

## Beiersdorf's Brands

Every day, millions of people 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 consistent development of our strong brands is the basis for our unparalleled 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.

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### 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 key 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
- Continuously increasing our innovative power
- Expanding our presence in emerging markets and consolidating our market position in Europe
- The people at Beiersdorf

Our Core Values describe what Beiersdorf stands for and shape the work of each and every one of our employees: Care, Simplicity, Courage, and Trust.

We are working systematically to implement our strategic roadmap in order to ensure the sustainable success of our business. During the year under review, we achieved further progress regarding the areas which we are focusing on until 2020. These areas are: people, brands, innovations, localization, digitalization, sales, and efficiency.

The positive performance of the business in 2016 shows that our strategy is paying off: Beiersdorf continued on its profitable growth path in the reporting year. With strong brands, attractive product innovations, and an expanded presence in emerging markets, we have once again increased our sales, gained market share, and further improved our strong position worldwide despite a volatile economic and political environment. The operating result hit a record level in 2016, as did the EBIT margin.

We significantly improved our profitability during the year under review, particularly with a range of measures to raise efficiency. These included strong cost discipline across the company, improved cost structures, focused use of the marketing budget, and the streamlining and harmonization of the product assortment. We have also made substantial progress in the management of warehouse logistics and working capital (= inventories plus trade receivables minus trade payables).

### BRANDS

The strength of our brand portfolio is one of the keys to our company's success. Beiersdorf's brands stand for trust, quality, and consistency, and precisely meet consumers' needs. In our core business of skin care, for example, NIVEA was again voted Germany's most trusted brand in 2016\*. Our disciplined brand management has succeeded in sustainably expanding our brands' impact. The good results for our NIVEA, Eucerin, and La Prairie core brands during the reporting period clearly underline this success, as does the positive performance of regional and local brands such as Hansaplast/Elastoplast, Aquaphor, and Hidrofugal.

### INNOVATIONS

In order to maintain its strong capacity to innovate, Beiersdorf is pursuing a long-term strategy that is clearly aimed at sustainable growth. This means developing and introducing new products with great potential to be future growth drivers. It also means extending the lifespan and growth of our major innovations to make full use of their potential. Combining these two aspects is key to Beiersdorf's success, as is again reflected in the development of innovations in the year under review.

Introduced globally in 2016, NIVEA Deo Protect & Care proved to be the primary growth driver in the deodorant category during the reporting year. Within just a few months after its launch, this innovation had already achieved a strong position in many key markets. NIVEA Deo Protect & Care is now available in more than 100 countries and is achieving considerable growth rates. The deodorant product range combines reliable 48-hour protection with gentle care and the distinctive scent of NIVEA Creme.

A series of new products – including NIVEA Hairmilk Care Shampoo and Conditioner, NIVEA Care Shower Silk Mousses, and the NIVEA Creme Care Facial Cleansing range – boosted the proven “blue” skin care and innovation expertise of our most important core brand during the year under review. Jointly, the innovations launched in 2016 strengthen NIVEA's uniform brand identity.

The all-purpose skin creams introduced in the previous year – NIVEA Care Creme and NIVEA MEN Creme – have also recorded sustained high growth, making a sizeable contribution to success of the business in 2016. With their outstanding value for money, they have enabled us to attract new consumer groups to NIVEA and inject significant momentum into the market.

### MARKETS

Understanding consumers' specific needs is essential to developing and marketing products successfully. When it comes to consumers' expectations of products, there are sometimes major differences from region to region. Being close to consumers at a local level is therefore crucial in order to incorporate changing expectations into product development quickly and flexibly. This is the only way to secure market share in the long term.

\* Reader's Digest, Trusted Brands Study, 2016

In the year under review, Beiersdorf continued to make targeted investments in local development and production capacities in order to further improve the company's presence and impact in key emerging markets. In Sanand (India) for example, we have substantially increased the number of manufactured products and installed additional production lines just one year after opening the new production facility. The increased production capacity is our response to greater demand in the region for special product sizes such as small sachets.

Besides expanding our local presence we promoted digitalization across the company in order to further strengthen our market positions and our relationship with consumers. With a wide range of digital initiatives we are increasing direct interaction with our consumers and reinforcing brand loyalty. In 2016, Beiersdorf took a critical step in its digital transformation and can now display and manage the "consumer journey" leading to a purchasing decision in an integrated IT system on the NIVEA website. This has laid the foundation for data-driven marketing and created new ways to personalize the website in real time. The innovative concept of the NIVEA website, which turns assistance, recommendations and online shopping into an individualized brand experience for the user, had been rolled out in more than 20 countries by the end of the reporting year. Targeted online marketing and excellent digital campaigns also boosted the profile of our brands around the world. Thanks to our increased digital activities and successful cooperation with online marketplaces, e-commerce sales were up significantly during the year under review, especially in the important Chinese market.

Being close to consumers on a local as well as digital level is paying off all around the world. At the end of 2016, emerging markets accounted for more than half of sales in the Consumer Business Segment. Our consistently healthy performance – in some cases with double-digit growth rates – in important markets such as Russia, Brazil, Mexico, India, Korea, and South Africa is particularly encouraging. At the same time we were able to further build on our strong position in the established European and North American markets.

## PEOPLE

The successes of the past year are first and foremost the achievement of our committed employees. During the year under review, we further simplified our processes and put the company on a considerably more efficient footing.

Beiersdorf's culture of open feedback and dialog at eye level is put into practice in our everyday work. Regular global "town hall meetings" for staff and other local events offer employees worldwide a multitude of opportunities to discuss directly and openly with members of the Executive Board and top management. We also successfully continued our established "CEO Direct" talk format in the reporting year, where the Chairman of the Executive Board takes questions from employees on a specific focus issue.

For the fourth year in a row, the company carried out a global survey on employees' motivation and level of satisfaction. In 2016, 94% (previous year: 93%) of Beiersdorf staff took part. The results show that team cohesion and employee engagement – two particularly important factors for business success – increased

further during the year under review. The feedback generated by the survey serves as the basis for planning and implementing measures in the day-to-day working environment. The aim is to further promote our open culture of dialog, thereby achieving a lasting improvement in employees' engagement and identification with Beiersdorf.

## 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, exceptionally 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 therapeutic systems, also called pharmaceutical plasters, for the pharmaceutical industry. It also focuses on medicated oral films that dissolve in the mouth without the need for additional fluids.
- tesa offers specialist dealers a broad and constantly expanding product range that is continuously optimized and adapted to meet the changing needs of customers in crafts businesses, including construction.
- The tesa umbrella brand provides consumers in Europe and Latin America with a comprehensive range of innovative products for use in the home, office, and garden. In addition to the classic tesa film adhesive tape, these include innovative solutions for insulation, painting and masking, repairing, packaging, and mounting, as well as household insect-protection products.
- In the Craftsmen business area, tesa focuses on customized product ranges for professional craftsmen, such as painters and varnishers.

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

## Management and Control

The Executive Board manages the company and is dedicated to sustainably increasing its value. In addition to the functional areas of responsibility within the Executive Board, 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 of Beiersdorf AG and the Group in accordance with §§ 289a and 315 (5) *Handelsgesetzbuch* (German Commercial Code, *HGB*) has been made publicly available on the company's website at [WWW.BEIERSDORF.COM/CORPORATE\\_GOVERNANCE\\_STATEMENT](http://WWW.BEIERSDORF.COM/CORPORATE_GOVERNANCE_STATEMENT). Additional information regarding management and control, the general management structure, and the Declaration of Compliance in accordance with § 161 *Aktiengesetz* (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 development, 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," "Sustainability," and "People at Beiersdorf" of the Group Management Report.

## Economic Environment

### General Economic Situation

Subdued growth, muted investor sentiment, and only small increases in international trade volumes characterized the **global economy** in 2016. The general political and economic uncertainty arising from geopolitical conflicts, the long-term consequences of the United Kingdom leaving the European Union (Brexit), and the future political direction of the United States weighed on economic growth. Industrialized countries in particular saw growth slow somewhat over the course of the year.

Economic growth in **Europe** in 2016 was slightly down on the previous year's level. The main factors supporting the economy were the positive performance of the labor market and continuing low interest rates. Growth momentum was dampened by high private debt and the general uncertainty of consumers and investors concerning the risks of the European banking system and the long-term consequences of Brexit.

Growth of economic output in **Germany** in 2016 was slightly up on the previous year's level. The key driving factors were the continued health of the labor market, positive consumer sentiment, and higher public spending in connection with refugee policy. After a strong start to the year, however, the German economy lost some of its momentum over the second half. A volatile performance in the industrial sector put the brakes on the sound growth.

Economic growth in the **United States** was moderate in 2016, particularly as a result of declining capital investment. Growth was supported mainly by the ongoing health of the labor market and consumer spending.

In **Japan**, the economy once again saw only moderate growth in 2016. A highly expansionary monetary policy, a recovery in consumer confidence, and a slight upturn in exports over the course of the year characterized the economic situation.

The picture in the **emerging markets** was mixed. After a poor start to the year, which led to turbulence on international stock markets and general uncertainty, the economy in **China** gradually stabilized. Economic growth was slightly down on the previous year's level but remained within the government's target range. Expansionary monetary policy, high infrastructure investment, and booming demand in the real estate sector underpinned growth. However, the sharp rise in lending and high indebtedness of state-owned companies continue to harbor considerable risks. In **India**, reforms had a positive impact on economic performance. Private and public sector consumption remained the key drivers of growth. Meanwhile, continued weakness in exports and investment negatively impacted the growth rate. **Brazil** remained in recession. This was primarily a result

of the difficult labor market situation, weak domestic demand, and declining commodity prices. In **Russia**, the first signs of stabilization were evident in 2016. This was due to the stabilization of the ruble, an inflation slowdown, a loosening of monetary policy, and a strong revival in oil production. However, ongoing international sanctions, weak income growth, and only modest consumer spending continued to put a damper on economic performance.

### Sales Market Trends

The global growth rate in the cosmetics market – the market relevant for Beiersdorf – has slowed compared with the previous year. Growth impetus came especially from the Asia and Africa regions. Most other markets saw only moderate growth rates.

In the industrial sales markets relevant for tesa, 2016 was once again marked by a generally positive sales market trend that resulted in sometimes significant growth in all regions outside of Asia. As in the previous year, Eastern European and Latin American countries were growth drivers, supported by an uptrend in the tesa core regions of Germany and Western Europe. Business in Asia was heavily influenced by the market situation: While the automotive industry saw strong growth, the consumer electronics market remained under pressure.

### Procurement Market Trends

Average raw material and packaging prices in 2016 were slightly lower than in the previous year. 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 raw material market prices remained very robust. In particular the markets for palm oil derivatives and for plastic resins on the European market were resilient.

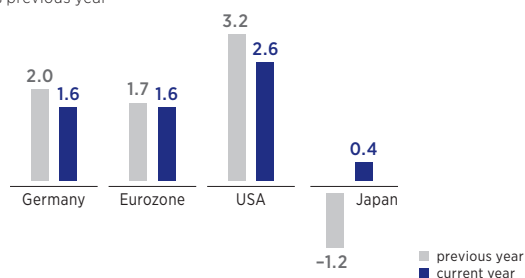
### Overall Assessment of the Economic Environment

Macroeconomic growth in 2016 was positive, despite momentum slowing in the course of the year. Growth in the global cosmetics market weakened and failed to reach the previous year's level. The Consumer Business Segment recorded another increase in sales in this challenging economic environment.

The tesa Business Segment further increased its sales in 2016. 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 general economic situation. The consumer market in Europe has seen further improvement year-on-year.

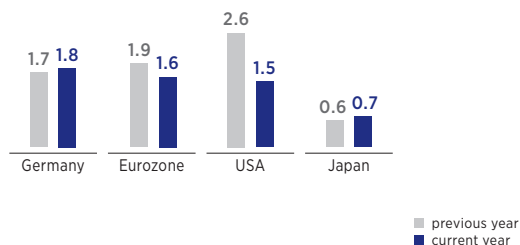
#### CONSUMER SPENDING (IN %)\*

Change versus previous year



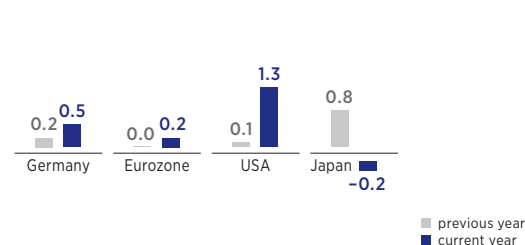
#### GROSS DOMESTIC PRODUCT (IN %)\*

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)

|                                                           | 2015         | 2016         | Change in %* |
|-----------------------------------------------------------|--------------|--------------|--------------|
| <b>Sales</b>                                              | <b>6,686</b> | <b>6,752</b> | <b>1.0</b>   |
| Cost of goods sold                                        | -2,785       | -2,774       | -0.4         |
| <b>Gross profit</b>                                       | <b>3,901</b> | <b>3,978</b> | <b>2.0</b>   |
| Marketing and selling expenses                            | -2,430       | -2,407       | -0.9         |
| Research and development expenses                         | -183         | -188         | 2.6          |
| General and administrative expenses                       | -366         | -364         | -0.4         |
| Other operating result (excluding special factors)        | 40           | -4           | -            |
| <b>Operating result (EBIT, excluding special factors)</b> | <b>962</b>   | <b>1,015</b> | <b>5.5</b>   |
| Special factors                                           | -            | -            | -            |
| <b>Operating result (EBIT)</b>                            | <b>962</b>   | <b>1,015</b> | <b>5.5</b>   |
| Financial result                                          | 6            | 25           | -            |
| <b>Profit before tax</b>                                  | <b>968</b>   | <b>1,040</b> | <b>7.5</b>   |
| Income taxes                                              | -297         | -313         | 5.3          |
| <b>Profit after tax</b>                                   | <b>671</b>   | <b>727</b>   | <b>8.4</b>   |

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

#### SALES

Organic Group sales in 2016 were up 3.2% on the prior-year figure. The Consumer Business Segment grew by 3.3%. tesa generated a sales increase of 2.6%. Nominal Group sales rose by 1.0% as against the prior year to €6,752 million (previous year: €6,686 million).

In **Europe**, organic sales were up 2.8% on the prior year. In nominal terms, sales stood at €3,461 million (previous year: €3,447 million), 0.4% higher than the prior-year figure.

Organic growth in the **Americas** amounted to 3.4%. In nominal terms, sales rose 0.7% to €1,252 million (previous year: €1,243 million).

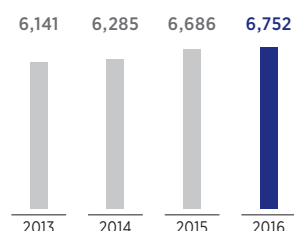
The **Africa/Asia/Australia** region reported organic growth of 3.7%. In nominal terms, growth of 2.2% to €2,039 million was recorded (previous year: €1,996 million).

#### EXPENSES / OTHER OPERATING RESULT

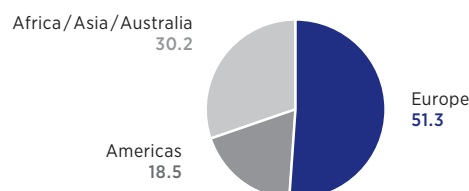
Despite the increase in sales, the **cost of goods sold** declined by 0.4%. Especially in the Consumer Business Segment, initiatives were successfully implemented to enhance efficiency. Alongside reviews of the product range, these included purchasing and logistics measures, and enabled significant cost savings to be made. The continued favorable trend in commodity prices also had a positive effect on costs. Meanwhile, exchange rate developments raised procurement costs at several companies. Changes in the product and country mix also had a slight negative effect on the growth of **gross profit**.

Thanks to the efficient use of resources, **marketing and selling expenses** were reduced to €2,407 million (previous year: €2,430 million) without compromising the support and competitiveness of the brands. This was achieved by optimizing marketing expenses and improving the marketing mix. For example, initiatives at the point of sale and support of our trading partners with their marketing activities were reviewed and implemented in a more targeted manner.

#### GROUP SALES (IN € MILLION)



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



We responded to the rapidly growing change in our consumers' media behavior by reallocating the marketing budget among the media in line with the new priorities. The advertising and trade marketing expenses amounted to €1,496 million (previous year: €1,529 million). We further expanded our market position by investing in marketing and sales in a number of countries, especially in tesa companies.

**Research and development** expenditure was increased to €188 million (previous year: €183 million) in order to safeguard the future development of the Group. At €364 million, **general and administrative expenses** were slightly down on the previous year's figure of €366 million.

The **other operating result** (excluding special factors) amounted to €-4 million (previous year: €40 million). The decline was primarily attributable to lower gains on disposals of plant and equipment compared with the previous year.

#### 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 IFRS Standards 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 €1,015 million (previous year: €962 million), while the EBIT margin was 15.0% (previous year: 14.4%). The Consumer Business Segment generated EBIT excluding special factors of €829 million (previous year: €771 million); the EBIT margin reached 14.8% (previous year: 13.9%). EBIT in the tesa Business Segment was €186 million (previous year: €191 million); the EBIT margin was 16.2% (previous year: 16.8%).

The Group operating result before special factors in **Europe** was €607 million (previous year: €618 million). The EBIT margin was 17.5% (previous year: 17.9%). The operating result before special factors in the **Americas** amounted to €127 million (previous year: €104 million). The EBIT margin was 10.2% (previous year: 8.4%). In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €281 million (previous year: €240 million). The EBIT margin was 13.8% (previous year: 12.0%).

#### SPECIAL FACTORS

No special factors required recognition in the 2016 fiscal year or in the previous year.

#### OPERATING RESULT (EBIT)

The operating result (EBIT) amounted to €1,015 million (previous year: €962 million). This corresponds to an EBIT margin of 15.0% (previous year: 14.4%).

#### FINANCIAL RESULT

The financial result amounted to €25 million (previous year: €6 million). This development was attributable to an increase in interest income from financial assets and a decline in interest expenditure due to lower financial liabilities in 2016 and the interest expenditure associated with a tax reassessment in the previous year. A year-on-year increase in the other financial result also improved the position.

#### INCOME TAXES

Income taxes amounted to €313 million (previous year: €297 million). The tax rate was 30.1% (previous year: 30.7%).

#### PROFIT AFTER TAX

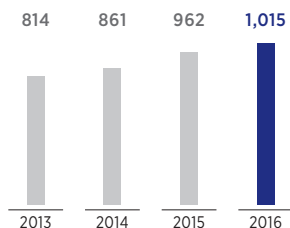
Profit after tax increased to €727 million (previous year: €671 million); the return on sales after tax was 10.8% (previous year: 10.0%).

#### EARNINGS PER SHARE – DIVIDENDS

Earnings per share were €3.13 (previous year: €2.91). 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.

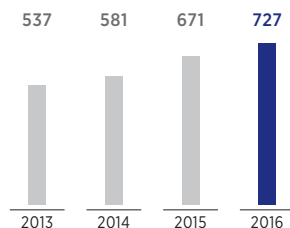
#### GROUP EBIT (IN € MILLION)

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 2016       | (in € million) | 2,801  | 1,078    | 1,727                 | 5,606 |
| Sales 2015       | (in € million) | 2,816  | 1,076    | 1,654                 | 5,546 |
| Change (organic) | (in %)         | 2.0    | 2.9      | 5.7                   | 3.3   |
| Change (nominal) | (in %)         | -0.6   | 0.2      | 4.4                   | 1.1   |

Sales by the **Consumer** Business Segment grew organically by 3.3% in 2016. The strong euro versus the previous year led to a reduction of 2.2 percentage points in this figure as a result of negative effects from currency translation. In nominal terms, sales therefore increased by 1.1% to €5,606 million (previous year: €5,546 million).

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

**NIVEA** achieved global organic growth of 3.8% in 2016. The key growth drivers were NIVEA Deo, NIVEA Shower, and the NIVEA All-Purpose Creams. In the NIVEA Deo category, the successful global launch of NIVEA Protect & Care made a particular contribution. NIVEA Black & White and NIVEA Fresh also performed especially well again. NIVEA Active Clean and NIVEA Creme Smooth, which were rolled out in the previous year, were significant growth drivers for NIVEA Shower. The growth in NIVEA All-Purpose Creams was fueled first and foremost by NIVEA Care Creme, which we launched in the previous year. NIVEA MEN Creme also saw a very positive trend.

Overall, NIVEA maintained its strong position despite a difficult market environment, and expanded its share in many markets and categories. In the NIVEA Deo category, we extended our market share particularly in Germany, Australia, and

South Africa. In our NIVEA MEN category, growth in Germany, Poland, and Japan had a significant positive impact on our market share. In the NIVEA Face category, we saw negative market share trends particularly in Germany, Italy, and France. At the country level, especially good growth in market share was achieved in South Africa, Australia, and Japan. A negative trend was seen particularly in Italy and the United Kingdom.

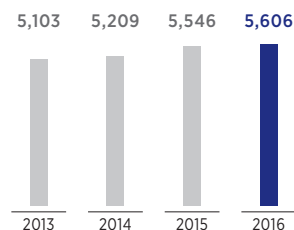
Our **Eucerin** brand generated organic growth of 1.5%. The Eucerin Sun category made a particularly strong contribution to this positive performance. Sales performance was especially encouraging in Germany, Italy, and Korea.

In the exclusive cosmetics segment, our **La Prairie** brand recorded an organic increase in sales of 5.5%. The Skin Caviar Collection, with its core range (especially Skin Caviar Liquid Lift) and the new product introduction of Skin Caviar Essence-in-Lotion, made particular contributions to growth. Another strong growth driver was the launch of the new Cellular Radiance Perfecting Fluide Pure Gold. Sales in the travel retail business, and in China, Australia, and the United Kingdom developed especially well.

Strong earnings in the markets of Western Europe and North America enjoyed a further boost. Results in the emerging markets also improved considerably. Increased investments led the company to losses in just a small number of countries.

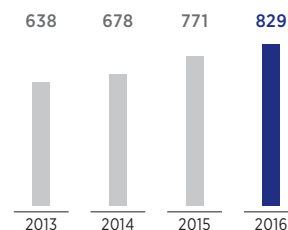
EBIT excluding special factors was €829 million (previous year: €771 million), while the corresponding EBIT margin increased to 14.8% (previous year: 13.9%).

#### CONSUMER SALES (IN € MILLION)



#### CONSUMER EBIT (IN € MILLION)

Excluding special factors





## EUROPE

### CONSUMER SALES IN EUROPE

|                  |                | Western Europe | Eastern Europe | Total |
|------------------|----------------|----------------|----------------|-------|
| Sales 2016       | (in € million) | 2,262          | 539            | 2,801 |
| Sales 2015       | (in € million) | 2,281          | 535            | 2,816 |
| Change (organic) | (in %)         | 1.0            | 6.6            | 2.0   |
| Change (nominal) | (in %)         | -0.8           | 0.6            | -0.6  |

In **Europe**, organic sales were up 2.0% on the previous year. In nominal terms, sales declined by 0.6% to €2,801 million (previous year: €2,816 million).

In **Western Europe**, sales were up 1.0% on the previous year. There was good growth particularly in Germany, Spain, and the United Kingdom. However, sales in Switzerland and France did not repeat their prior-year performance. Sales of NIVEA Deo performed encouragingly well. Eucerin sales also moved upwards and La Prairie recorded excellent growth.

Sales in **Eastern Europe** rose by 6.6%. Growth was driven primarily by the very healthy trend in Russia. Double-digit growth rates were also achieved in Kazakhstan and Ukraine. We recorded sound growth in Poland, too. In Serbia, on the other hand, sales were down on the previous year. NIVEA Deo, NIVEA Face, and NIVEA MEN in particular performed very well. La Prairie saw strong growth in the region. In contrast, Eucerin did not reach the previous year's level.

## AMERICAS

### CONSUMER SALES IN THE AMERICAS

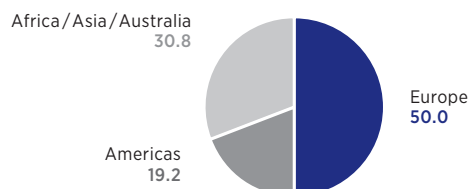
|                  |                | North America | Latin America | Total |
|------------------|----------------|---------------|---------------|-------|
| Sales 2016       | (in € million) | 432           | 646           | 1,078 |
| Sales 2015       | (in € million) | 426           | 650           | 1,076 |
| Change (organic) | (in %)         | 1.6           | 3.7           | 2.9   |
| Change (nominal) | (in %)         | 1.4           | -0.7          | 0.2   |

Organic sales in the **Americas** region increased by 2.9%. At €1,078 million, nominal sales were up 0.2% on the previous year (€1,076 million) due to changes in the exchange rates of key South American currencies.

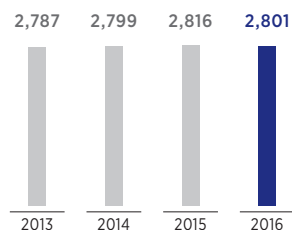
Sales in **North America** were up 1.6% on the previous year. NIVEA All-Purpose Creams and NIVEA MEN performed very well. Aquaphor also saw very good growth in the region. Eucerin and La Prairie virtually repeated their prior-year performance.

Sales in **Latin America** rose 3.7%, fueled by high – in some cases very high – growth rates in Brazil, Mexico, and Columbia. However, growth in the region was negatively impacted by developments in Argentina. NIVEA Deo, NIVEA Shower, and NIVEA All-Purpose Creams in particular performed very well. In contrast, Eucerin did not match the previous year's sales.

### CONSUMER SALES BY REGION (IN %)



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



## AFRICA/ASIA/AUSTRALIA

## CONSUMER SALES IN AFRICA/ASIA/AUSTRALIA

|                  |                | Total |
|------------------|----------------|-------|
| Sales 2016       | (in € million) | 1,727 |
| Sales 2015       | (in € million) | 1,654 |
| Change (organic) | (in %)         | 5.7   |
| Change (nominal) | (in %)         | 4.4   |

The **Africa/Asia/Australia** region recorded a 5.7% increase in organic sales. In nominal terms, sales rose 4.4% to €1,727 million (previous year: €1,654 million).

The continued very strong growth in Japan, South Africa, India, Korea, and Australia was the basis for the sales performance. China, however, did not reach the prior-year level. NIVEA Deo, NIVEA All-Purpose Creams, and NIVEA Shower in particular performed very well. Eucerin and La Prairie also experienced very good growth.

## tesa

## SALES – tesa BUSINESS SEGMENT

|                  |                | Europe | Americas | Africa/Asia/Australia | Total |
|------------------|----------------|--------|----------|-----------------------|-------|
| Sales 2016       | (in € million) | 660    | 174      | 312                   | 1,146 |
| Sales 2015       | (in € million) | 631    | 167      | 342                   | 1,140 |
| Change (organic) | (in %)         | 6.2    | 6.7      | -6.0                  | 2.6   |
| Change (nominal) | (in %)         | 4.6    | 4.2      | -8.7                  | 0.6   |

Organic sales by the **tesa** Business Segment were up 2.6% on the previous year. Exchange rate effects reduced this growth by 1.8 percentage points and structural effects by 0.2 percentage points. In nominal terms, sales therefore rose by 0.6% to €1,146 million (previous year: €1,140 million). EBIT declined to €186 million (previous year: €191 million). The EBIT margin was 16.2% (previous year: 16.8%).

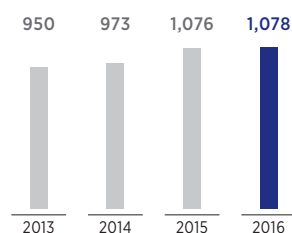
## tesa INDUSTRIAL BUSINESS

Industrial business sales at tesa grew organically by 2.0%. Business in Eastern Europe and the Americas generated strong growth, while sales in Asia, which are primarily generated from project business, continued to be weak. In nominal terms, sales decreased by 0.1% to €853 million (previous year: €854 million). The share of the Industrial Business in total sales was 74.4% (previous year: 74.9%).

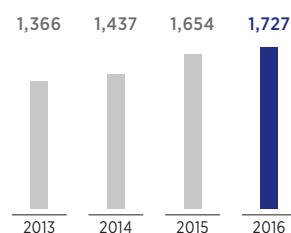
tesa developed and introduced many new products for applications in the electronics industry. These included tesa® 757xx reinforced Ac Foam Tape, a high-performance adhesive tape with viscoelastic material properties, which make it particularly effective at absorbing shocks. Despite continuous product development, growth slowed as a result of the widespread saturation of the smartphone market. Nevertheless, tesa achieved good successes among the growing number of Chinese manufacturers. Adhesive tapes for wearable devices such as smart watches are a new growth driver. These must be able to withstand cosmetics, sweat, and other challenges.

tesa is continuously expanding its global market position in the automotive sector. Double-sided, adhesive, viscoelastic foam products based on ACXplus technology were particularly successful, along with environmentally friendly

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



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



high-performance adhesive tapes for cable harnesses. Masking systems for two-tone painting also contributed to a good performance.

In the printing and paper business, tesa has successfully launched enhanced products for the printing of flexible packaging. A new product line featuring highly flexible adhesive tapes was added to the range. tesa continues to set the standards for flying splices in offset printing. The optimized tesa EasySplice® adhesive tapes offer the utmost in process reliability even with fluctuations in temperature and humidity or difficult paper types.

The pharmaceuticals business achieved further successes in contract manufacturing of medicated plasters. A tesa customer launched two such plasters on the market in 14 European countries. With the auditing of tesa Labtec GmbH by the US Food and Drug Administration, tesa also achieved an important milestone in its efforts to tap the US market. It established a new packaging plant to meet the growth targets it has planned accordingly.

With tesa scribos®, tesa offers comprehensive, customized solutions designed for more than 20 industries to protect against counterfeits and manipulation. It also gained a new major customer in this area, who now uses a global, comprehensive anti-counterfeit system including product tracking and customer loyalty features. tesa scribos® has also successfully introduced the newly developed verification label, tesa VeoMark® L, with integrated QR code. Furthermore, tesa is working on other innovative brand protection solutions, particularly for the food industry.

In the Building Supply business area, double-sided adhesive tapes were the main driver of tesa's growth and expanding customer base. By focusing on interior decoration, the new ACXplus products for glass partition walls, designed to avoid sticking to the sides, and ACXplus products for leaf-concealing doors attracted new customers. The products give designers more freedom and contribute to a modern, clean visual appearance. tesa continues to focus on demanding exterior applications such as facades, windows, and front doors with particularly weather-resistant, durable, double-sided products.

The company again expanded the industrial distribution business, outperforming the overall market. Technically demanding adhesive tapes were the primary growth drivers, contributing to a positive sales trend in all regions. Activity focused on expanding the dealer network in Asia and North America. tesa also strengthened its existing partnerships in Europe.

## tesa CONSUMER BUSINESS

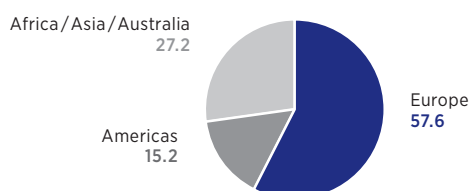
The consumer products and professional craftsmen business, which is focused on Europe and Latin America, performed well, with organic sales growth of 5.4%. In nominal terms, sales improved by 4.4% to €275 million (previous year: €264 million). As a result, the consumer business contributed 24.1% (previous year: 23.1%) of total sales by the tesa Business Segment in the year under review.

tesa strengthened its market position in the strategic business areas and in all regions making up the Consumer & Craftsmen segment. This applied to its DIY solutions and products for the office supplies and stationery sector in the consumer business as well as to its offering for professional craftsmen in the Craftsmen business area. The positive trend was thanks not least to the continued branding campaign in Germany and eight other European countries, which boosted awareness of tesa and further lifted sales.

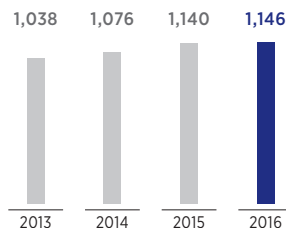
The Powerstrips and Powerbond double-sided mounting solutions were particularly effective at generating growth. In Germany, the new range comprises 48 innovative products such as adhesive, adjustable nails and screws for various surfaces and applications, and new Powerstrips for wallpaper. tesa has developed the products based on extensive market research and patented them. Customers are choosing the clever mounting systems for their special advantages over conventional screws and nails.

In the Craftsmen business area, the additional focus on the building materials trade paid off. tesa also continued the successful training scheme for professional painters in cooperation with specialist suppliers. The company expanded its product range for this group, including new tapes for painters and plasterers.

## tesa SALES BY REGION (IN %)

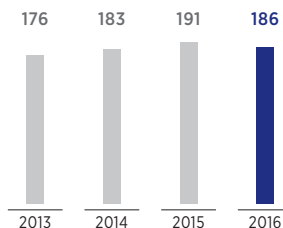


## tesa SALES (IN € MILLION)



## tesa EBIT (IN € MILLION)

Excluding special factors



## Net Assets – Group

### NET ASSETS (IN € MILLION)

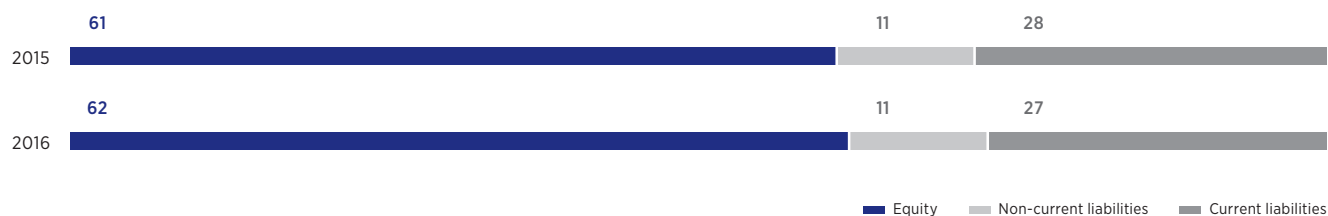
| Assets                        | Dec. 31, 2015        | Dec. 31, 2016        |
|-------------------------------|----------------------|----------------------|
| Non-current assets            | 2,685                | 3,297                |
| Inventories                   | 772                  | 739                  |
| Other current assets          | 2,498                | 2,665                |
| Cash and cash equivalents     | 918                  | 872                  |
|                               | <b>6,873</b>         | <b>7,573</b>         |
| <b>Equity and liabilities</b> | <b>Dec. 31, 2015</b> | <b>Dec. 31, 2016</b> |
| Equity                        | 4,201                | 4,677                |
| Non-current provisions        | 655                  | 802                  |
| Non-current liabilities       | 91                   | 58                   |
| Current provisions            | 419                  | 440                  |
| Current liabilities           | 1,507                | 1,596                |
|                               | <b>6,873</b>         | <b>7,573</b>         |

Non-current assets increased by €612 million to €3,297 million (previous year: €2,685 million). Long-term securities were reclassified to current assets due to shorter maturities, and new purchases were made. Long-term securities increased by €594 million to €1,891 million (previous year: €1,297 million). Capital expenditure on property, plant, and equipment, and intangible assets amounted to €162 million (previous year: €249 million). Of this amount, €113 million (previous year: €135 million) related to the Consumer Business Segment and €49 million (previous year: €114 million) to the tesa Business Segment. Following the completion of major investment projects in the previous year (new Consumer and tesa plants and the new tesa headquarters), investment in 2016 primarily related to replacement and rationalization. Group depreciation, amortization, and impairment losses amounted to €148 million (previous year: €129 million). Inventories fell by €33 million to €739 million (previous year: €772 million). The consistently implemented measures to optimize working capital made a major contribution to this trend. Other current assets increased to €2,665 million (previous year: €2,498 million). This item includes short-term securities of €958 million (previous year: €858 million). Trade receivables rose by €35 million to €1,293 million (previous year: €1,258 million). Income tax receivables increased by €8 million to €108 million, while other current assets decreased by €4 million to €163 million.

Cash and cash equivalents declined to €872 million (previous year: €918 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) increased by €672 million to €3,708 million (previous year: €3,036 million). Current liabilities to banks fell by €24 million to €13 million (previous year: €37 million).

Total non-current provisions and liabilities increased year-on-year to €860 million (previous year: €746 million). This was primarily attributable to the increase in provisions for pensions and other post-employment benefits to €706 million (previous year: €574 million) due to the substantial fall in the discount rate. There was a related fall in deferred tax liabilities to €55 million (previous year: €88 million). Total current provisions and liabilities rose by €110 million to €2,036 million (previous year: €1,926 million) as a result of an increase in trade payables due to operational factors. The equity ratio increased to 62% (previous year: 61%). Non-current liabilities accounted for 11% (previous year: 11%) and current liabilities for 27% (previous year: 28%).

### FINANCING STRUCTURE (IN %)



## Financial Position – Group

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

|                                                | 2015       | 2016       |
|------------------------------------------------|------------|------------|
| Gross cash flow                                | 770        | 859        |
| Change in net current assets                   | 30         | 83         |
| Net cash flow from operating activities        | 800        | 942        |
| Net cash flow from investing activities        | -655       | -764       |
| Free cash flow                                 | 145        | 178        |
| Net cash flow from financing activities        | -210       | -233       |
| Other changes                                  | 7          | 9          |
| Net change in cash and cash equivalents        | -58        | -46        |
| <b>Cash and cash equivalents as of Jan. 1</b>  | <b>976</b> | <b>918</b> |
| <b>Cash and cash equivalents as of Dec. 31</b> | <b>918</b> | <b>872</b> |

Gross cash flow amounted to €859 million in the period under review, up €89 million on the prior-year value.

The change in net current assets led to an inflow of €83 million (previous year: €30 million). The €48 million rise in receivables and other assets was offset by a €98 million increase in trade payables and current provisions as well as a €33 million decline in inventories as a result of the measures taken to reduce working capital (particularly in the Consumer Business Segment).

The net cash outflow from investing activities amounted to €764 million in the period under review (previous year: €655 million). Interest and other financial income received of €65 million and proceeds of €8 million from the sale of intangible assets and property, plant, and equipment were offset by net cash outflows of €675 million for the purchase of securities as well as capital expenditure of €162 million for property, plant, and equipment, and intangible assets.

Free cash flow was €178 million, up €33 million on the prior-year value (€145 million). The net cash outflow of €233 million from financing activities (previous year: €210 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financing expenses paid in the amount of €49 million.

Cash and cash equivalents amounted to €872 million (previous year: €918 million).

### FINANCING AND LIQUIDITY PROVISION

The primary goal of financial management at Beiersdorf is to safeguard liquidity. Hedging currency, interest rate and default risks, and investing liquid assets are also at the heart of financial management activities. 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. Details on financial risk management can be found in the notes to the balance sheet, Note 27.

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

Business developments in 2016 show that Beiersdorf is on the right track. The Group's two business segments performed well. Group sales stood at €6,752 million (previous year: €6,686 million). Organic growth amounted to 3.2% (previous year: 3.0%). EBIT excluding special factors reached €1,015 million (previous year: €962 million). The EBIT margin excluding special factors was 15.0% (previous year: 14.4%).

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.

The **tesa** Business Segment expanded its business both in the industrial markets and in the consumer business. However, the weak performance of the project business in Asia continued.

## COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

|                                                |        | Forecast for 2016<br>2015 Annual Report | Forecast for 2016<br>H1 2016 Report | Forecast for 2016<br>9M 2016 Quarterly Statement | Result in 2016 |
|------------------------------------------------|--------|-----------------------------------------|-------------------------------------|--------------------------------------------------|----------------|
| <b>Sales growth (organic)</b>                  |        |                                         |                                     |                                                  |                |
| Consumer                                       | (in %) | 3–4                                     | 3–4                                 | 3–4                                              | 3.3            |
| tesa                                           | (in %) | 2–4                                     | slightly above prior year           | slightly above prior year                        | 2.6            |
| Group                                          | (in %) | 3–4                                     | 3–4                                 | 3–4                                              | 3.2            |
| <b>EBIT margin (excluding special factors)</b> |        |                                         |                                     |                                                  |                |
| Consumer                                       | (in %) | slightly above prior year (13.9)        | slightly above prior year (13.9)    | significantly above prior year (13.9)            | 14.8           |
| tesa                                           | (in %) | at prior-year level (16.8)              | slightly below prior year (16.8)    | significantly below prior year (16.8)            | 16.2           |
| Group                                          | (in %) | slightly above prior year (14.4)        | slightly above prior year (14.4)    | significantly above prior year (14.4)            | 15.0           |

At 3.3%, sales growth in the **Consumer** Business Segment was within the target range of 3–4% that was forecast for fiscal year 2016. This growth came from both the saturated markets and growth markets, and from all regions. The operating result (EBIT, excluding special factors) and EBIT margin in fiscal year 2016 were significantly higher than in the previous year and exceeded the original forecast.

The **tesa** Business Segment again recorded a positive performance in the past fiscal year. tesa was on target with sales growth of 2.6%. The operating result (EBIT, excluding special factors) and EBIT margin in the 2016 fiscal year were down on the previous year.

### 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 the 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 works on high-performance self-adhesive system and product solutions, and is a world leader in its field.

At the end of 2016, 1,178\* people were employed in Beiersdorf's Research and Development area (previous year: 1,108). Of this total, 702\* (previous year: 637) worked in the Consumer Business Segment and 476 (previous year: 471) in the tesa Business Segment.

### Consumer

#### LEADING SKIN CARE EXPERTISE

Beiersdorf has built its global reputation on a strong tradition in skin care expertise. Leading skin care research and development are the basis of our innovative success and the superior products we provide our consumers.

In the year under review, Beiersdorf research progressed in fundamental questions of skin metabolism, focusing especially on the aging process. Our research activities in this field aim to further understand skin aging and identify new routes to skin care solutions that effectively reduce age-induced skin changes.

One major cause of skin aging is the decline in cell energy metabolism. Ever since our discovery of the coenzyme Q10 for skin care, Beiersdorf has pursued supplementation and stimulation of the energy metabolism as a well-tolerated option for addressing signs of skin aging. To push progress further, Beiersdorf cooperates with the "Center for Free-Electron Laser Science" (CFEL) at the University of Hamburg. In a recent project, researchers developed a computer-based simulation technique that will enable a better understanding of the fundamental processes of cellular energy production, including cell degeneration during aging. Future work will focus on translating the simulation findings into new products with a stronger impact on the stimulation of cellular energy.

Researchers at Beiersdorf are also exploring skin of diabetics because important conclusions about skin aging processes in general can be drawn from the cellular processes of diabetic skin. In collaboration with the Universities of Heidelberg and Hanover, our researchers elucidated the pivotal role of the reduced activity of the enzyme glyoxalase in key functional deficits of diabetic skin. With this reduced enzyme activity, the natural ability of the epidermal keratinocyte skin cells to detoxify declines, which eventually impedes the regeneration of nerves in the skin. The sensory impairment and defective skin structure this causes are phenomena observed both in diabetic and in aged skin. This insight will form a basis for future product development targeting the recovery of diabetic and aging skin.

\* The year-on-year change is primarily the result of internal restructuring.

Change in skin pigmentation is another aspect of skin aging. In the year under review, a collaborative research program with the Laboratory of Cell Biology at the National Cancer Institute of the U.S. National Institutes of Health revealed that age spots are rooted in a dysregulation of the keratinocytes. This finding of the collaborative research disproved the traditional belief of excessive melanin production as the root cause of age spots and can lead to more effective products addressing age spots.

Beiersdorf Research and Development was also working on improving deodorant effectiveness. To offer mild yet effective products that are well tolerated, we screened and evaluated a wide range of novel antimicrobial agents that control malodor-causing bacteria in the axilla. This led to the identification of an ingredient which proved to have good skin tolerability and the ability to reduce malodor significantly even for 48 hours. With this discovery Beiersdorf is setting superior standards in terms of antimicrobial effectiveness of deodorants.

Product safety and tolerability are of utmost importance for Beiersdorf. An essential part of our responsible research and development work is therefore to continuously refine the portfolio of safety test methods. In 2016, substantial progress was made in measuring the penetration of substances into the skin. Beiersdorf contributes intensively to the major initiative of the European Cosmetic Industry Association (Cosmetics Europe). In the year under review, a collaborative research team demonstrated the validity of the in vitro model for the prediction of human skin penetration of substances. This model is approved as a test method by the Organisation for Economic Co-operation and Development (OECD).

#### WE OPEN INNOVATION

Since 2016, all Open Innovation activities of Beiersdorf are gathered under the umbrella “Pearlfinders – We Open Innovation.” In addition to maintaining and strengthening our innovation network and strategic partnerships with leading research institutes, universities, and suppliers, Beiersdorf has systematically expanded its activities in this area over the past years and continued to do so during the year under review.

Since 2011, one of the central elements of our innovation strategy is the Open Innovation platform “Trusted Network,” where Beiersdorf scientists exchange ideas with external experts on concrete technical challenges. Another tool is the global network “Innoget.” In the year under review, Beiersdorf extended its collaboration with the platform and established its own profile on the Innoget portal to make further contacts in the scientific community and in industry within a protected environment. Other formats operating under Pearlfinders are, for example, in-house events like the “Supplier Fair” and the “Formulation Academy.” At these events, selected innovation partners present trends in technology and other ideas. Beiersdorf has a long and successful tradition in setting up partnerships. To date, we have cooperated with more than 500 external partners in a large number of projects.

#### EXCHANGE OF MEDICAL KNOWLEDGE

Beiersdorf established during the year under review an independent institution that is devoted to the continuing and advanced training of physicians: the Professor P. G. Unna Akademie. By opening the academy, we are working to intensify the dialog between research and medical practice, thereby constantly increasing treatment successes for patients. For this, a wide range of product-neutral and need-oriented education courses is being offered. An independent committee whose membership changes annually oversees the academy, identifies training needs and sets the thematic direction of the continuing education courses.

#### CLOSE TO CONSUMERS AND MARKETS

At Beiersdorf, closeness to consumers is an indispensable prerequisite for the development of new products. Our approach is to gain in-depth knowledge of the varying needs and customs of our consumers in the different regions and integrate their specific demands into all steps of our innovation process, from idea creation to post-launch assessment. Our regional Research and Development laboratories allow us to launch products catering to local needs and enable a fast and precise response to market changes.

In the year under review, Beiersdorf conducted about 1,900 studies with approximately 45,000 participants across all regions. Based on regional consumer tests we customize product formulas and design specific packaging solutions. As a result of our regional Research and Development efforts, several new products were introduced to the local markets in the year under review, including the following examples:

- In Latin America, Beiersdorf developed the high-quality NIVEA Creme Care Soap with a caring formula customized for the Brazilian market. The launch strengthened NIVEA as a caring brand in the locally important shower soap segment. Beiersdorf also launched a body lotion with sun protection factor (SPF) 15. This body lotion was developed in our laboratory in Silao (Mexico) and targets the demand by the Mexican market for body products with SPF due to high sun exposure in daily life.
- For the Middle East and North Africa (MENA) region, we introduced the body lotion range NIVEA Skin Delight, which has formulas with rose and lavender scent. The body lotions address the regional consumer wish for rich and caring formulas with delicate fragrances.
- Our development laboratory in Wuhan (China) developed the NIVEA MEN Oil Control series that responds to the specific skin needs of Asian men. Also for the Chinese market, we developed the efficacious NIVEA Make Up Clear, which is specially adapted to remove long-lasting and waterproof make-up.

#### INNOVATIONS

The Consumer Business Segment filed patents for 47 innovations in the year under review (previous year: 61) and its products repeatedly set significant new market trends. In 2016, the key innovations included the following:

- **NIVEA Deo Protect & Care** encompasses a new range of products in the deodorants and antiperspirants segment. The innovative products combine effective 48-hour protection with the ingredients of NIVEA Creme. They are characterized by the unique NIVEA scent and are mild and well-tolerated by the delicate underarm skin.
- **NIVEA Cellular Anti-Age Volume Filling Pearls** actively counteracts signs of aging skin. The patented pearls formula is based on the highest concentration of hyaluronic acid within the NIVEA Face Care range, plus creatine and a “collagen booster” (in vitro evidence). The new product actively improves the regeneration processes of the skin for more firmness and elasticity.
- With **NIVEA Creme Care Facial Cleansing**, Beiersdorf has introduced cleansing products that combine mild and caring, but thorough cleansing. The cleansing products come in three different application formats: milk, cream, and wipes. They contain selected ingredients as well as the scent of the NIVEA Creme and are suitable for all skin types.
- For effective sun protection, Beiersdorf introduced a new application: **NIVEA Sun Protection Roll-On**. The roll-on is easy to handle and offers a quick application of sun protection on the skin. The product has a fast-absorbing, non-sticky formula, which works immediately and ensures reliable, highly effective UVA and UVB protection.
- In Europe, Beiersdorf relaunched the NIVEA MEN Active Energy series and extended it with additional products. One of them is **NIVEA MEN Active Energy Morning Fix Face Gel**, which relies on an innovative micropigment technology to reduce the effects of tiredness and delivers a fresh skin feeling.
- The **NIVEA Professional** product series was strengthened with a relaunch of existing products and new line extensions. The product line offers premium products to counteract signs of skin aging. Consisting of four sublines, the products include optimally dosed ingredients such as vitamins E and C, hyaluronic acid and Bioxillift®.
- With **NIVEA Care Shower Silk Mousse**, Beiersdorf entered a new sub-segment in the shower category. Three variants of the shower mousses are offered based on an extra-mild formula with silk extracts. The creamy foam of the mousses delivers a silky skin feeling.
- **NIVEA Hairmilk Care Shampoo** and **Conditioner** are designed for dry hair and stand for mild, rich hair care. They contain milk proteins, macadamia oil and Eucerit®, which is also used in NIVEA Creme. The products enrich the hair without weighing it down.
- The **Eucerin Elasticity+Filler range** is developed for mature skin that suffers from deep wrinkles and decreasing elasticity. The formulas with ingredients like silymarin, hyaluronic acid and argan oil nourish and strengthen fragile skin and plump up wrinkles.
- **ABC Heat Plaster 4.8 mg** contains capsaicin from natural chili, is extra thin and has a backing of 100% viscose. The plaster offers long-lasting pain relief while ensuring high wearing comfort so that the user can actively move and thereby supports the healing process.

- The **Cellular Radiance Perfecting Fluide Pure Gold** by **La Prairie** contains an exclusive combination of pure gold, golden reflecting agents, and collagen-boosting peptide. The fluid calms the skin's appearance and imparts a fine finish. Over the long term, skin firmness is improved and the texture continuously smoothed.

- **La Prairie** also further expanded its successful Skin Caviar Collection with the **Skin Caviar Essence-in-Lotion**. Leaving the skin refined and perfectly moisturized, the lotion offers an ideal opening and improvement of the daily skin care ritual.

## tesa

### STRUCTURAL ADHESIVES

tesa brought a new focus to research and development in 2016 with structural adhesives. This technology offers especially high bonding strengths, which are achieved using an additional curing step. The application of heat or other processes trigger chemical reactions in the adhesive process that increases strength. High-performance tapes based on these technologies are now making inroads into areas that have previously used traditional joining techniques such as screws, rivets, and welding.

### ROBUST MOUNTING OF BATTERIES

In the year under review, tesa also worked to develop adhesive tapes for new battery designs. This involves combining battery cells into flexible battery packs, depending on the planned application and capacity. The battery packs are held firmly together using adhesive tape and no longer require a fixed frame. The strong adhesion is unaffected by the inevitable expansion and contraction of the batteries during operation or by temperature fluctuations of the battery modules.

### BARRIER TAPES FOR FLEXIBLE DISPLAYS

In 2016, tesa also continued to develop technologies for barrier tapes with exceptionally high resistance to humidity. These tapes enable sufficient aging resistance for flexible OLED (organic light-emitting diode) displays and lights. Among others, research in the year under review concentrated on improving the barrier effect to humidity.

### ADHESIVE MASSES FOR TECHNOLOGICAL PROGRESS

tesa also achieved successes in 2016 in the development of new adhesive masses to meet changing requirements. One example of such a requirement 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, tesa enhanced existing polymerization processes and combined them with new technologies. A new pilot facility for this process successfully entered operation in Norderstedt in 2016.

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



## Sustainability

At Beiersdorf, “Care” is not only a vital part of our core business, but also one of our Core Values. It describes our responsibility towards people and the environment. Sustainability is an active part of our corporate culture with deep, strategic roots in all our business processes.

### Consumer

Beiersdorf’s “We care.” sustainability strategy gives the company a clear focus on responsible growth. We have defined commitments for the three focus areas “Products,” “Planet,” and “People,” which we aim to fulfill by 2020.

We address the topics covered by our sustainability strategy with our stakeholders, especially our employees, suppliers, and consumers, as well as non-governmental organizations. We work closely with these groups to find the best solutions for achieving our goals. Our stakeholder engagement thus fully complements our strategy across the three areas: “Products,” “Planet,” and “People.”

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 our business strategy, the Blue Agenda.

We have already exceeded one of our long-term sustainability goals of 2011: CO<sub>2</sub> emissions per product sold have been cut sharply. As a result, we have reached our objective well before the target date of 2020. We are therefore currently formulating a new, ambitious climate target for the “Planet” area based on the recommendations of the UN Climate Change Conference in Paris in 2015 (COP21) with the assistance of WWF Germany. Our 2020 targets for the “Products” and “People” areas are:

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

We pushed ahead with measures throughout the company during the year under review in order to achieve our sustainability commitments on schedule.

### PRODUCTS

Beiersdorf has a long tradition in manufacturing high-quality skin care products. We want to sustainably manufacture reliable products in future, too, and are making continual enhancements to minimize negative impacts on the environment throughout the entire product life cycle.

During the year under review, our Research and Development defined criteria for assessing the sustainability of raw materials, which will be applied when developing new formulas in future. The criteria, which include the use of raw materials certified as sustainable and renewable energy in raw material production, will enable the environmental compatibility of our products to be optimized at an early stage.

Besides the integration of sustainability aspects in the innovation process, Beiersdorf also works constantly to optimize existing products. Since the start of 2016, for example, all our skin care products worldwide have been free of polyethylene particles. We have replaced these with more environmentally friendly alternatives: a mixture of microcrystalline cellulose and silicon dioxide particles or castor wax.

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 nine mass-balanced palm-oil-based raw materials in the year under review, meaning that already over 25% of our palm-oil-based raw materials now come from certified sources. In 2016, Beiersdorf also achieved multisite certification in accordance with the supply chain certification standard defined by the “Roundtable on Sustainable Palm Oil” (RSPO). We also remain a member of the “Forum Nachhaltiges Palmöl” (Forum for Sustainable Palm Oil, FONAP).

Our packaging development is continually reducing the use of materials without compromising robustness or quality. The entire packaging life cycle offers potential savings, including energy-efficient production technologies, reduction in transport, and minimization of waste. Packing reductions achieved in 2016 included cross-brand implementation of a smaller tube cap for NIVEA Hand, arix, and Florena. We also reduced the use of materials for the NIVEA glass jar.

### PLANET

As a global company, we are addressing the depletion of resources around the world and the acceleration of climate change. We therefore consistently promote responsible energy and resource use along the entire value chain and work with all stakeholders to improve resource efficiency.

Choosing green electricity is an important aspect of our sustainable approach to resources. Our factory in Tres Cantos (Spain) has been using electricity from renewable sources since 2014. All German sites have exclusively been using green energy since the start of 2016. At some of our global locations, including in Silao (Mexico), we operate our own photovoltaic systems to meet some of our energy needs in these countries with solar electricity.

The production facility we opened in Sanand (India) in 2015 features an extremely efficient water treatment system. This cleans sewage to such a high standard that it can be reused in the production process to reduce total water consumption, or to water vegetation on the site. The factory was awarded a “gold” rating by the “Indian Green Building Council” (IGBC) in the year under review. The IGBC assessment is based on a range of principles that analyze the building’s energy use and environmental impact.

A Beiersdorf site in Austria also received recognition. The Austrian Beiersdorf affiliates and La Prairie Group Austria moved into new offices in Vienna in 2016. Their new building has been given "gold" certification by the "Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft" (Austrian Sustainable Building Council, ÖGNI).

Beiersdorf is also pursuing the global "Zero Landfill" goal. We aim not to deposit the waste products – which we currently cannot avoid producing – created by our production facilities and warehouses. Having already achieved this target in Europe in 2015, we extended our global "Zero Landfill" efforts in the year under review. We are steadily pushing this approach in the Far East, Near East, and Latin America regions and actively work to implement alternative solutions.

## PEOPLE

Our social commitment has a long tradition and is deeply rooted in Beiersdorf's Core Values as well as in 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" program. It focuses on three fields of activity:

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

Within this framework, NIVEA Indonesia has launched an initiative under the motto "Sentuhan Ibu," which literally means "Mom's touch," to support mothers of disabled children. With the collaboration of a regional institution we developed an 18-month outreach program, which is designed to offer mothers professional training workshops as well as opportunities to share experiences with other affected mothers.

In 2016, the "Môm'Artre" initiative, which is supported by NIVEA France, opened new child day-care centers in Nantes and Marseille to look after children at the end of the school day and in school vacations. The centers focus on affordable childcare with a creative program that offers children all-round support. NIVEA France has been working with the initiative for more than a year. Many families in large French cities face difficulties as there is a shortage of affordable child-care provision for the hours between when children finish school and their parents finish work.

"It is never too early to learn first aid." That is the idea behind Hansaplast's support for first aid training at schools across Germany together with the Red Cross Youth. The child-friendly sessions are designed to raise pupils' awareness of the importance of first aid, motivating and empowering them from an early age to help when an emergency strikes.

As in the previous year, Beiersdorf offered refugees in Hamburg a first step into the German working world in 2016. In close collaboration with the "Verbund für interkulturelle Kommunikation und Bildung e.V." (verikom) – an association promoting intercultural communication – and the organization "work and integration for refugees" (W.I.R.), we enabled more than 20 refugees to take part in the job programs. In addition to Beiersdorf AG, the affiliates BSS and BMH also offer opportunities. Local refugee accommodations are also supported by donations of products and clothing and by voluntary helpers involved in social activities.

Alongside our global social commitment, we work worldwide to support our employees and promote their interests. More information on our sustainable human resources policy can be found in the Group Management Report under "People at Beiersdorf."

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

## tesa RESPONSIBILITY

Corporate responsibility toward society and the environment was once again the focus of tesa's sustainability strategy in 2016. Thereby we attach great importance to making a significant contribution to social development. We have been consistently improving our environmental management system since 2001 and have regularly outperformed our ambitious targets for protecting the environment throughout this period.

As an environmentally aware business, tesa is constantly examining whether there are more environmentally friendly alternatives for certain raw materials used in the production process. This includes performing life cycle assessments. tesa production locations around the world have more than halved their emissions of volatile organic compounds (VOC) since 2001, and have significantly reduced the amount of waste produced, CO<sub>2</sub> emissions, and solvent usage.

tesa's environmental management activities in the year under review again focused on improving energy management and reducing CO<sub>2</sub> emissions. All tesa's production facilities are certified in accordance with ISO 14001, the international environmental standard. The new tesa headquarters in Norderstedt was also awarded ISO 50001 certification in 2016. tesa has installed a new combined heat and power plant at the Hamburg location in order to further reduce CO<sub>2</sub> emissions and raise energy efficiency. Since 2016, tesa has also been exclusively using electricity from renewable sources at five European locations, including the two largest production plants worldwide. Continual investment to modernize tesa's production facilities is also improving environmental protection. Construction of a new coating plant in Sparta (USA), which is using an environmentally friendly, solvent-free coating technology, began in 2016.

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.

- We provide practical support to communities with our "tesa helps" initiative and support social, environmental, and cultural organizations with various projects at tesa locations. From our new location in Norderstedt, we successfully continued our work with Hamburg's "tatkraftig – Hände für Hamburg" initiative in 2016. In Belgium, tesa enabled children with disabilities or disadvantaged backgrounds from the "De Ark" organization to visit an amusement park. tesa staff accompanied the children and assisted the carers.

- “tesa donates” supports the work of a number of institutions with product donations and financial contributions. For example, staff can donate a small amount from their monthly salary. tesa then doubles this contribution. More than €6,000 went to support social projects in Hamburg in 2016.
- As a technology-based company, tesa understands the importance of education. That is why we cooperate with the “Initiative Naturwissenschaft und Technik” (Science and Technology Initiative, NAT) under “tesa supports.” In 2016, tesa offered 15 female students from a Hamburg secondary school an insight into the everyday working life of scientists as part of the “mint:pink” program.
- 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 vegetation to maintain this biodiverse and environmentally sensitive floodplain landscape.

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

## People at Beiersdorf

Beiersdorf created 275 new jobs globally in 2016. The Group employment figure has risen continuously since 2013. By the end of December 2016, we employed 17,934 people (previous year: 17,659). Of this figure, 5,979 (previous year: 5,962), or 33% (previous year: 34%), were employed in Germany. A total of 13,776 people worked in the Consumer Business Segment (previous year: 13,549) and 4,158 in the tesa Business Segment (previous year: 4,110).

### Consumer

The people at Beiersdorf decisively shape the long-term success of our company. Their importance is firmly anchored in the Blue Agenda. Beiersdorf implemented numerous global initiatives and programs during the year under review to further enhance its profile as a responsible employer.

In 2016, our people agenda focused on the following areas among others:

- Employee engagement: Our independent, global employee survey took place for the fourth year in a row. Employee satisfaction and emotional engagement have once again increased significantly worldwide.
- Employee retention: Stability at our affiliates is above the local industry average in most markets. In Europe, employee turnover stood at 4.5% in 2016, and at less than 3% in Germany.
- Lean structures: The Group management hierarchy has been reduced from nine management groups to five.
- Internal promotions: 74% of the posts newly filled in 2016 in the top two management groups went to internal candidates, of whom 23% are women.
- Internationalization: 65% of managers at the first management level below the Executive Board have completed at least one foreign assignment that lasted several years. At the end of 2016, 21% of employees in the first three management groups were on an international assignment lasting several years.
- Vocational training in Germany: 90% of apprentices who expressed their interest in a position received an employment offer.

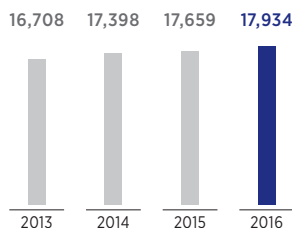
### A RESPONSIBLE EMPLOYER

Everyone counts. That is our philosophy toward our employees at Beiersdorf. A committed workforce is indispensable to a company's efficiency and ability to innovate.

Beiersdorf is renowned as a responsible employer in the markets in which we operate. We are determined to support and promote the personal and professional growth of our employees in many ways. We therefore offer special programs and services to our employees at global, regional, and national levels, tailored to their personal needs and specific local requirements. These include training and development, childcare, health management, sport, catering, mobility, and, of course, flexible working models. Our employees use more than

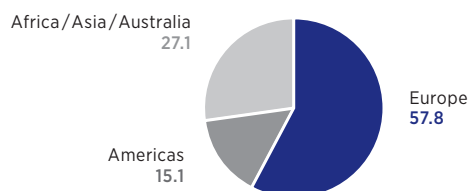
#### GROUP EMPLOYEES

as of Dec. 31



#### EMPLOYEES BY REGION (IN %)

as of Dec. 31; total 17,934 employees



350 different working arrangements in Germany alone, such as working from home and flexible part-time work. Other options include job sharing, which is also practiced by managers.

At the same time, we at Beiersdorf believe that being a responsible employer also means challenging our employees to gather new experience beyond their “comfort zone.” We cultivate a working environment in which individuals are encouraged to take ownership and try new ideas. By offering a large number of international assignments, we promote the skills of our employees, diversity at Beiersdorf, and our closeness to markets and consumers.

Safety at work is a further indispensable element of our responsibility toward our employees. Beiersdorf aims to further reduce the number of work-related accidents at all the Group’s sites around the world with the company-wide “Zero Accident” initiative. To achieve this, we are focusing on consistently implementing occupational health and safety measures and integrating them into existing management systems. Compared with the previous year, this reduced the number of work-related accidents per one million working hours (accident frequency rate) from 2.9 to 1.5 at all production facilities worldwide.

#### CORE VALUES

Beiersdorf’s four Core Values – Care, Simplicity, Courage, and Trust – are firmly rooted in our corporate culture and shape the day-to-day work of every Beiersdorf employee. Our Core Value initiative again proved itself an excellent global platform to discuss, review, and improve management topics like leadership, innovation, and efficiency during the year under review.

When measuring the impact of values and culture, we believe Beiersdorf’s sustainable business success tells it all. In 2016, our employees around the world demonstrated once again their agility, resilience, and commitment in a business environment dominated by volatility and uncertainty. This is only possible in an organization where people are well connected with corporate values and culture.

#### CULTURE OF LEARNING AND SOCIAL COLLABORATION

The deep changes in the market environment and consumers’ requirements are presenting a major challenge to businesses. Being a successful company today therefore means being flexible and able to adapt, especially in terms of human resources and organizational development. Only a culture of learning that is shared by the employees and transcends hierarchies enables the company to respond to change with agility. Beiersdorf is therefore investing systematically in a learning organization. Exchange in functional “academies,” which are actively shaped by employees themselves, is among the factors reinforcing our culture of learning.

Our digital collaboration platform “blueplanet,” which we introduced worldwide in 2013, also encourages our employees to share knowledge and experience among one another, thus facilitating cooperation across functions and countries. During the year under review, we optimized a range of functions to further

improve the opportunities for communication and collaboration via the platform. Usage of this in-house social network was significantly up on the previous year. The average number of unique users each day rose by 62% compared with 2015, reaching more than 2,500. Measured by month, the average number of unique users grew by 40% to approximately 8,400.

#### LEADERSHIP CULTURE

In 2016, we honed our leadership concept – “Leadership: The Beiersdorf Way” – based on our Core Values. Its development process included a two-week long global online brainstorming, or “crowdstorming,” among our employees.

Beiersdorf’s leadership approach is based on authenticity (“be authentic”), inspiration (“inspire others”), and enablement (“enable performance”):

- Authenticity: Self-awareness and self-reflection are essential traits for leaders at Beiersdorf. Only those who are truthful to themselves and who actively request and accept feedback can develop trust and act as role models in their day-to-day management activities.
- Inspiration: Managers who take colleagues seriously, practice what they preach, and take responsibility for their own mistakes earn the trust of their employees. By acting as a role model, working in trustful partnership, and providing great freedom to act and individual support, managers increase the willingness of all employees to contribute actively, give their best, and learn from others.
- Enablement: Managers lead with a clear vision and embody the values for which Beiersdorf stands. They enable their team to deal with uncertainty, solve conflicts and make the right decisions for the long-term success of Beiersdorf.

#### PERSONNEL DEVELOPMENT AND GUIDING CAREER GROWTH

Every single employee makes an important contribution to Beiersdorf’s success with his or her individual talent and capabilities. We continued to invest in building the skills and expertise of our employees in 2016 – for all roles, and functions, and at all locations. This was also true of our global processes for employee development and succession planning.

We do not rely on company development programs alone, but support our employees to steer their own careers. As part of the “More Care for Careers” initiative, we provided all employees with two new offerings in 2016: the “Career & Development Guide” and the “Development Toolbox.” These tools are designed to encourage employees to take the initiative when it comes to their career development. The “Career & Development Guide” provides practical tips on how to co-manage career steps that suit one’s changing individual needs. The “Development Toolbox” contains simple and practical development measures, some of which are self-directed, to help employees tackle challenges in their day-to-day work.

## HIGH EMPLOYEE ENGAGEMENT

For the fourth year in a row, the company carried out a global survey on employee engagement with the help of an independent research institute. Participation reached a record high of 94%. As in previous surveys, the results were presented and discussed throughout the company. The 2016 survey showed a further global increase in employee satisfaction and motivation. Identification with the Blue Agenda and Beiersdorf's Core Values also continued to improve.

In dealing with the survey results, we ensure an environment of trust that enables open discussions and effective improvements. We believe that the basis for strong emotional engagement is a culture of open communication, in which people always feel able to express their opinion and, just as importantly, listen to each other. During the year under review, we continued to ensure that communication between employees and managers was not tied to rigid processes, but could take place at any time as the situation requires. We are moving away from a standardized feedback format, which takes place only once or twice a year at a fixed point in time. Using various formats such as "impulse workshops," we have created a framework in which managers from across different functions can share their views on the topic of "engagement" in open discussion groups.

Although we measure employee engagement, we are not preoccupied with just focusing on numbers. We place more focus on actual improvement measures than on simply improving statistics. Greater, lasting employee engagement and commitment is a natural outcome of this approach.

## PROMOTING NEW TALENTS

Supporting talents at an early stage is an important aspect of guiding career growth at Beiersdorf. We fill the majority of our key management positions by appointing people from within the company. Beyond our regular workforce planning, we have been making extra investment worldwide to bring excellent graduates and young professionals into development roles in all areas of the company. This initiative has brought more than 140 additional hires to Beiersdorf since 2015.

In 2016, Beiersdorf and Tchibo launched the "My Cross-Company Career" – one talent development program that covers two industries. By pooling their strengths to recruit promising talents, the two companies are opening up new career prospects for young people. Over a period of one and a half to two years, the program participants spend time in each company on a rotation basis and gain deep insights into the consumer goods and retail industries. During the year under review, ten participants joined the program that focused on marketing and sales.

The reporting year also saw 45 young people begin vocational training in eight different professions at Beiersdorf AG. In 2016, Beiersdorf AG had a total of 135 apprentices at different stages of their training. Of those completing their apprenticeship this year who expressed their interest in a position following their training program, 90% received an employment offer. For our work in this area, Beiersdorf AG has been honored as an outstanding provider of vocational training from the "Hamburger Handelskammer" (Hamburg Chamber of Commerce).

## JOB SHARING

The pace and complexity of our working lives has been continuously increasing, and jobs often have to be so organized that they fit the different circumstances and stages of employee lives. Flexible working models, along with new technology, can help master this challenge. Our philosophy is to invest continuously in innovative models of working and new forms of collaboration.

We launched a new online platform at the end of the year under review. "two:share" facilitates contact between employees considering job sharing and helps individuals find a suitable partner with whom to share a job at Beiersdorf. Employees interested in job sharing can set up their own profile in the new tool and look for a tandem partner. "two:share" uses a special algorithm to match appropriate candidates. To enable employees to consider the options privately, the platform ensures the possibility of remaining anonymous at this early stage. We believe job sharing can offer a solution where part-time working often reaches its limits. With two different personalities contributing their own experiences and strengths to one role, job sharing is new territory both for the tandem and the people around them. We are therefore also investing in measures to support this process.

## DIVERSITY

Each year, we reach consumers in over 170 countries with our products. Diversity is in our DNA. We consider diversity – for example in terms of gender, internationality, and age – a valuable contribution to Beiersdorf's ongoing worldwide growth.

Further progress was made regarding diversity in 2016, including:

- Gender diversity: New targets for the share of women at the first two management levels below the Executive Board have applied to Beiersdorf AG since March 2015 in accordance with statutory provisions. At the end of 2016, 24% of managers at the first management level below the Executive Board of Beiersdorf AG were women (previous year: 26%). Despite the slight drop in ratio, our aim remains to raise this figure to 30% by the end of June 2017. At the second management level below the Executive Board of Beiersdorf AG, 43% of managers were women at the end of 2016 (previous year: 38%). Our target of maintaining a stable 38% by the end of June 2017 has therefore already been exceeded in the year under review.
- International diversity: We increased the number of international employees\* at our Hamburg headquarters to 15% in the reporting year (previous year: 14%).
- Generational dialog: We foster dialog and collaboration between the different generations employed at Beiersdorf AG. One such measure has enabled our apprentices to become "buddies" to senior employees and support them in areas including IT and social media.

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

\* Employees covered by collective pay agreements not included.

## tesa

### SUCCESSFUL RELOCATION OF tesa HEADQUARTERS

A year after moving into the new tesa headquarters, a major advantage is becoming clear: Working under one roof is boosting motivation not only among employees based on site, but also among visitors to Norderstedt from tesa's affiliates. tesa has achieved its goal of enabling employees from marketing and sales departments to coordinate quickly and easily with the research and development laboratories. The new corporate health management scheme under the slogan "It's for you!" has also been very well received by staff.

### COMMITTED EMPLOYEES

The results of the 2016 employee survey paint a very positive picture of employees' commitment to tesa in Germany. The surveys conducted in other countries of the Western Europe region showed positive results, too. The findings clearly demonstrate that tesa is succeeding in motivating highly committed employees to remain with the company for the long term.

### IMPLEMENTING THE NEW tesa COMPETENCY MODEL

The "tesa Competency Model" developed in 2015 describes the key competencies that all employees require to successfully perform their work. Feedback discussions for managers and tesa's talent management both used the "tesa Key Competencies" for the first time in the year under review. In the future, the model will help tesa management describe and discuss profiles and achievements using consistent benchmarks. Developing this shared understanding is an important core aspect of implementing the strategy to appoint more managers from within the company's own ranks.

### TRAINING FOR THE tesa SUPPLY NETWORK

The company finished preparing a new training program for the "tesa Supply Network" in 2016. The program sets out to improve understanding among people working in production, logistics, sales, and purchasing of the necessary cooperation between different functions along the planning and logistics chain. The aim is to provide faster and more accurate deliveries to customers.

### EXTENSION OF COMPENSATION AND BENEFIT GUIDELINE

tesa forged ahead in the year under review with the global implementation of the "Compensation and Benefit Guideline" agreed in 2015. The company began by harmonizing targets for management's variable remuneration across all regions and countries. tesa then extended the guideline to other groups of employees.

## Risk Report

### Integrated Risk and Opportunity Management

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

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

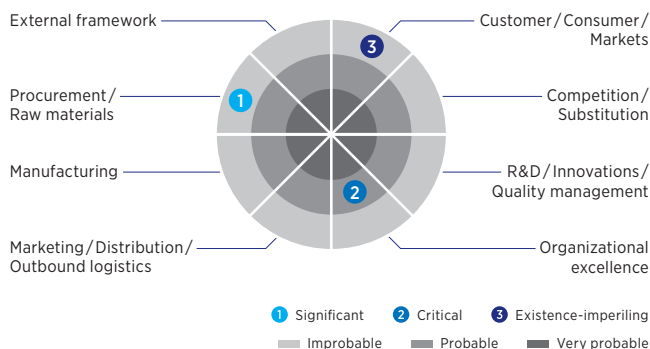
### Transparent Presentation of Risks

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. In the Group's internal risk reporting, risks are uniformly presented based on the position of individual points plotted on a risk radar. The basic structure of the risk radar can be illustrated as follows in connection with strategic risks.

The various fields of the radar reflect the relevant areas for us both inside and outside the Group that may give rise to risks. The different probabilities of occurrence and potential impact of the risks are each indicated with three different levels.

### BEIERSDORF RISK RADAR

Schematic diagram



## 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 virtually all of its affiliates. The basic principles and processes and the reporting structure for Group accounting are documented in an accounting and financial control manual. Legislation, accounting standards, and pronouncements are analyzed for their relevance and impact and taken into account as necessary.

## Independent Monitoring

Our Internal Audit department – which serves as the Executive Board's financial control function – monitors risk management and the internal control system by means of systematic and regular audits. The department is independent of the Group's operating activities. It uses a risk-based approach to reviewing the business processes and the systems and controls that have been put in place as well as the financial accounting of transactions. The audit findings are used for ongoing enhancement of the company's management and of its preventive and detective controls. 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 also 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 promptly 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 emergence of rival brands at regional level.

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. We protect our intellectual property proactively and comprehensively. By closely dovetailing the Group functions involved in this with the operational business, we identify commercial opportunities from our research and development leadership at an early stage and safeguard them using industrial property rights. Of course, we also acknowledge and respect existing third-party rights when developing our 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 delivery reliability and price of raw materials and commodities as well as use of services by continuously monitoring our markets and suppliers and by appropriate contract management. Procurement strategies are reviewed regularly and adjusted to reflect internal and external requirements. Strategic partnerships are an important element of actively managing our supplier portfolio. 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. Aided by internal training and control measures, we seek to prevent unauthorized internal and external access to our internal company information and also to ensure compliance with the legal regulations on data protection. 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 notes to the consolidated financial statements, "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments."

### LEGAL RISKS

In October 2016, Beiersdorf AG was served with a claim for damages from the liquidator of Anton Schlecker e.K. in connection with German antitrust proceedings already concluded. Claims have been made against six other companies in addition to Beiersdorf. In December 2016 and January 2017, further retailers filed claims for damages or announced claims out of court against Beiersdorf AG and European affiliates of the company in connection with these and other antitrust proceedings already concluded in Europe. Beiersdorf contests these claims.

Along with other international companies, the Beiersdorf Consumer Business Segment's Brazilian affiliates are involved in tax proceedings on a national level.

Assessments of the course and results of legal disputes are associated with considerable difficulty and uncertainty. Based on the currently available information, we do not expect these disputes to result in significant charges for the Group.

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 notes to 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 at the end of the reporting period 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 approximately 51.02%.

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 (1) 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 is expected to see only moderate improvement in 2017. We anticipate subdued economic growth in the industrialized countries and still mixed economic prospects in the emerging markets. The geopolitical unrest and the incertitude about the long-term consequences of Brexit, the outcome of the forthcoming major elections in Europe, and the future political course in the United States are generating considerable uncertainty with regard to the development of the global economy.

In **Europe**, we expect growth in 2017 to fall slightly short of the prior-year level. A backlog of reforms, continuing high levels of unemployment and sovereign debt in some countries, and political tension are putting a damper on the growth rate. The long-term impact of Brexit and the outcome of the upcoming elections in Germany, France, and the Netherlands are an additional source of uncertainty.

In **Germany**, we estimate that growth in 2017 will be lower than the prior-year level, mainly due to a slowdown in exports and a gloomy investment climate. The key driving factors remain private consumer spending, underpinned by the continuing favorable conditions on the labor market and the increase in the minimum wage at the beginning of 2017, as well as the continued high level of public spending.

We anticipate that the **US economy** will see growth accelerate in 2017 on the back of a further reduction in unemployment and sustained strong consumer sentiment. 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, a planned hike in interest rates, and the impact of the future direction of economic policy are a source of uncertainty for the economy and financial markets.

In **Japan**, we expect growth to match the prior-year level as a result of higher consumer spending. However, export demand – particularly from Asian countries – will probably remain relatively weak in spite of the anticipated depreciation of the yen.

In the **emerging markets**, we continue to predict challenging conditions and a fragile economy. We estimate that the **Chinese** economy will see slightly slower growth than in the previous year, flanked by strong public-sector infrastructure investment as part of the economic stimulus program due to run until 2018. The reduction of surplus capacity in the industrial sector and the incertitude about the United States' future trade policy are generating uncertainty. In **India**, we expect that the cash crackdown implemented at short notice in November 2016 will inhibit growth. We anticipate a slight growth increase in the emerging markets of Southeast Asia. In **Brazil**, we expect the economy to gradually start coming out of recession in 2017. The political uncertainty, high unemployment,

and private debt, as well as the still restrictive monetary policy, are counteracting the significant improvement of economic prospects, however. Given the highly protectionist tendencies in many Latin American countries, particularly in Venezuela, Ecuador, and Argentina, developments are difficult to forecast for this area. We believe that the **Russian** economy will reach a turning point and the period of recession will come to an end. The economic recovery will be bolstered by the uptick in oil production and rising oil prices. However, given the still high inflation rate, continuing international sanctions, a lack of structural reforms, and the lack of investor confidence, forecasts expect the rebound to remain moderate.

### Procurement Market Trends

Commodity markets are expected to pick up in 2017 as rising oil prices follow the decision by the Organization of the Petroleum Exporting Countries (OPEC) and Russia to reduce output. This will impact on the commodity and packaging materials markets in the medium term. Nevertheless, Beiersdorf will continue to work intensively on advancing its long-term program of sourcing cost reduction. The overlapping of these two effects is expected to lead to essentially stable material prices in 2017.

### Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will at best only match the prior-year level in 2017. We continue to expect only modest growth in the major European markets. The emerging markets and North America will make a positive contribution to overall performance.

For tesa, we expect sales trends to remain largely stable in Europe, though political developments represent an element of unpredictability. In North America, we continue to expect positive impetus particularly from the automotive industry. The change of president in the United States means uncertainty about the political environment, however. We anticipate a largely positive trend in Latin America, with the exception of the uncertainty in Brazil. In Asia, tesa expects moderate growth, which will depend to a very high degree on the performance of the Chinese economy. Along with positive momentum from the automotive industry, tesa anticipates stronger growth again from the electronics industry business in Asia. However, increasing price pressure is likely to dampen sales figure growth somewhat in both industries.

### Our Market Opportunities

Market performance will remain mixed in 2017 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 2017.

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 expects to bolster its market position with continued investment in research and development, and therefore in innovative products. The electronics industry business in Asia remains attractive. However, its project-based nature continues to entail a high risk of volatility. Global automotive customers remain an important growth area. tesa also anticipates a future upward trend in the pharmaceuticals business. The ongoing economic recovery in the south of Europe will continue to have a positive impact on the development of the distribution and consumer business.

### 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 2017. 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 3–4% in 2017. The EBIT margin from operations is expected to be slightly below the prior-year level.

Based 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 6, 2017  
Beiersdorf AG

The Executive Board