impact on our market share. In the NIVEA Sun category, we continued to see negative market share trends particularly in Italy and Japan. At the country level, very good growth in market share was achieved in South Africa, Spain, Russia, Japan, and the United Kingdom. A negative trend was seen in Italy, China, and Thailand.

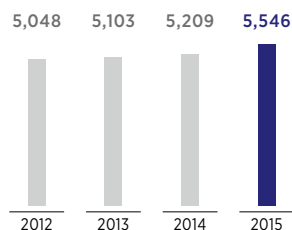
Our **Eucerin** brand generated organic growth of 5.4%. The Eucerin Face and the Eucerin Sun categories made particularly strong contributions to this positive performance. Sales were especially strong in France, Spain, South Africa, and Korea.

In the exclusive cosmetics segment, our **La Prairie** brand recorded an organic increase in sales of 1.2%. This was driven in particular by the Caviar Collection as well as the launch of the Anti-Aging Rapid Response Booster and the Skin Caviar Concealer Foundation. Meanwhile, a reduction in the travel retail business had a negative impact on growth.

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 a few markets.

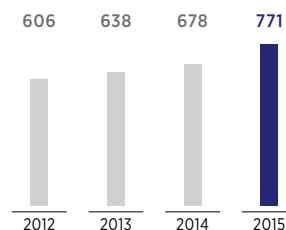
EBIT excluding special factors was €771 million (previous year: €678 million), while the corresponding EBIT margin increased to 13.9% (previous year: 13.0%).

CONSUMER SALES (IN € MILLION)



CONSUMER EBIT (IN € MILLION)

Excluding special factors



EUROPE

CONSUMER SALES IN EUROPE

		Western Europe	Eastern Europe	Total
Sales 2015	(in € million)	2,281	535	2,816
Sales 2014	(in € million)	2,244	555	2,799
Change (organic)	(in %)	-0.3	7.9	1.3
Change (nominal)	(in %)	1.7	-3.5	0.7

Sales in **Europe** were up 1.3% on the prior-year figure despite challenging market conditions in some cases. In nominal terms, sales increased by 0.7% to €2,816 million (previous year: €2,799 million).

In **Western Europe**, sales were down 0.3% on the previous year. While strong sales growth was achieved in Germany, Spain, and the United Kingdom in particular, a number of other markets, including Italy and Switzerland, were unable to repeat their prior-year performance. Sales of NIVEA Deo and NIVEA All-Purpose Creams performed well. Eucerin also saw strong growth.

Sales in **Eastern Europe** rose by 7.9%. Growth was mainly driven by the very healthy trend in Russia, which recorded a rise in both sales and market share. Sales and market share also increased in Ukraine. NIVEA Deo, NIVEA MEN, and NIVEA All-Purpose Creams in particular performed extremely well. La Prairie saw extremely strong growth in the region. In contrast, Eucerin was unable to reach the previous year's level.

AMERICAS

CONSUMER SALES IN THE AMERICAS

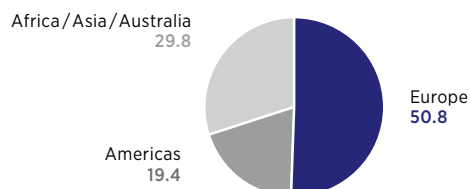
		North America	Latin America	Total
Sales 2015	(in € million)	426	650	1,076
Sales 2014	(in € million)	349	624	973
Change (organic)	(in %)	3.9	10.9	8.4
Change (nominal)	(in %)	22.0	4.1	10.6

Organic sales in the **Americas** region rose by 8.4%. At €1,076 million, nominal sales were up 10.6% on the previous year (€973 million) due to exchange rate changes affecting the US dollar.

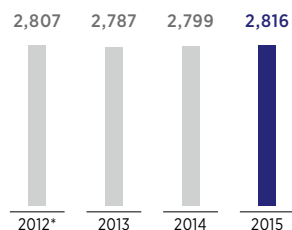
Sales in **North America** were up 3.9% on the previous year. Good sales growth was produced particularly in the United States. NIVEA Body performed very well. Eucerin Aquaphor and La Prairie also generated good growth.

Sales in **Latin America** were up by 10.9%, fueled by very good growth rates in Argentina, Columbia, Peru, and Mexico. Growth rates were negatively impacted by developments in Venezuela. NIVEA Deo and NIVEA Shower performed extremely well. Eucerin also saw very strong growth.

CONSUMER SALES BY REGION (IN %)



CONSUMER SALES IN EUROPE (IN € MILLION)



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

AFRICA/ASIA/AUSTRALIA

CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA

		Total
Sales 2015	(in € million)	1,654
Sales 2014	(in € million)	1,437
Change (organic)	(in %)	4.8
Change (nominal)	(in %)	15.1

The **Africa/Asia/Australia** region recorded a 4.8% increase in organic sales. A nominal rise of 15.1% was achieved due to the positive performance of almost all of the region's currencies against the euro. Sales amounted to €1,654 million (previous year: €1,437 million).

Stabilizing sales in China and our continued excellent performance in South Africa, Japan, India, and Turkey were the basis for the improved sales performance. NIVEA Deo, NIVEA Shower and NIVEA All-Purpose Creams in particular performed extremely well. Eucerin and La Prairie also experienced very good growth.

tesa

SALES - tesa BUSINESS SEGMENT

		Europe	Americas	Africa/Asia/Australia	Total
Sales 2015	(in € million)	631	167	342	1,140
Sales 2014	(in € million)	622	143	311	1,076
Change (organic)	(in %)	1.3	6.4	-4.3	0.4
Change (nominal)	(in %)	1.4	17.3	9.7	5.9

Organic sales by the **tesa** Business Segment were up 0.4% on the previous year. Exchange rate effects increased this figure by 5.5 percentage points. In nominal terms, sales therefore rose by 5.9% to €1,140 million (previous year: €1,076 million). EBIT increased to €191 million (previous year: €183 million). The EBIT margin was 16.8% (previous year: 17.0%).

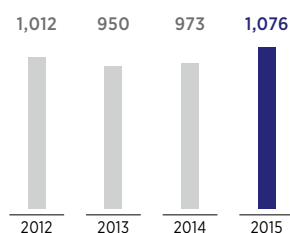
tesa INDUSTRIAL BUSINESS

Industrial business sales grew organically by 0.1%. Business in the Americas generated strong growth. In Asia, however, tesa saw a sharp decline in its sales, which are primarily generated from project business. In nominal terms, sales

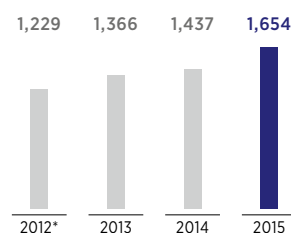
rose by 7.6% to €854 million (previous year: €793 million). The share of the Industrial Business in total sales was 74.9% (previous year: 73.7%).

In the electronics industry business, tesa strengthened its market-leading position with removable adhesive tapes of the Bond&Detach® series for use in bonding batteries to smartphones. The new versions deliver even better performance, particularly under shock conditions. The successful market introduction of barrier tapes for flexible displays based on OLED technology shows particular promise. In spite of these successes, the business area was impacted by market weakness and the increasing saturation of the smartphone market in Asia.

CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



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

Many new products and strong international sales activities generated important momentum in the automotive area. One example of this is the new version of ACXplus, a high-performance adhesive tape with viscoelastic material properties. It is used to secure auto components like emblems, molding, and antennas. For two-tone painting of car bodies, tesa offers complete masking systems with applicator, establishing new benchmarks in the technical implementation of this trend.

tesa is also setting the pace in the printing and paper business. A key sales driver was the product line for flexographic printing, a range that is about to be re-launched. This process is used in such areas as the printing of flexible packaging made of such materials as plastic. The work to optimize tesa's products involves improving process features, streamlining assemble technology, as well as working with new sealing hardness levels and altered bonding agents. The exceptional printing qualities are unaffected in the process.

The Pharma business area generated growth in contract manufacturing. In addition, the production capacities of medicated plasters and fast-dissolving oral films were significantly expanded. As a result, the European market introduction for two new products could be prepared. The delivery of products for Canada began. In addition, development agreements that will secure future growth were concluded in the North America region.

In the area of tesa scribos®, tesa produces comprehensive and tailored solutions for anti-counterfeiting and anti-tampering products for customers in a broad range of businesses. We further expanded our market share, in both existing markets and in other segments as well. One reason for this growth was contracts with a leading Chinese manufacturer of e-cigarettes that began to protect its products with tesa VeoMark® coded labels in 2015. In addition, newly developed security seals like tesa® HighPerSeal Tape were successfully introduced to the market.

In the Building Supply business area, an expanding base of customers for ACXplus products and PE foams were a key driver of new growth. Products based on the patented ACXplus technology are especially well-suited for securing windows and doors made of PVC, wood, and aluminum. tesa also offers system solutions for constructive bonding applications. As a result, energy-saving or design-related plans like the combination of different materials can be easily carried out. This business also focuses on providing solutions that create weather-resistant bonds of facade components.

Although its industrial distribution business during the fiscal year was shaped in particular by competitive pressure exerted by discounters, tesa performed steadily during the period. A driver of its business was the expansion of its product range for innovative mounting tapes, especially ACXplus products. Intensive contact with specialized technical retailers generated further growth as well.

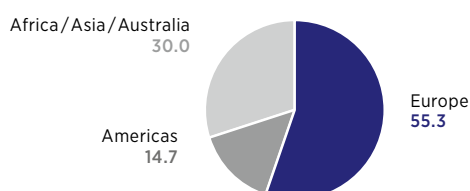
tesa CONSUMER BUSINESS

The consumer products and professional craftsmen business, which is focused on Europe and Latin America, performed well, with organic sales growth of 2.8%. In nominal terms, sales increased by 2.8% to €264 million (previous year: €257 million). As a result, the consumer business contributed 23.1% (previous year: 23.8%) of total sales by the tesa Business Segment.

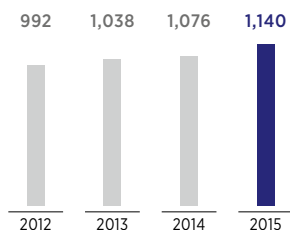
tesa strengthened its market position in the two strategic business areas and in all regions making up the Consumer & Craftsmen segment. This applied both to its DIY solutions and products for the office supplies and stationery sector in the consumer business and to its offering for professional craftsmen in the craftsmen business area. A key contribution to this performance was made by an international branding campaign that was successfully continued in 2015.

The tense political situation in Russia and Greece continued to impact business there. In contrast, tesa initiated new customer projects with high growth potential in such markets as the United Kingdom, France, Belgium, the Netherlands, and Luxembourg.

tesa SALES BY REGION (IN %)

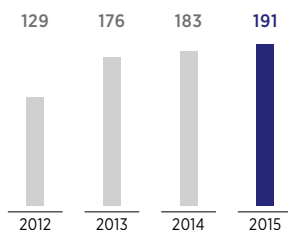


tesa SALES (IN € MILLION)



tesa EBIT (IN € MILLION)

Excluding special factors



Net Assets – Group

NET ASSETS (IN € MILLION)

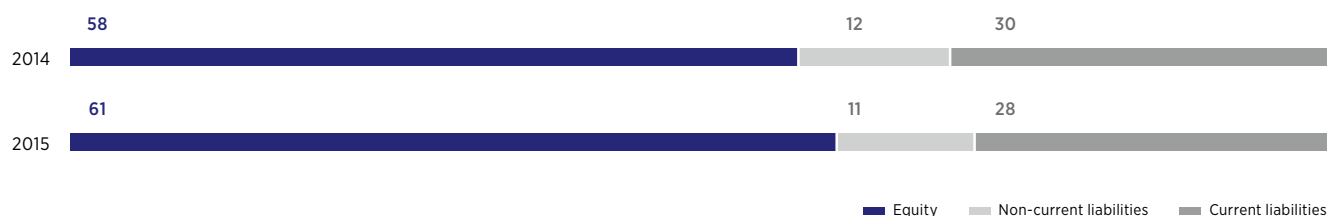
Assets	Dec. 31, 2014	Dec. 31, 2015
Non-current assets	2,340	2,685
Inventories	786	772
Other current assets	2,228	2,498
Cash and cash equivalents	976	918
	6,330	6,873
Equity and liabilities	Dec. 31, 2014	Dec. 31, 2015
Equity	3,640	4,201
Non-current provisions	700	655
Non-current liabilities	73	91
Current provisions	466	419
Current liabilities	1,451	1,507
	6,330	6,873

Non-current assets increased by €345 million to €2,685 million (previous year: €2,340 million). Long-term securities were reclassified to current assets due to shorter maturities and new purchases were made. This item increased by €256 million to €1,297 million (previous year: €1,041 million). Capital expenditure on property, plant, and equipment, and intangible assets amounted to €249 million (previous year: €301 million). Of this amount, €135 million (previous year: €201 million) related to the Consumer Business Segment and €114 million (previous year: €100 million) to the tesa Business Segment. The change is mainly attributable to investment in new Consumer and tesa factories and tesa's new headquarters. Group depreciation, amortization, and impairment losses amounted to €129 million (previous year: €179 million). The prior-year figure includes impairment losses of €67 million on our Chinese hair care brands. Inventories fell by €14 million to €772 million (previous year: €786 million). Other current assets increased to €2,498 million (previous year: €2,228 million). This item includes short-term securities of €858 million (previous year: €562 million). Trade receivables fell by €17 million to €1,258 million (previous year: €1,275 million). Income tax receivables fell by €13 million to €100 million, while other current assets decreased by €3 million to €167 million.

Cash and cash equivalents declined to €918 million (previous year: €976 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) increased by €509 million to €3,036 million (previous year: €2,527 million). Current liabilities to banks fell by €15 million to €37 million (previous year: €52 million).

Total non-current provisions and liabilities decreased year-on-year to €746 million (previous year: €773 million). This change was caused by two counteracting effects. Provisions for pensions and other post-employment benefits fell to €574 million (previous year: €627 million) due to a slight increase in the discount rate, while deferred tax liabilities rose to €88 million (previous year: €69 million). Total current provisions and liabilities rose by €9 million to €1,926 million (previous year: €1,917 million) as a result of an increase in trade payables due to operational factors. The equity ratio increased to 61% (previous year: 58%). Non-current liabilities accounted for 11% (previous year: 12%) and current liabilities for 28% (previous year: 30%).

FINANCING STRUCTURE (IN %)



Financial Position – Group

CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2014	2015
Gross cash flow	598	770
Change in working capital	-201	30
Net cash flow from operating activities	397	800
Net cash flow from investing activities	-230	-655
Free cash flow	167	145
Net cash flow from financing activities	-192	-210
Other changes	17	7
Net change in cash and cash equivalents	-8	-58
Cash and cash equivalents as of Jan. 1	984	976
Cash and cash equivalents as of Dec. 31	976	918

Gross cash flow amounted to €770 million in the period under review, up €172 million on the prior-year value.

The change in working capital led to an inflow of €30 million (previous year: outflow of €201 million). This comprised a €2 million increase in receivables and other assets and an €18 million increase in trade payables and current provisions. Inventories fell by €14 million.

The net cash outflow from investing activities amounted to €655 million in the period under review (previous year: €230 million). Net cash outflows from securities of €551 million and capital expenditure of €249 million on property, plant, and equipment, and intangible assets were offset by €72 million in interest and other financial income received, and proceeds of €73 million from the sale of property, plant, and equipment, and intangible assets.

Free cash flow was €145 million, down €22 million on the prior-year value (€167 million). The net cash outflow of €210 million from financing activities (previous year: €192 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financing expenses paid in the amount of €36 million.

Cash and cash equivalents amounted to €918 million (previous year: €976 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 2015 show that Beiersdorf is on the right track. The **Group's** two business segments performed well. Group sales amounted to €6,686 million (previous year: €6,285 million). Organic growth amounted to 3.0% (previous year: 4.7%). EBIT excluding special factors amounted to €962 million (previous year: €861 million). The EBIT margin excluding special factors amounted to 14.4% (previous year: 13.7%).

The **Consumer** Business Segment made successful progress thanks to the systematic implementation of the business 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.

Although the **tesa** Business Segment managed to expand business both in the industrial markets and in the consumer business, it did record a decline in sales from project business in Asia.

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

		Forecast for 2015 2014 Annual Report	Forecast for 2015 H1 2015 Report	Forecast for 2015 9M 2015 Report	Result in 2015
Sales growth (organic)					
Consumer	(in %)	3-5	3-5	3-4	3.6
tesa	(in %)	3-5	1-3	at prior-year level	0.4
Group	(in %)	3-5	3-5	3-4	3.0
EBIT margin (excluding special factors)					
Consumer	(in %)	slightly above prior year (13.0)	slightly above prior year (13.0)	significantly above prior year (13.0)	13.9
tesa	(in %)	slightly below prior year (17.0)	slightly above prior year (17.0)	at prior-year level (17.0)	16.8
Group	(in %)	slightly above prior year (13.7)	slightly above prior year (13.7)	significantly above prior year (13.7)	14.4

At 3.6%, sales growth in the **Consumer** Business Segment was in the middle of the target range of 3-5% that was forecast for fiscal year 2015. This was due in particular to the healthy trend in the growth markets. The operating result (EBIT, excluding special factors) and the EBIT margin both increased in fiscal year 2015 as forecast.

The **tesa** Business Segment again recorded a positive performance in the past fiscal year. With sales growth of 0.4%, it managed to equal the previous year's high level. The operating result (EBIT, excluding special factors) and the EBIT margin both remained at the prior-year level in fiscal year 2015 as forecast.

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 been driving our company's success for more than 130 years.

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

At the end of 2015, 1,108 people were employed in Beiersdorf's Research and Development area (previous year: 1,071). Of this total, 637 (previous year: 602) worked in the Consumer Business Segment and 471 (previous year: 469) in the tesa Business Segment.

Consumer

LEADING-EDGE SKIN CARE EXPERTISE

Beiersdorf is globally known for its leading skin care expertise. Our research and development activities aim to define skin care of the future. The effort focuses on addressing consumer demand for efficacious yet mild products more than ever before.

In the year under review, a Beiersdorf research cooperation with the Swiss Federal Institute of Technology in Zurich (ETH) showed how skin cells naturally protect themselves against stress caused by environmental influences. The researchers discovered that skin cells defend themselves by using the "first line response," a key rapid change in skin cell metabolism. This mechanism enables skin cells to counteract within minutes stress caused by, for example, solar radiation or oxidative stress. This important insight can be used to develop future skin care products to prevent environmentally induced skin sensitivity and aging by fortifying the identified natural skin function. The work was highlighted by "Molecular Cell", one of the most highly respected science journals.

Also during the reporting period, a cooperative project between researchers from the French Institute of Health and Medical Research (INSERM) in Nice and Beiersdorf discovered a molecular mechanism that leads to melasma, one of the most common discolorations that affects consumers with darker complexions. The research group is currently exploiting this discovery to deliver solutions for this skin disorder.

Sensitive skin is another major skin disorder that Beiersdorf's research focuses on. Many people with sensitive skin suffer from skin inflammation. Our researchers found effective soothing agents that helped develop skin-calming cosmetic products. In 2015, one highly recognized result involved Licochalcone A, a substance contained in licorice that has a positive effect on a key inflammatory pathway in the skin. The active ingredient with its antioxidant properties also helps the skin activate its own defenses against UV stress.

At Beiersdorf, product safety and tolerability are our top priority. Remarkable progress has been made in the core methods for cosmetic safety, eye irritation, skin sensitization and genotoxicity. Alternative methods for these endpoints are

now undergoing the official acceptance process at the Organization for Economic Co-operation and Development (OECD) and the Scientific Committee on Consumer Safety (SCCS) of the European Commission. We also achieved progress in our work to identify skin-irritating substances at an early stage of our research and thus prevent the possibility of allergic reactions.

OPEN TO IDEAS FROM THE OUTSIDE

Beiersdorf's Research and Development unit drives the integration of internal as well as external knowledge and ideas to create outstanding products. This objective is achieved through close relationships with leading research institutes, universities, and suppliers as well as through our Open Innovation network Pearlfinder, where Beiersdorf scientists post technical challenges and our external partners submit possible solutions.

Examples of our Open Innovation activities in 2015 included:

- The launch of the new NIVEA Protect & Shave Razor, which was the result of a close, long-term partnership between our Research and Development unit and the Japanese razor blade manufacturer Kai.
- In its second year, the Beiersdorf Innovation Pitch attracted many ideas from exhibitors at the "in-cosmetics" trade fair in Barcelona, Spain. The three winning contributions now have an opportunity to develop their projects through our strong brands NIVEA and Eucerin.
- With our new Open Innovation format Supplier Fair, we opened the doors of our Research and Development unit for the first time, welcoming three long-standing strategic partners to present functional raw materials and their application in our particular categories.
- Our Open Innovation initiative was intensified with a focus on regional development laboratories. The closeness to innovation hot spots and consumers in the respective regions led to some unique products and innovation partner relationships.

EXPANSION OF REGIONAL DEVELOPMENT LABORATORIES

To best meet consumers' needs around the world, we further strengthened our regional and local development activities. We conduct regional consumer tests to customize product formulas and design specified packaging solutions. Being close to the market allows a fast and precise adoption of the local needs and the development of regional innovations.

In 2015, we expanded the development laboratories for the Far East in Wuhan, China, which is now our biggest development location outside Beiersdorf's headquarters laboratories in Hamburg. In Sanand, India, we opened a development laboratory located on the premises of the new production facility. Solutions are developed there for the Near East region, which has a distinct market diversity and large outreach within our global network. One of the first tasks of the newly completed laboratory was to test and refine the formulation and packaging for the NIVEA MEN Body Deodorizer. The product was especially

created for Indian consumers and provides day-long control of body odor through a single application per day.

Another expansion of activities in the regions took place in Silao, Mexico. In the year under review, the team began working in new, fully equipped laboratories to develop innovations for Latin America and North America. The focus here is on deodorant, body, sun, and cleansing products specifically designed for the local markets. A good example from Silao is the development and launch of NIVEA Aclarado Natural Deodorant, which is designed to help recover the natural skin tone of the armpit.

CLOSE TO CONSUMERS

Beiersdorf's approach to localization goes hand in hand with our intention to further integrate consumers' needs and wishes into all steps of product development, from idea creation to post-launch assessment. Through our consumer integration approach, Beiersdorf employees connect with and observe consumers, e.g. while they shop and under special product-use conditions, using traditional as well as state-of-the-art digital research technologies. In the year under review, Beiersdorf conducted about 1,800 studies with approximately 38,000 participants in all regions.

INNOVATIONS

The Consumer Business Segment filed patents for 61 innovations in the year under review (previous year: 76), and its products repeatedly set significant new market trends.

In 2015, key innovations included:

- **NIVEA Care Creme** for face, body, and hands offers intensive nourishment for more than 24 hours, providing a light and soft skin feeling without greasiness. The new NIVEA Care range addresses the specific needs of our female consumers. It consists of an intensively nourishing cream, a product for an improved skin tone, and an anti-aging cream. All three products were launched in 2015 in different markets.
- **NIVEA CELLular Anti-Age** is one of the most popular anti-aging care product ranges in Europe, having won the 2015 Nielsen European Breakthrough Innovation Award among more than 8,000 initiatives launched in Europe. The new line extension **NIVEA CELLular Radiance** continues this success and provides a more youthful radiance with both instant and long-term visible results. The benefit agents support skin functions on a cellular level and the soft pigments deliver instant improved skin appearance.
- As a result of continuous research to identify a superior and skin-friendly deodorant, NIVEA launched the first set of products with an innovative technology to meet the growing consumer demand for aluminum-free and yet highly effective deodorants: aluminum-free **NIVEA Fresh Deodorants** with 48-hour odor protection. Both the roll-on and spray versions fight malodor formation at its root, delivering reliable, scientifically proven 48-hour deodorant protection.

- The first all-purpose cream for men, **NIVEA MEN Creme**, gives male skin a boost of hydration and prevents it from drying out. It offers a masculine, fresh scent, and is ideal for the face, body, and hands. The light formula is non-greasy, non-sticky, and absorbs quickly. The cream tin was awarded the 2015 German Packaging Prize in the category "Retail Packaging/Hygiene & Cosmetics."
- **NIVEA MEN Active Clean Shower** and **NIVEA MEN Active Clean Shampoo** are the first body and hair cleansing products containing activated charcoal by NIVEA. Thanks to the innovative formula with activated charcoal, body and hair are thoroughly cleaned.
- **Eucerin Sun Gel-Creme Oil Control Dry Touch SPF 30/50+** is a daily sun-screen with a high sun protection factor specifically developed for oily and acne-prone facial skin. It leaves a dry-touch feeling to the skin due to pigment technology. Additionally, it combines special photo protection against sun-induced skin damage and an active solution to help improve the skin's condition.
- **Hansaplast** launched the high performance **Blister Plaster** as a result of a continuous research program. High-tech hydrocolloid materials from professional wound care combined with easy-to-use product design provide outstanding protection over several days plus immediate pain reduction and faster healing via an active gel cushion.
- In 2015, **La Prairie** launched the **Anti-Aging Rapid Response Booster**. An active delivery system targets the cells that are responsible for younger-looking skin and precisely delivers anti-wrinkle ingredients to those areas where the skin needs them most. La Prairie also expanded its successful Skin Caviar Collection with the light-textured **Skin Caviar Luxe Cream Sheer**.

tesa

BARRIER TAPES FOR FLEXIBLE DISPLAYS

In 2015, tesa developed new technologies for barrier tapes with unusually high resistance to humidity. We are receiving an increasing number of requests, especially from the electronics industry, for technologies that enable products such as organic light-emitting diode (OLED) displays to be made sufficiently durable. As part of a project supported by the German Federal Ministry of Education and Research, tesa worked with the technology companies Schott and Von Ardenne to develop new technologies for the use of ultra-thin glass on roll in future OLED applications.

We have also worked on new adhesive tapes that ensure even more secure bonding of frames and displays in cell phones and tablet PCs. Between the adhesive layers, these tapes contain additional foamed layers that provide very high mechanical strength.

ADHESIVE MASSES FOR TECHNOLOGICAL PROGRESS

tesa also made progress in developing new adhesive masses to meet evolving requirements in 2015. One example of such requirements is the need for even greater adhesive strength on problematic surfaces, such as dirt-repellant car

finishes or the very non-polar plastics used in the electronics industry. Targeted composition of polymer chains for acrylate-based adhesive masses plays an important role here. To this end, we have further developed existing polymerization processes and combined them with new technologies. The new processes have been successfully tested on a pilot scale and are now being moved to production scale.

HIGH BONDING STRENGTH IN CONTACT WITH CHEMICALS

Another example is the development of adhesive mass systems with very high resistance to a wide range of chemicals. This is an important property whenever electronic products like smartphones, tablet PCs, and wearables come into contact with the skin or household chemicals such as cleaning agents. The new adhesive masses maintain their adhesive strength even under these difficult conditions.

For more information on research and development at Beiersdorf, please visit WWW.BEIERSDORF.COM/RESEARCH.

Sustainability

At Beiersdorf, "Care" is not only part of our core business, but also one of our Core Values. It describes our responsibility towards our fellow human beings and the environment. Beiersdorf's commitment to care sets out to inspire people both inside and outside the company and to strengthen the company's relationships with employees, suppliers, and consumers.

Consumer

Beiersdorf's "We care." sustainability strategy gives the company a clear focus on sustainable, responsible growth. We have defined objectives for the three areas of activity "Products," "Planet," and "People," which we aim to fulfill by 2020. We regularly review our progress using environmental and social performance indicators to ensure that our commitment is far-reaching, has a long-term impact, and supports the objectives of Beiersdorf's business strategy, the Blue Agenda.

We already exceeded one of our sustainability goals: CO₂ emissions per sold product were cut sharply. As a result, we reached our objective well before the target date of 2020. We are currently formulating a new target for the "Planet" area of activity in order to continue improving our environmental performance.

By 2020, we aim for the areas "Products" and "People" to:

- generate 50% of our sales from products with a significantly reduced environmental impact (base year 2011), and
- reach and improve the lives of one million families (base year 2013).

We pushed ahead with measures throughout the company during the reporting period in order to swiftly achieve these targets.

PRODUCTS

Beiersdorf uses life cycle assessments to measure and reduce the environmental impact of products. This method is based on data relating to raw materials, our own manufacturing processes, transportation, product use, recycling, and disposal. In 2015, we developed a simulation tool for packaging design, which enables us to easily evaluate the environmental impact of alternative packaging.

In addition to packaging, we also analyze the environmental compatibility of the raw materials used in our products' formulas. We worked closely with suppliers in the year under review to elaborate sustainability criteria that will be applied in formula development from 2016 onward. This will enable us to improve the environmental compatibility of future products at an early stage of development.

Beiersdorf has also made progress in transitioning to sustainable palm (kernel) oil. Our aim is to use only ingredients from proven sustainable sources (Certified Sustainable Palm Kernel Oil). By 2020, we intend to switch the respective ingredients to segregated or at least mass balanced palm (kernel) oil and corresponding derivatives. Until the transition is complete, we will offset the share of raw materials that have not yet been converted with "GreenPalm" certificates. We have already sourced seven mass balanced raw materials in 2015. At the same time, we have initiated multi-site certification in accordance with the supply chain certification standard defined by the Roundtable on Sustainable Palm Oil (RSPO). Beiersdorf remains a member of the revamped Forum for Sustainable Palm Oil (FONAP).

PLANET

In order to better identify and reduce logistics emissions, we began using a new software to calculate transport emissions in Europe in 2014. In the year under review, the software was rolled out in the regions Latin America and the Far East.

Our facility management is also based on the principle of resource efficiency. The German production facilities in Hamburg, Berlin, and Waldheim were certified according to the ISO 50001 standard in 2014. The required recertification took place in 2015, demonstrating the high level of energy efficiency and energy management at Beiersdorf.

The factory we opened in Sanand, India, in 2015 comprises an extremely efficient water treatment system, which cleans sewage to such a high standard that it can be reused in the production process to reduce total water consumption, or be allowed to drain away naturally on the site. We also planted around 650 trees at the Sanand facility. These help the soil to absorb water and also make a contribution to reforestation.

We achieved gold "Leadership in Energy and Environmental Design" (LEED) certification with the expansion of our facility in Chile. Key factors contributing to this excellent rating included the building's energy efficiency, optimal use of daylight, and efficient ventilation systems.

PEOPLE

Our long-standing commitment to families is deeply rooted in Beiersdorf's Core Values and those of our brands, especially NIVEA. NIVEA supports families all

over the world with locally relevant, long-term projects through its global "NIVEA cares for family" initiative. This initiative focuses on three areas:

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

NIVEA India has launched the "Mom's Touch" initiative as part of "NIVEA cares for family." Together with the strategic partner Aseema, NIVEA is helping mothers with low incomes ensure that their children can go to school. The initiative supports these mothers and their families with a monthly food parcel. The project is accompanied by workshops and communication initiatives exploring how the mothers can act as a role model. The "Mom's Touch" initiative is continuing in Mumbai and also being expanded to schools in Ahmedabad – the region where NIVEA India recently opened a new production facility. Five hundred families had participated in the project by the end of 2015.

To enable local families to spend time together and promote children's development, NIVEA Poland has built or repaired 40 playgrounds. A broad publicity campaign called on Polish consumers to nominate the 40 sites where playgrounds should be renovated or newly built. With many playgrounds in poor condition, the campaign met with a great response: 3.6 million people, or around 10% of Poland's population, took part in the vote.

"99% of the time nothing happens, but a first aid course is 100% worthwhile": this was the guiding principle behind Hansaplast's "Bringing First Aid Home" initiative in 2015. The aim was to motivate as many people as possible to take part in a first aid course. Since 2013, Hansaplast has been collaborating worldwide with national branches of the Red Cross to improve first aid knowledge and skills as well as people's confidence in using them. A particular focus is on boosting children's knowledge of first aid.

Beiersdorf aims to further reduce the number of work-related accidents with its company-wide "Zero Accident" initiative. We are continually improving workplace safety using a range of approaches. In 2015, we introduced "Safety Weeks" at our European locations, for example. Our occupational health and safety experts inspect facilities for possible sources of danger that could cause serious accidents, then work to eliminate these.

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

tesa RESPONSIBILITY

Corporate responsibility toward society and the environment was once again the focus of tesa's sustainable business strategy in 2015. We attach great importance to making a significant contribution to social development and enhancing our environmental management system.

As an environmentally aware business, we are constantly examining whether there are more environmentally friendly alternatives for certain raw materials used in the production process. We have been consistently developing our environmental management system since 2001 and have regularly outperformed our ambitious targets for protecting the environment throughout this period. For example, our production locations around the world have more than halved

their emissions of volatile organic compounds (VOCs) 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 in the year under review focused on improving energy management and reducing CO₂ emissions.

Energy management at our two largest production facilities in Offenburg and Hamburg were certified in accordance with ISO 50001 in 2015. tesa's new headquarters in Norderstedt, built in compliance with the new German Energy Saving Regulation (ENEc 2014), will follow in 2016.

The environmentally friendly electricity generated by a combined heat and power plant at the Offenburg location since late 2014 has already led to substantial reductions in CO₂ emissions in the year under review. This state-of-the-art technology will be implemented at tesa's Hamburg location in 2016 and will also be examined as an option for other production facilities.

Taking social responsibility is a core component of tesa's corporate policy. We are therefore supporting a host of diverse projects under the motto "tesa connects" as part of our worldwide corporate citizenship program.

- Our employees provide practical support to communities with our "tesa helps" initiative and support social, environmental, and cultural organizations with various projects at tesa locations. In Hamburg, for example, we successfully continued our work with the "tatkräftig – Hände für Hamburg" initiative, which helps to match potential volunteers with organizations that need help. In Belgium, employees helped athletes with intellectual disabilities to participate in the Special Olympics National Games sponsored by tesa.
- "tesa donates" supports the work of a number of institutions with donations in kind and financial contributions. tesa also donates to disaster aid. Earthquake victims in Nepal were among the beneficiaries in the year under review.
- As a technology-based company, we understand the importance of education. That is why we cooperate with the "Initiative Naturwissenschaft und Technik" (Science and Technology Initiative, NAT) under "tesa fosters." In the year under review, we supported about 20 senior grade students at a Hamburg secondary school, who had chosen studies focused on science and technology.
- The "tesa protects" initiative is part of a long-term partnership supporting the UNESCO biosphere reserve Niedersächsische Elbtalaue. The most important aspect of this is the voluntary commitment of tesa employees. Their practical work includes planting young oak trees, for example, in order to maintain this highly biodiverse and environmentally sensitive floodplain landscape.

All our sustainability activities are documented in an annual progress report that is available at WWW.TESA.COM/RESPONSIBILITY.

People at Beiersdorf

As a clear sign of confidence in business growth and international expansion, the Beiersdorf Group created 261 new jobs worldwide in 2015. By the end of December 2015 we employed 17,659 people globally (2014: 17,398). Of this figure, 5,962 (2014: 5,860), or 34% (2014: 34%), were employed in Germany. A total of 13,549 people worked in the Consumer Business Segment (2014: 13,317) and 4,110 in the tesa Business Segment (2014: 4,081).

Consumer

A CARING EMPLOYER

Everyone counts. This is the Beiersdorf philosophy of caring about people. We are determined to support people's well-being and promote their personal and professional growth. Offering encouragement and inspiration so that all employees can continuously learn and develop themselves is our objective, one that we pursue with dedicated programs at the global, regional, and country levels.

At Beiersdorf, we believe that a committed workforce is essential to achieving both efficiency and innovation. Across all the markets in which we operate, we are known for being a caring employer that attends to all major aspects of an employment relationship. Our employee services and programs are customized to meet specific local needs and include child care, elderly care, health management, sport, catering, transportation, and, of course, flexible working arrangements. In Germany we practice more than 300 different working-time models that include working from home, job sharing, and very flexible part-time work customized to meet the needs of individuals and teams.

At the same time, we believe at Beiersdorf that being a caring employer also means challenging our employees. We cultivate a working environment in which individuals are encouraged to take ownership and try new ideas. This is reflected in our many successful business and organizational projects carried out across borders and functions. Our large number of international assignments is another example of our approach of "caring through challenging."

LIVING OUR CORE VALUES

Beiersdorf's four Core Values – Care, Simplicity, Courage, and Trust – have been the defining principles of our company for more than 130 years. In 2014, they formed the basis of a long-term culture project that continues to involve all our affiliates and employees. Results from the 2015 global employee survey showed a very high level of identification of our employees with these values. The Core Value initiative has established itself as an excellent global platform to discuss, review and improve leadership quality and management effectiveness.

In 2015, we also integrated our Core Values into such key HR management tools as performance management, employee dialog, or assessment tools. In this area, we have focused on encouraging employees to take action rather than on establishing formal processes, and we fostered initiatives to further enhance an open and insightful feedback culture within the company. At Beiersdorf, feedback is always both top-down and bottom-up. Feedback as we understand and practice it not only comprises having the courage to talk, but also the skill and

ability to listen. We find this understanding reflected in our Core Values “Trust” and “Courage” and the management practices related to it. During 2015, we increased the frequency and the variety of formats on mutual feedback between managers and employees. Instead of a one-size-fits-all method that is used once a year, we encourage and help our people talk about things they truly care about – any subject at any time.

We take a more pragmatic approach regarding the proof of success in areas like values and culture. Interpersonal relationships and interactions at work involve such complicated brain processes that they can hardly be measured directly, even less so in a 12-month interval. Instead of artificially creating key performance indicators (KPIs) for these fields, we believe the agility and resilience shown by our global workforce in a highly challenging business environment like 2015 was the best evidence that our people, our values, and our culture are the engines behind Beiersdorf’s continuous business success.

DEVELOPING LEADERS

Leadership development has no secret recipes and does not require new campaigns each and every year. Reliability and consistency are by far more relevant success factors. In 2015, we continued practicing what we believe in as part of our Blue Agenda and Core Values framework:

- **Authenticity:** Self-awareness and self-reflection are essential traits for leaders at Beiersdorf. Only those able to be truthful to themselves can develop trust and act as role models in their day-to-day management activities.
- **Inspiring:** Being authentic is not the only important trait of leaders at Beiersdorf. True leadership means influencing and motivating others to give their best by actively managing individual working relationships.
- **Living Core Values:** Managers at Beiersdorf serve as role models for living our Core Values, putting them into practice in their work-life practices.
- **Performance:** Our managers know they do not merely “drive” performance. Sustaining a high level of performance is the natural outcome of authentic role modeling, empowerment, and individual coaching of employees.

All our leadership programs worldwide, regardless whether they are formal or informal, draw from these leading principles. Developing true leaders within the company requires this high level of conviction, clarity, consistency, and patience in the years to come as well.

GUIDING CAREER GROWTH

Every single employee makes a significant contribution to Beiersdorf’s economic success with his or her individual skills. In 2015, we took our first step toward demonstrating a clear commitment to all our talented employees in terms of understanding and appreciating “Career@Beiersdorf”:

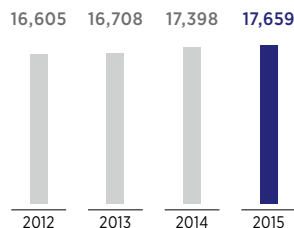
- CAREER refers to an overall professional life that today often spans four or more decades: Take a long-term view.
- CAREER is not THE purpose of life, but rather one of the possible rewards of it: Don’t be a “career seeker,” do your best, always.
- CAREER encompasses many unknowns and surprises, despite all the plans: Be open, be flexible.
- Your CAREER will have many helpers: The one that steers it is always you.

As a global employer, we not only emphasize long-term thinking in our business practices and our people: We are also proud of having a long and proven track record of implementing this approach.

Our extensive investment in fostering the capabilities and skills of our employees, regardless of their level, function, and location in the company, continued in 2015. This was also true of our global processes for talent reviews and succession planning. The revived spirit of “Career@Beiersdorf” will enhance the effectiveness of all these investments in the years to come. Today’s caring employer does not just rely on appropriate development tools and programs alone. We also do our best to stimulate our employees’ individual sense of ownership of their careers. In addition, we believe it is important to be open and honest about the risks and uncertainties that can arise along a person’s career path.

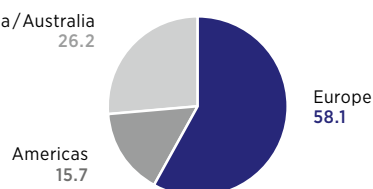
GROUP EMPLOYEES

as of Dec. 31



EMPLOYEES BY REGION (IN %)

as of Dec. 31; total 17,659 employees



The long-term reward for being a caring employer is the greater number of emotionally engaged employees who are self-confident about their own professional growth and show self-initiative in this area.

ACHIEVING HIGH EMPLOYEE ENGAGEMENT

For the third consecutive year we invited all our employees worldwide to participate in our employee engagement survey. A total of 93% responded within the two-week survey period, marking a new all-time high. In almost all categories covered by the survey, be it working conditions, communication and feedback, or personal development, we again achieved above-average gains. The overall results were presented throughout the company and publicly discussed. Results for individual teams were intentionally made available only to the respective team. In taking this approach, we ensure a trusting environment in which open discussions could take place and relevant improvements be made. For the same reason, improvement of survey results at the team level was not allowed to be part of individual annual target setting.

We do measure engagement. But we are not preoccupied with numbers. In other words: more focus on improvement measures than improvement of numbers. With that, higher employee engagement has been, and will remain, a natural outcome.

PROMOTING DIVERSITY

Each year, we reach consumers in over 170 countries with our skin care products. Diversity is in our DNA.

Above all else, we value diversity in the sense of bringing together the largest possible mix of experiences, points of view, and individuals under the Beiersdorf roof. Within this context, we consider diversity in, for example, gender, internationality, and age a contribution to Beiersdorf's ongoing worldwide success.

Further progress was made regarding diversity in 2015, including:

- Gender diversity: In 2015, the new legislation on equal participation of women and men in management positions was introduced in Germany. Three years prior to this legislation, Beiersdorf had already committed itself to increasing the share of women in senior executive positions in Germany from 22.5% at the time of this decision to 30% by 2020. By the end of 2015, this figure had risen to 27.5%. The definition of "management levels" according to the new law deviates slightly from the definition Beiersdorf had been employing. Consequently, we have adjusted our figures, and they are now in full accordance with the law. At the end of 2015, 26% of managers on the first management level below the Executive Board were women. We aim to raise this figure to 30% by the end of June 2017. On the second management level, 38% of managers were women at the end of 2015. Our goal is to at least maintain this high level through the end of June 2017. On the basis of what we have achieved in terms of gender diversity since 2012, these two new commitments put Beiersdorf in a leading position among the companies governed by the new federal law. One example of how we improved diversity by taking specific measures: In 2015, we almost doubled the number of job-sharing positions for women in leadership compared to the previous year.

- International diversity: Our already competitive international mobility policy was further modified in 2015 to provide improved support to individual families as well as for re-integration after an assignment. Further, we increased the number of international employees at Hamburg headquarters to 14% in 2015 (2014: 13%). The number of employees with several years of international experience is far higher than revealed by nationality statistics alone. At the most senior level of management, for example, more than half of the current managers have experience of at least two foreign assignments lasting several years.
- Generational dialog: To foster exchange among the various generations of people working at Beiersdorf, we have established an initiative to enable our apprentices to become "buddies" to senior employees in order to explore such topics as IT and social media.

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

tesa

MOVE TO THE NEW TESA HEADQUARTERS

The company's move to Norderstedt was a milestone for tesa in 2015. This took place in three stages: The technology center was the first to move to the new location, followed by headquarters and then the research center. We equipped the new head office with modern workstations designed to encourage interaction among employees from different parts of the business. The move also marked the start of the "It's for you!" health program, which includes the tesa sports club; a sports, fitness, and health area; and advice on ergonomics. Various programs are also available in the area of healthy eating.

SUCCESSION PLANNING AND TALENT MANAGEMENT

Succession planning and talent management are core elements of our HR strategy at tesa. They support us in filling as many management vacancies as possible from within our company's own ranks. In the reporting period, a dedicated tesa competency model was developed that involved managers from all regions. The first step was to apply the new model to feedback discussions involving senior-level managers.

A MOTIVATING WORKING ENVIRONMENT

Employee surveys took place in North America, Asia, and Western Europe in 2015, creating a basis for continuous improvement of the working environment as well as of employee commitment. The very positive results of the survey have been spurring us on to make further enhancements. Surveys will take place in the remaining regions from 2016 on and will be repeated at regular intervals in the future.

INTERNATIONAL TRAINING

For many years, we have used a global training program to successfully prepare all our sales and purchasing staff for their national and international responsibilities. This approach is to be extended to the tesa Supply Network in the future. As a result, the reporting period saw extensive work to develop the relevant program. Our aim is to develop a shared understanding of how to smoothly manage international sales projects.

NEW FOCUS ON VARIABLE REMUNERATION

We also agreed to the Compensation and Benefit Guideline in 2015 and began to implement it internationally. The most important change concerns variable remuneration, which is to move away from individual targets toward targets at the company and team levels. With an increasing number of sales projects being implemented by international teams, this is a more effective approach to measuring and rewarding performance.

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 year of 2015 saw the successful completion of a global roll-out project in relation to this. 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 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. Direct communication with consumers via digital social media is becoming an increasingly important aspect of this. These efforts also counteract 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 and 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 additional material 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 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 60.99% (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 Co-Determination Act, *MitbestG*), and § 7 of the Articles of Association. In accordance with § 7 of the Articles of Association, the Executive Board consists of at least three persons; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 *AktG* and with § 16 of the Articles of Association. Under § 16 of the Articles of Association, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only. Under § 5 (6) of the Articles of Association, the Supervisory Board is authorized in particular to amend and reformulate § 5 of the Articles of Association (Share Capital) following each utilization of authorized or contingent capital.

The Annual General Meeting on March 31, 2015, authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until March 30, 2020, 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 disappplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price 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. If, during the term of the authorized capital, other authorizations to issue or sell shares in the company or to issue rights that enable or oblige the holder to subscribe for shares in the company are exercised while disapplying preemptive rights pursuant to or in accordance with § 186 (3) sentence 4 *AktG*, this must be counted toward the above-mentioned 10% limit (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 March 31, 2015, 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 March 30, 2020, 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 March 30, 2020, 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 March 31, 2015, 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 March 30, 2020. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders, or a public invitation to tender shares. 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 sell in whole or in part the own shares acquired in accordance with the above-mentioned or a previous authorization against non-cash consideration while disapplying the preemptive rights of shareholders, particularly to utilize them 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. 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. The Executive Board is further authorized, in the event that own shares are sold to all shareholders, to disapply the preemptive rights of shareholders where this is necessary to eliminate any fractions that may arise. The Executive Board may only make use of the above authorizations to disapply preemptive rights when utilizing own shares to the extent that the total proportion of shares utilized without preemptive rights does not exceed 20% of the share capital either at the time of the resolution by the Annual General Meeting or at the time these authorizations are exercised. If, during the term of this authorization to utilize own shares, other authorizations to issue or sell shares in the company or to issue rights that enable or oblige the holder to acquire shares in the company are exercised while disapplying preemptive rights, this must be counted toward the above-mentioned limit. Finally, the Executive Board was authorized, with the approval of the Supervisory Board, to retire the own shares acquired in accordance with the above-mentioned or a prior authorization 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 seems on the verge of seeing only moderate improvement in 2016. On the whole, we expect performance to vary greatly. While the industrial countries will benefit from expansive monetary policies and reduced energy prices, we anticipate a slowdown in momentum in the emerging markets. The debt situation in the emerging markets will be negatively impacted by the US Federal Reserve's hike in the key interest rate, the continued rise of the US dollar, and low oil prices. In terms of global economic growth, geopolitical unrest coupled with the unclear economic trend in China are causing substantial uncertainty.

In the **eurozone**, we expect growth in 2016 to be up slightly on the prior year on the back of expansionary monetary policies, low oil prices, and the relatively weak euro. Factors that could put the recovery at risk include ongoing high unemployment in many countries, a lack of appetite for reform in combination with high debt levels in certain European countries, and geopolitical unrest. We anticipate a relatively mixed trend overall, with growth remaining modest due to the still weak economy in some countries.

In **Germany**, we expect growth to outstrip that of the rest of Europe. The stable employment market, low interest rates, and the low price of oil will positively impact consumer spending.

In the **United States**, we expect the economy to grow in 2016. 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 slightly higher than in the previous year due to increases in wage levels and higher consumer spending. Factors that could hold back growth include weak export demand and scheduled fiscal reforms.

In the **growth markets**, we continue to anticipate difficult conditions and a cooling off of the economy. In **China**, we expect growth to be down 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. In **India**, we expect to see slightly higher growth than in the previous year, with continued high single-digit inflation. We likewise anticipate a slight growth increase in the

emerging markets of Southeast Asia. In **Brazil**, we expect the recession to continue in 2016 as a result of political uncertainty, a lack of investor confidence, necessary budget reforms, and restrictive fiscal policies aimed at combating inflation. 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 negatively impacted by the fall in oil prices, the depreciation of the ruble, and the consequences of continuing international sanctions. In light of the above factors and a lack of structural reforms, forecasts expect the recession to ease only slightly.

Procurement Market Trends

Commodity markets are expected to remain weak in 2016, with low oil prices persisting and weak demand from China and other regions limiting inflationary pressure in the core material industries that feed Beiersdorf's suppliers of raw and packaging materials. In addition, Beiersdorf has established a strong program of sourcing cost reduction. The combination of these two effects is expected to lead to further overall reductions in material prices in 2016.

Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will rise only minimally above the prior-year level in 2016. 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 continue easing year-on-year.

As in the previous year, geopolitical risks and their impact on the macro-economic trend will impact tesa's long-term business in 2016. However, stable growth is projected for Europe overall, although the Ukraine conflict and the crisis in Greece may continue to have negative effects on the markets. By contrast, we expect North America to gain significant momentum from the automotive industry in particular. Moreover, we assess the trend in Latin America as positive. Brazil represents an element of uncertainty due to its sustained economic crisis. Our expectations for Asia are highly dependent on the performance of the Chinese economy. For 2016, tesa anticipates moderate growth in Asia, primarily in the automotive segment.

Our Market Opportunities

Market performance will remain mixed in 2016 and competition will continue to increase in some markets. The business 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 2016.

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.

tesa's electronics industry business in the Asian region continues to appear attractive. However, only slight growth is projected for that customer segment due to increased competition. The automotive area will maintain its status as an important growth market for global customers. Strategically, we are focusing in particular on developing and expanding high-margin business lines in technologically challenging areas of application. The pharmaceuticals industry continues to represent a new, forward-looking business segment for tesa.

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 at 3–4% in fiscal year 2016. The EBIT margin from operations is expected to slightly exceed the prior-year figure.

In the **tesa** Business Segment, we are predicting sales growth of 2–4% for 2016. The EBIT margin from operations is expected to be similar to the prior-year level.

Building on the forecasts for the two business segments, we are expecting **Group** sales to grow by 3–4%. The consolidated EBIT margin from operations should slightly exceed the prior-year figure.

We firmly believe 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 2, 2016
Beiersdorf AG

The Executive Board