

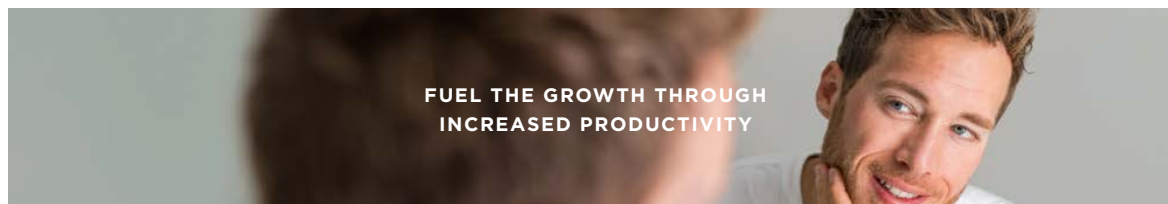
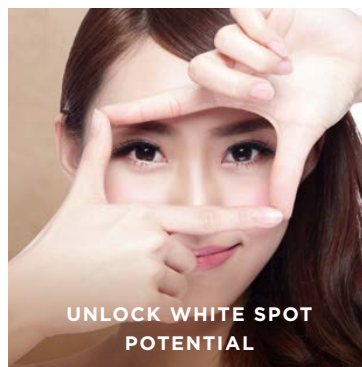
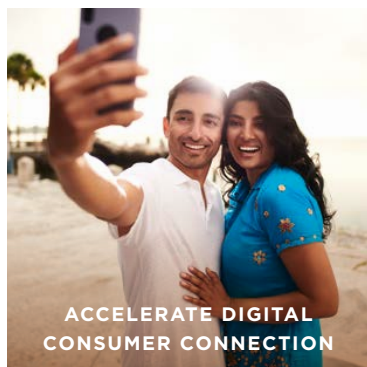


OUR COMMITMENT

COMPETITIVE SUSTAINABLE GROWTH

- + outperform the market
- + create consumer value
- + ensure sustainable profitability

OUR 5 STRATEGIC PRIORITIES



Foundation of the Group

Business and Strategy

Founded in 1882, Beiersdorf is today one of the world's leading companies in the consumer goods industry. With strong brands, over 20,000 employees, and more than 170 affiliates worldwide, we always strive to anticipate peoples' wishes and desires and offer them innovative, high-quality products. Beiersdorf's business is divided into two business segments:

- In the Consumer Business Segment, our focus is on skin and body care. Our strong portfolio comprises such brands as NIVEA, EUCERIN, HANSAPLAST, and LA PRAIRIE, which are trusted by consumers around the world.
- In the tesa Business Segment, we concentrate on developing high-quality self-adhesive systems and product solutions for industry, craft businesses, and end consumers. Since 2001, the tesa Business Segment has been managed as an independent subgroup.

Consumer

The consumer goods industry, and particularly the skin care business, are undergoing a historical disruption. Our business model must address the new economic and technological challenges. However, challenges also create opportunities. We are confident that Beiersdorf has the potential to take these opportunities and shape a successful future. Our response to the profound transformation is our C.A.R.E.+ strategic program, which we announced in February 2019. This involves introducing a new, multi-year investment initiative. C.A.R.E.+ stands for four key attributes with which we want to sharpen our forward-looking mindset and boost our competitive advantages: Courage, Aspiration, Responsibility, and Empathy. The "+" symbolizes our efforts to create added value for people and society.

With the new C.A.R.E.+ strategy, we aim to outperform the market, create superior value for our consumers with high-margin products and innovations, and ensure our sustainable profitability.

C.A.R.E.+ sets five strategic priorities:

- Accelerate digital consumer connection
- Win with skin care
- Unlock white spot potential
- Fuel the growth through increased productivity
- Building on our strong foundations:
Compliance – Core Values – Culture – Sustainability

To ensure the sustainable success of our business, Beiersdorf worked intensively on implementing these five strategic priorities during the reporting year and achieved significant progress.

Accelerate digital consumer connection

Digital technologies create new opportunities for consumers to express their individual needs and to underscore their expectations. With new digital channels and technologies, innovative integration of online and offline activities, and better information about consumers' wishes and behavior, we can offer our consumers better and more personalized brand and product experiences. This boosts consumer loyalty and is a decisive factor in enabling competitive growth at Beiersdorf. We have therefore set ourselves the goal of offering our consumers unique experiences whenever they encounter our brands and products all along their consumer journey. This goal is closely linked to our mission for our brands and products: be visible, be shoppable, and be lovable.

To achieve this, we put considerable investment into the company-wide digital transformation during the reporting year. In May 2019, for example, we opened an EUCERIN online shop on China's largest international platform for e-commerce: Tmall from Alibaba. This platform offers us the opportunity to present our innovations online to more than 150 million consumers in China and drive our success in the Chinese market. Our new EUCERIN online shop in Russia and our new NIVEA brand shop on the African ecommerce platform Jumia also ensure that our products are available to new and sometimes difficult-to-reach target groups. This allows us to leverage further growth potential in these markets. In August 2019, we were also the first skin care brand to open our own NIVEA brand shop on eBay Germany.

Win with skin care

For over 135 years, our focus has been on skin care – our core competency. New technologies have changed consumer behavior in fundamental ways. As a result, it is our mission to win over consumers by offering superior innovations and a strong portfolio of global brands. We want to launch skin care innovations that deliver real added value for consumers and thereby boost Beiersdorf's competitiveness.

Numerous initiatives enabled us to reinforce our strong position in skin care during the reporting year:

The new EUCERIN Anti-Pigment range was a real innovative breakthrough for us. It is based on Thiamidol – the revolutionary active ingredient against hyperpigmentation that we have developed and patented in years of pioneering work. Within just a few months, the range became the world's No. 1 in caring for even skin and helped EUCERIN take a leading market position in dermocosmetics in many countries.

Our entry into natural cosmetics was another important step we took in 2019 to further strengthen our skin care expertise and to meet increased consumer demand for more natural and sustainable products. With FLORENA FERMENTED SKINCARE, we are offering a range of certified natural cosmetic products with an innovative concept that has fermentation at its heart for the first time in the pilot markets Italy and France. Furthermore, the jars are made of

100% recycled plastic and the outer packaging of at least 70% recycled paper. NIVEA, too, is catering to consumers' desire for more natural products: The new face care and cleansing range NIVEA Naturally Good that was introduced in France, among other countries, is based on at least 98% ingredients of natural origin.

A further important initiative was the creation of a new business unit: OSCAR&PAUL acts as a start-up within the Beiersdorf Group, creating new concepts, working methods, and development processes for skin care innovations. In September, we launched Beiersdorf's new SKIN STORIES brand on the market. SKIN STORIES taps into a new mass-market skin care category: caring for tattooed skin.

We achieved major progress in 2019 in honing our business and better positioning our portfolio in China. Following a thorough strategic review, Beiersdorf transferred the Chinese SLEK hair care business to the Mengxing Zhiyuan Group, based in Shenzhen, China, in August 2019. The divestment enables us to increase our focus on our core expertise in skin care and to improve the profitability of our Chinese portfolio. Beiersdorf also decided in 2019 to invest approximately €10 million in a new skin care innovation center in Shanghai. This will become the research and development headquarters for East and Northeast Asia and drive the development of innovations relevant to the local Chinese market.

Unlock white spot potential

We are where consumers expect us and are systematically expanding our presence in emerging markets, especially in Asia and Africa. By taking advantage of existing growth opportunities, continuing to develop locally relevant concepts, and bringing new ideas to market, we are achieving competitive, sustainable growth.

During the reporting year, one of the first major milestones of the C.A.R.E.+ strategy was the acquisition of the iconic US brand COPPERTONE. With this takeover, Beiersdorf gained access to the world's largest sun care market, the United States, and continued to expand its position as a globally successful provider of sun protection products. COPPERTONE officially became part of the Beiersdorf brand family on August 30, 2019.

We also invested in further market development in Brazil, Russia, and China during the year under review and saw this deliver successes. While we became the market leader in Brazil with EUCERIN Anti-Pigment, we introduced the dermocosmetics brand in the emerging market of Russia, initially in pharmacies in the Moscow metropolitan area and in online shops. To bolster our success on local markets, we opened an online shop for EUCERIN on the e-commerce platform TMall in China.

Fuel the growth through increased productivity

Thanks to our fast, lean and focused organization, strong cost discipline, and excellence in developing new concepts, we are raising our efficiency. We are committed to continuously improving the benefits that we provide for our consumers.

Being close to our consumers is critical for us to meet the specific and often very different needs in the regions. It also means we can adjust quickly and flexibly to changing expectations. In the reporting year, we systematically took further steps in our work to set up and expand production capabilities in India, Thailand, Brazil, and Spain. We are also investing in the business location of Germany. In 2022, a new production facility in Leipzig-Seehausen is scheduled to begin supplying Beiersdorf customers across Europe.

The expansion of our global production network provides us with close proximity to our consumers – and thus a decisive competitive edge that we can use to secure and expand our market share for the long term.

Building on our strong foundations: Compliance – Core Values – Culture – Sustainability

Our employees are our most important capital. They are the backbone of our company and are always close to consumers, cultures, and markets. Our Core Values – Care, Simplicity, Courage, and Trust – set the parameters for our day-to-day work. These values have shaped our corporate culture from the very outset:

- **Care:** We act respectfully toward our consumers, colleagues, brands, our society, and our environment.
- **Simplicity:** We strive for clarity and consistency, making decisions quickly and pragmatically, and focusing on what is essential.
- **Courage:** We are committed to bold objectives, take the initiative, learn from our mistakes, and see change as an opportunity.
- **Trust:** We say what we mean, keep our promises, and build on each other as a team.

As a global team, we want to act with purpose and decisiveness to make an active contribution to society. We have made a clear commitment to sustainability, and take on social responsibility. In the reporting year, we lived up to our sustainability commitment with a wealth of initiatives. Our efforts on sustainable packaging, our vision of the circular economy, and our commitment to the sustainable cultivation of palm (kernel) oil and shea butter are described in detail in the section on "Sustainability" and in our 2019 Sustainability Report.

tesa

The tesa SE Group (referred to in the following as "tesa" or the "tesa Group") is one of the world's leading manufacturers of self-adhesive products and system solutions for industrial customers and consumers. The tesa Group is part of the Beiersdorf Group. It employs 4,926 people and operates in more than 100 countries. tesa SE is a wholly owned subsidiary of Beiersdorf Aktiengesellschaft and is the direct or indirect parent company of the 63 tesa affiliates (previous year: 64). tesa operates worldwide, with its main focus on Europe, followed by the business regions of Africa/Asia/Australia and Americas. In addition to the German locations, the affiliates in China, the United States, Italy and Singapore are among the largest single companies in the tesa Group. The tesa

Group has production facilities in Europe (Germany and Italy), North America (United States), and Asia (China). The company headquarters, which include the research and technology center, are located in Norderstedt, near Hamburg.

Direct Industries

In the Direct Industries division, tesa supplies specialized system solutions directly to industrial customers, especially in the electronics, printing and paper, building and construction, and automotive industries. The strategic focus is primarily on developing and expanding profitable business lines in technologically advanced fields of application. tesa's system solutions are used to optimize and enhance the efficiency of production processes, as customized protection and packaging systems, and as fastening solutions in construction-related applications.

tesa also offers digital connectivity solutions for branded products under tesa scribos GmbH. Currently at the forefront is the tesa® 360 Data Analytics software solution. Thanks to this data analysis module, brand owners can gather and integrally analyze data through their connected products. This provides new insights, for example into how to protect against counterfeiting, into consumer behavior, or into supply chain processes.

Another promising business area that tesa is developing for the future is being handled by tesa Labtec GmbH. This tesa affiliate develops and manufactures transdermal therapeutic systems (medicated patches) as well as buccal films (medicated films that allow direct uptake of drugs through the oral mucosa) for the pharmaceutical industry.

Trade Markets

The Trade Markets division encompasses those markets in which tesa supplies end customers with market-driven products via retail partners or retail-like channels rather than directly. This segment includes the product ranges aimed at private consumers and craftsmen as well as adhesive tapes that are intended for commercial customers and marketed primarily via the technical trade.

In the General Industrial Markets business segment, tesa offers a wide range of products for diverse applications in various industrial sectors, including product ranges for assembly and repair, tapes to secure items during transportation, and adhesive solutions for the packaging industry.

In the Consumer & Craftsmen segment, whose business is focused on Europe and Latin America, tesa markets innovative product solutions intended for various applications, including for daily use in offices, the home, and in crafts. Under the tesa umbrella brand, DIY stores and superstores as well as paper goods and stationery shops offer end consumers a broad assortment of more than 300 innovative products in the consumer segment. The Craftsmen business area focuses on tailor-made product ranges for professional tradesmen as well as on the development and implementation of marketing concepts tailored to target groups.

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 Combined Management Report. The Corporate Governance Statement of Beiersdorf AG and the Group in accordance with §§ 289f and 315d *Handelsgesetzbuch* (German Commercial Code, *HGB*) has been made publicly available on the company's website at www.beiersdorf.com/corporate_governance_statement. Additional information regarding management and control, the general management structure, and the Declaration of Compliance in accordance with § 161 *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 quality 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 goal. The aim is to generate internationally competitive returns through continuous investment in growth opportunities, 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 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.

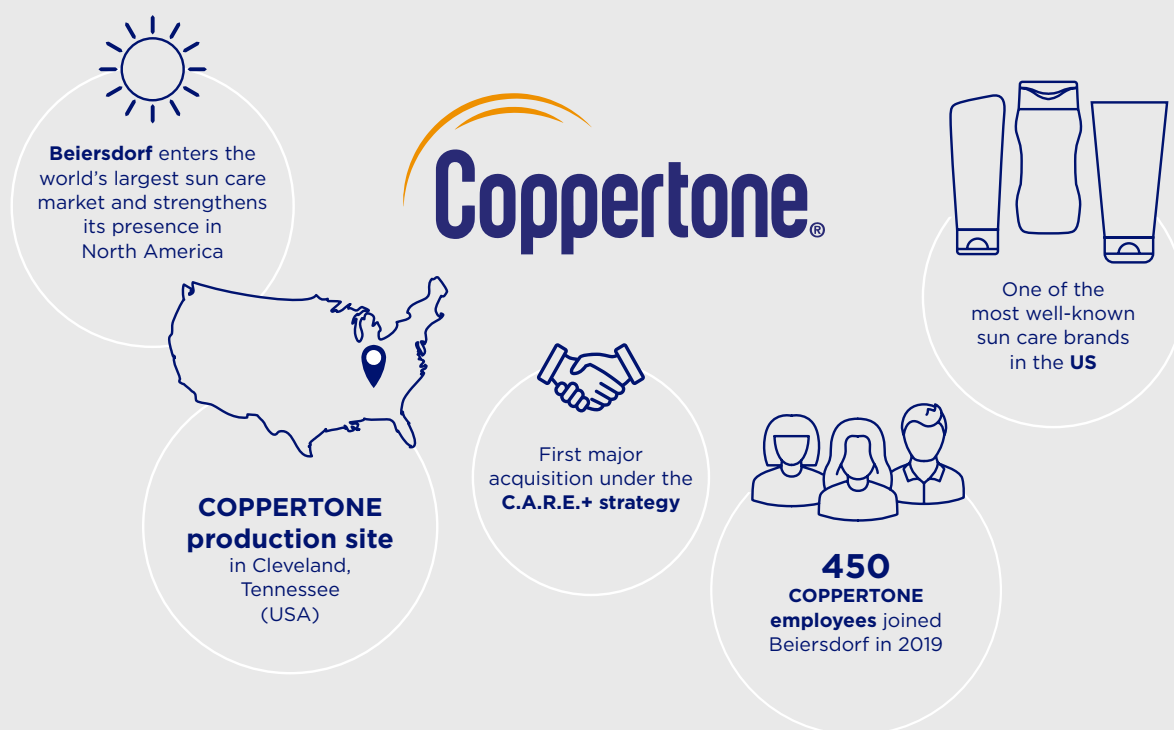
In addition to the key financial performance indicators shown above, the company employs a number of non-financial indicators that are described in the chapters "Research and Development," "Sustainability," and "People at Beiersdorf" of the Combined Management Report.

* For the definition of organic sales growth refer to Significant Accounting Policies ("Notes to the Segment Reporting").

Acquisition of brand icon COPPERTONE*

Sun protection has been a major pillar of Beiersdorf's skin care business for more than 80 years. With the acquisition of COPPERTONE, the company is bringing together three of the world's top sun care brands under one roof:

NIVEA SUN, a global pioneer in sun protection; EUCERIN, the dermo-cosmetic brand providing tailored sun protection to individual skin needs; and COPPERTONE, one of the most well-known sun protection brands in the United States. With our combined expertise and knowledge, Beiersdorf is the leading global sun care player.



SUN CARE PIONEERS



* This section of the Combined Management Report is not subject to audit requirements.

Research and Development

For an innovation-driven company like Beiersdorf, research and development are of particular importance. It is the key to success and the development of innovations is part of our DNA. By developing more innovative products and solutions, we offer value to our consumers around the world. That is why we continuously research new active ingredients and solutions and systematically advance new, groundbreaking technologies.

To bring promising ideas to market as quickly as possible, we regularly evaluate our research program and define clear focus areas. In that regard, our research and development activities have the following areas of focus in line with our two business segments:

- In the Consumer Business Segment, Beiersdorf develops innovative, high-quality skin care products. By addressing consumer needs, global trends, and regional requirements through our research and product development and translating them into effective and well-tolerated skin care products, we create added value for millions of people around the world.
- In the tesa Business Segment, we are committed to the development of high-quality self-adhesive system and product solutions. Our research and development here aims to identify needs, respond flexibly to special requirements and market trends, and make our customers' workflows even more efficient and effective.

As of December 31, 2019, 1,453 people were employed in research and development at Beiersdorf worldwide (previous year: 1,389). Of this total, 902 (previous year: 850) worked in the Consumer Business Segment and 551 (previous year: 539) in the tesa Business Segment.

In 2019, as part of our investment offensive, that is a product of our corporate strategy C.A.R.E.+, we significantly increased our expenditure on research and development. At the end of the fiscal year, expenditure in this area amounted to €236 million, up 12.2% on the previous year (previous year: €211 million). In 2019, in the Consumer Business Segment, Beiersdorf invested €177 million (+14.5%) and in the tesa Business Segment €59 million (+5.6%) in research and development.

Consumer

Research and development excellence

Beiersdorf has built its global reputation on strong skin care expertise. We have made it our mission to decode the skin's complex processes, research how certain substances interact with the human skin, and develop innovative new product formulations and solutions. The use of state-of-the-art technologies – for example in the fields of systems biology, rapid prototyping, and artificial intelligence – is essential for us. With this work, we ensure the innovative strength and dermatological expertise of our company.

The development of sustainable, environmentally friendly solutions – for product formulas as well as packaging – is of utmost importance for Beiersdorf. With our innovations, we aim to make a long-term contribution to a livable future and are actively driving areas of interest such as sustainable ingredients, environmentally friendly product packaging, and the concept of the circular economy through various projects and initiatives. These topic areas will be presented in greater detail in the "Sustainability" chapter as well as in the 2019 Sustainability Report.

Intensive basic research is the source of our innovations – and a major focus of our work. The following topics were among the research fields in the year under review:

- The development of alternative testing methods, i.e. new methods for safety assessments of cosmetic products, has been a substantial part of our research work for years. In 2019, in collaboration with various universities and the European association of the cosmetics industry (Cosmetics Europe), we worked on optimizing a method to assess skin penetration (the so-called OECT test method) – an important step toward safety assessments. In collaboration with the University of Hamburg, we also made significant progress in the complex assessment of potential skin sensitization. Using a combination of laboratory experiments and novel in silico (via computer simulation) techniques, we can now better assess the effects of organic molecules. Beiersdorf has been an important pioneer in the field of alternative safety assessments for 35 years. By developing new reliable methods and actively participating in validation studies, our employees continuously advance this area with the aim to quickly and reliably demonstrate the tolerability and effectiveness of our cosmetic products. Artificial intelligence and organ-on-a-chip models are the first important tools enabling us to evaluate enormous amounts of data faster and more reliably and to model possible effects of a substance applied to the skin over several days.
- Beiersdorf continued to drive its research on the skin's energy metabolism. Together with experts from the University of Ancona (Italy), Beiersdorf demonstrated the essential role of coenzyme Q10 in the physiology of fibroblasts (connective tissue cells). This work showed that even a slight decrease in the Q10 content in cells initially leads to an increased occurrence of damaging free radicals (called oxidative stress), followed by cellular energy metabolism dysfunction and premature cell aging. The skin's energy metabolism remains highly relevant to modern anti-aging research.
- During 2019, epigenetics, the study of how environmental factors affect cell properties and gene activity, was another central focus of our research work. Because epigenetic changes can influence skin aging and the general appearance of the skin, Beiersdorf researchers collaborated with renowned institutions, e.g. the German Cancer Research Center (Deutsches Krebsforschungszentrum, DKFZ), to identify what is known as epigenetically active substances for skin care that can reverse skin-relevant processes. Beiersdorf has already developed the first model substances in this pioneering field that will be further optimized.

- Protecting the skin against the negative effects of sun exposure is one of Beiersdorf's core strengths. Our research over the past years has repeatedly shown that sun damage to the skin is not caused by UV rays alone, but that visible light also has a significant impact on the skin. Using conventional filters to protect against visible light would lead to strongly discolored products, therefore we have developed active ingredients that protect the skin's physiology by blocking free radicals and inflammatory processes induced by visible light. The findings of the Cosmetics Europe Sun Protection Task Force – a panel of industry experts – during 2019 have now shown that these anti-inflammatory agents do not affect the sun protection factor; therefore, adequate protection through UV filters is still necessary and ensured.

Global Open Innovation network

Collaboration with external partners is an integral component of our research and development activities. Through combining complementary expertise and leveraging synergies we are able to strengthen our collective capacity to innovate and actively shape the skin care of tomorrow. In 2019, around 300 different research institutions, universities, start-ups, independent scientists and suppliers were part of Beiersdorf's global collaboration network.

Since 2016, we have been gathering all Open Innovation activities under the "Pearlfinders – We Open Innovation" umbrella. Our Trusted Network platform is a central component of our Open Innovation strategy. The online network (<https://trusted-pearlfinders.beiersdorf.com>) based on trust, fairness, and partnership gives external partners from all around the world access to our confidential scientific research topics and invites them to offer their own ideas and solutions. Other Beiersdorf Open Innovation formats include our in-house events such as the Supplier Fair, Incubation Labs, and the Formulation Academy, where selected innovation partners present ideas and trends.

Close to consumers and markets

Beiersdorf is characterized by a global presence of research and development. The largest site in our research and development network is our skin research center in Hamburg, where we employed 683 (previous year: 673) researchers and developers as of December 31, 2019. Work here concentrates on new discoveries to provide even better support to the skin's own metabolic processes. Based on their results, the scientists in product development combine the various active ingredients into new and highly effective products that meet consumers' needs. As product quality, safety, and tolerability are the top priority for Beiersdorf, newly developed products are tested before market launch, both externally and at Beiersdorf's own test center within the skin research facility. A total of 480 studies with 19,000 participants were conducted at the Beiersdorf Test Center during the reporting period. Moreover, 1,700 studies with more than 44,500 participants were conducted internationally in 2019.

In addition to the large skin research center in Hamburg, Beiersdorf has regional laboratories in Brazil, China, India, Japan, Mexico, and the United States. Our international development sites enable us to respond to cultural, aesthetic, and climatic conditions, and to develop products specifically for local needs and preferences. Through this research, we also participate in global innovation development and have access to local experts. Our approximately 35 coworkers from the research department of our US-American sun care brand COPPERTONE, acquired in 2019, have been integrated into our research group. We are working closely together to leverage synergies and accelerate our sun care expertise.

Innovations*

Innovation is one of our core competencies and thus a cornerstone of our business strategy. We have set ourselves the objective of continually introducing new skin care products that focus completely on our consumers' needs and wishes and generate added value. In saying that, as part of this objective our innovations are not only focussed on cosmetic formulas; the development of innovative, sustainable packaging is also a part of our intensive research and development work.

We believe our unique culture of innovation, which has always been a part of research and development at Beiersdorf, is what essentially drives our ability to innovate. It is at the heart of why we always have a well-stocked innovation pipeline.

The following product launches were among the most important innovations in the reporting year:

- The anti-aging skin care range **NIVEA Hyaluron Cellular Filler + Elasticity & Reshape** was one of the strongest market launches in the NIVEA Face segment. Its innovative formula is based on a combination of the cell-activating ingredients hyaluronic acid, collagen, and elastin (proofs *in vitro*). This formula leaves the skin moisturized for 24 hours and stimulates the skin's own production of hyaluronic acid, collagen, and elastin (proofs *in vitro*), counteracting the signs of skin aging. The skin is plumped up from the inside out, deep wrinkles are visibly reduced, and the skin is clearly firmer in appearance. Alongside day, night, and eye creams, the range also includes a re-densifying anti-spot treatment serum and a bi-phase oil elixir.
- The new face care and cleansing range **NIVEA Naturally Good**, which has been launched in France, among other countries, meets the trend toward more natural skin care products. The products support the skin's regeneration and make it look naturally beautiful and healthy. To ensure maximum product safety and stability, we use 1% to 2% synthetic ingredients in the product range.

* This section of the Combined Management Report is not subject to audit requirements.

Research success Thiamidol*

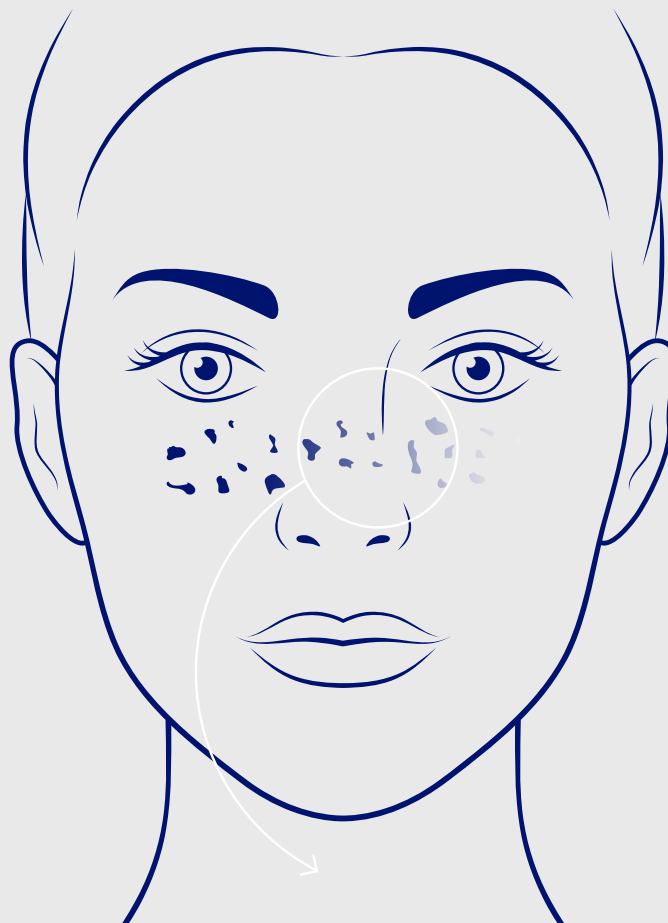
Thiamidol is an active ingredient patented by Beiersdorf that is the result of years of research and extensive development processes. Clinical and dermatological studies confirm the very good effectiveness and skin compatibility of this potent ingredient, which, when applied regularly, reduces pigment spots and protects the skin from developing new ones.

More than 10 years

went into research by Beiersdorf scientists for this highly effective ingredient.

> 50,000 ingredients

were tested at Beiersdorf's laboratories. Thiamidol proved to be the most effective active ingredient.



Eucerin®

The driving force

in the growing anti-pigment market is EUCERIN.

The clear number 1

in the even skin category in the EUCERIN core markets is the EUCERIN Anti-Pigment range with Thiamidol as an active ingredient.



Start of treatment

4 weeks

8 weeks

12 weeks

First visible results after 2 weeks

* This section of the Combined Management Report is not subject to audit requirements.

- Both of the new **NIVEA facial cleansing oils** impress with an innovative technology. Based on moisturizing oils, the formula creates a milky texture as soon as it comes into contact with water and is particularly effective and gentle in cleansing. Even waterproof makeup and mascara can be removed without cotton pads. In addition, the packaging consists of 25% recycled PET.
- In the past fiscal year, the nourishing **NIVEA Beauty Elixir Deo** was our largest product launch in the NIVEA deodorants segment. The alcohol-free formula with precious milk essence helps the skin retain moisture, recover from irritation, and protects against odor for 48 hours, and in the antiperspirant version also against sweat. NIVEA Beauty Elixir Deo is available as a deodorant and an antiperspirant.
- The **NIVEA SUN Sensitive Immediate Protection** range provides a high to very high sun protection factor thanks to its reliable UV filter, and is particularly suitable for sensitive skin, for the protection against sun allergy, and the prevention of skin irritations caused by the sun. The light, non-oily, waterproof formulas do not contain any fragrances and are enriched with natural aloe vera.
- Beiersdorf's **NIVEA MEN Sensitive All-in-One Balm** is facial care for men with sensitive skin. Regardless of whether freshly shaved or sporting a three-day beard, the balm soothes the skin after shaving and reduces stubble itch.
- Following the successful international launch of EUCERIN Anti-Pigment in 2018, **EUCERIN Sun Pigment Control LSF50+** was launched in 2019. The product is based on Thiamidol®, an anti-pigment ingredient developed and patented by Beiersdorf. When used regularly, this active ingredient gradually reduces hyperpigmentation of skin (pigment spots) and prevents its reappearance. In addition, the product offers highly effective protection against harmful UV rays, and also against high-energy visible light exposure which are main triggers for developing hyperpigmentation. With a range of products with the ingredient Thiamidol®, Beiersdorf is setting a new standard in dermo-cosmetics.
- In 2019, Beiersdorf launched **EUCERIN AtopiControl Balm**, a daily use moisturizing balm suitable for atopic dermatitis skin conditions. This quickly absorbent basic skin care provides intensive moisture, and strengthens the natural skin barrier, soothes irritated skin, and provides relief from itching. Thus, this product improves effectively the quality of life and sleep for babies, children, and adults and can also be used during acute flare-ups together with EUCERIN AtopiControl Acute Care Cream and EUCERIN Anti-Itching Spray. The balm contains ingredients such as soothing Licochalcone A (liquorice root extract), Ceramides, and shea butter.
- In 2019, we extended our successful EUCERIN Hyaluron-Filler range with the new **EUCERIN Hyaluron-Filler Moisture Booster** and the **EUCERIN Hyaluron-Filler Vitamin C Booster** and further strengthened our position in the dermo-cosmetic anti-aging segment. The new EUCERIN Hyaluron-Filler Moisture Booster counteracts the first signs of aging skin by plumping up the skin intensively with moisture. The light, quickly absorbent formula with just 11 ingredients combines highly concentrated hyaluronic acid with glycerin. Both ingredients work as moisture magnets, reducing the first appearance of wrinkles and leaving the skin looking healthy and fresh. EUCERIN Hyaluron-Filler Vitamin C Booster also reduces the first appearance of wrinkles from the inside out, leaving the skin looking fresher and smoother in only seven days. An innovative two-compartment dispensing system activates the vitamin C just before applying the formula, releasing its full effect as an antioxidant. In doing so, it neutralizes free radicals which accelerate skin aging while at the same time it stimulates the production of collagen in skin cells. The skin is strengthened and skin aging is counteracted.
- Following the success of **HANSAPLAST/ELASTOPLAST/CURITAS** Routine, the Healthcare business launched the new **Spiral Heat** plaster onto European markets. Its innovative technology is especially designed for targeted pain relief, yet offers maximum flexibility due to the 3D-flexible spiral heat cells. It has a special soft touch material for all-day wearing comfort and is ideal for back, neck, and shoulder pain.
- In 2019, in our luxury brand **LA PRAIRIE**, we launched our **Platinum Rare Cellular Life Lotion** – a complete essence-in-lotion, that helps to boost skin renewal from within by supporting three key detoxification processes at the cellular level. The Skin Caviar collection, too, was complemented by another highlight in 2019: **Skin Caviar Eye Lift** combines LA PRAIRIE's iconic caviar beads with an innovative gel-cream emulsion, and is the first eye-opening serum for the entire eye area, including brows.
- Under the brand name **FLORENA FERMENTED SKINCARE**, we launched for the first time a certified natural cosmetics range of products in the pilot markets of Italy and France that has fermentation at its heart. This new care line is our response to fulfilling the consumer's desire for natural ingredients and certified natural cosmetics. The vegan formulas contain at least 99% ingredients of natural origin. Furthermore, the cream jars are made of 100% recycled plastic and the outer packaging of at least 70% recycled paper.
- Tattooed skin has specialized care needs. That is why in 2019, Beiersdorf launched the first care system for tattooed skin under the brand **SKIN STORIES**. The anti-aging products with InkGuard-Technology® provide optimal care for tattoos and protect them from fading and smudging over the long term. The four products in the new care category cover the entire life cycle of tattoos – from initial care to daily care and sun protection.

As a result of our regional research and development work, in the reporting year we also launched the following regional innovations on the market:

- In the Asia-Pacific region, we launched **NIVEA Luminous 630 SpotClear Booster Serum** and **NIVEA Luminous 630 SpotClear Oil Control Moisturizer SPF 50**, two moisturizers that also counteract pigment spots on the skin. Another innovation in the region is the **NIVEA Botanical Foam Facial Cleanser** developed specially for the Chinese market, which contains various amino acids and herbal ingredients.
- In India, we have developed **NIVEA Milk Delights**, a range of innovative, soap-free cleansing products whose formula contains special milk proteins.
- In the United States, we introduced the **NIVEA Deeply Moisturizing Body-Wash** series, a new shower gel range. Its innovative formula combines cleansing and skin care in one product.

Strong patent portfolio

Our innovative strength and competitiveness are demonstrated not least by our patents. As a skin research company, they hold particular relevance because they protect our innovative active ingredients, products, and technologies across the globe – subject to the regulatory framework in the respective countries. In 2019, we filed 98 new patents worldwide. As of December 31, 2019, around 1,200 patent filings were in the ongoing grant procedure. At the end of the fiscal year, the entire patent portfolio comprised more than 2,700 patents.

tesa

Structural adhesives

In 2019, R&D at tesa continued to focus on technologies for structural adhesives. In particular, this includes technologies for adhesive solutions with particularly high bonding strength and long-term resistance, which have so far only been possible with mechanical joining techniques such as screws, rivets, and welding. In collaboration with innovation leaders in the global automotive industry, tesa developed high-performance and durable joining solutions for automobile bodies and vehicle interiors, which also meet the high requirements for quality assurance and efficient processing steps. Another area of focus is structural bonding of various high-quality and heat-sensitive surfaces at room temperature. The main field of application for these products is the assembly of electronic devices, such as mobile phones. The first new technologies were successfully tested with selected innovation leaders.

The development of structural adhesives is carried out within tesa's global Research and Development network with its locations in Germany, China, and North America, ensuring optimal collaboration with innovation leaders and customers. This development work was supported by the European Union via the European Regional Development Fund (ERDF).

Environmentally friendly adhesive solutions for industry

While working on processes and products with particularly low environmental impact and efficient use of resources, tesa has developed sustainable adhesive solutions for sophisticated packaging, such as solutions to safeguard high-quality and heavy electronic devices during transport. The core offering includes adhesive tapes made from renewable raw materials as well as from recycled and biodegradable components.

Further advances in extrusion technology

In 2019, tesa made further advances in extrusion technology, which avoids the use of solvents. Special adhesive masses can now be produced in a versatile and environmentally friendly manner with smaller production batch sizes. This technology opens up new fields of application in the global automotive, electronics, and construction industries. Through this manufacturing process, high-quality adhesive layers can be produced without the need for solvents and without the drying and water treatment required during processing of adhesive dispersions.

Flame-resistant and flame-retardant adhesive tapes

Particularly high safety standards apply to many applications in railways, interior fittings of aircraft, and increasingly also in battery-powered cars. Specifically for these requirements, tesa developed components for flame-resistant and flame-retardant adhesive tapes, which even help extinguish flames. By combining new technologies and in collaboration with international research institutions, prototypes have been manufactured that are also particularly easy on the environment.

Mounting of sensors

Sensor technology and sensors are a fast-growing field in which adhesive tapes also play an important role. Ever more powerful sensors are being produced at ever lower cost to gather data in all areas of life. The data is frequently processed and used via the internet. tesa has developed a whole array of double-sided adhesive tapes with new adhesive layers with which these sensors can be easily and reliably mounted to a wide range of surfaces, including human skin.

Specialist adhesive tapes for the construction industry

tesa expanded its technology portfolio through the acquisition of Functional Coatings LLC in the United States in 2018. Of notable mention from this portfolio are specialist adhesive tapes, which are used in the insulation for modern building envelopes. In 2019, new technologies and prototypes in this area for the intelligent control of heat and moisture in modern building structures with a high proportion of wood were successfully developed. These solutions make an important contribution to sustainable building construction.

Sustainability*

Climate change is the most important challenge that we as a society are facing today, so sustainability was also a key priority for us during the past year. We have always been a company with a solid and well-balanced approach to environmental protection, social responsibility, and economic success. However, we want to further increase our efforts in this context. Sustainability is deeply rooted in our corporate culture and well implemented in our decision-making and business processes.

Detailed information on our commitment to sustainability is available in our Sustainability Report, which is published at www.beiersdorf.com/sustainability_review.

Consumer

Within our Consumer Business Segment, we updated our sustainability agenda in 2019. What used to be our “We care.” strategy with the three pillars “Products, Planet, People,” is now an integral part of our C.A.R.E.+ strategy and addresses sustainability truly holistically. Our new, up-to-date sustainability agenda defines seven focus areas where we as a company want to have a significant impact on our environment, our society and our consumers. As the urgency to act and to contribute as a business to drive change on a global scale has never been higher, we started to already activate our new agenda while it was in its development phase. We plan to set ambitious targets for all focus fields during the course of 2020 and will ensure the regular monitoring of our progress using environmental and social performance indicators.

During the implementation of our new sustainability agenda, we want to involve our key stakeholders – especially our employees, investors, suppliers, consumers, and non-governmental organizations (NGOs). In this way, we will not only maximize output, but also build trusting relationships and enhance our own understanding of the most relevant topics.

Looking back at 2019, we are proud not only to have successfully set up our new Sustainability Agenda, but also to have succeeded in achieving our ambitious commitments within the “We care.” strategy even one year earlier than planned.

Products

One target has been to continuously make our products more environmentally friendly. By 2020, our goal was to generate 50% of our global sales from products with an improved environmental impact compared with the base year 2011. With a figure of 55% at the end of 2019, we have reached this target ahead of time. This was strongly driven by improvements in product formulas and sustainable packaging solutions. And with the “Plastic Pledge” announced in the first quarter of 2019, we have already made a new commitment to sustainable packaging: By 2025, we want 100% of our packaging to be recyclable, compostable, or reusable, and at the same time we want to increase the use of recycled content in our plastic packaging in Europe to 25%. The new NIVEA Face Cleansing Oils launched in the reporting year are the first such products on the market: Their packaging consists of 25% recycled PET, saving over 12 metric tons of virgin plastic per year. Since spring 2019, we have also been participating with two NIVEA MEN aftershave products in the pilot phase of the zero-waste

shopping platform “Loop.” Created by the recycling company TerraCycle, the project aims to create a closed-loop material cycle and avoid single-use packaging.

With regard to product formulations, we also made good progress in the reporting year and continued switching palm (kernel) oil-based raw materials to mass-balanced palm (kernel) oil derivatives: In 2019, we covered around 91% of our demand with mass-balanced palm (kernel) oil (previous year: 63%). Through close collaboration with our suppliers, we have also created further transparency in the supply chain for palm (kernel) oil-based raw materials: We managed to identify the exact origin of 92% of our purchase volume and have been making efforts to further improve transparency and sustainability along the supply chain for palm (kernel) oil derivatives. For example, we co-founded the Action for Sustainable Derivatives (ASD) initiative launched in 2019. As an acknowledgement of our efforts, the Carbon Disclosure Project (CDP) awarded us the top score of “A” in 2019 for our work in addressing deforestation.

Our commitment to the sustainable cultivation of raw materials used in our production was extended in 2019 to encompass shea butter, an ingredient used in some of our skin care products. We joined the Global Shea Alliance (GSA) and, together with our Swedish-Danish shea supplier AAK, launched a project with which we will support 10,000 women shea farmers over five years in Ghana and Burkina Faso. In December 2019, we also launched a first limited edition of “NIVEA VON HERZEN” – a product containing 100% pure and sustainably produced shea butter.

In the reporting year, we also achieved further progress with regard to biodegradable ingredients: Our rinse-off products such as shampoos and shower gels are now completely free of microplastics, and we have switched the affected formulas to biodegradable opacifiers. Also, for our leave-on products such as skin creams, we are working on the elimination of raw materials categorized as microplastics. Nylon, for example, which is used in some products to deliver a smooth skin feeling, will be replaced by the end of 2020. By increasing our usage of biodegradable polymers across our assortments, we continue to pursue our goal of improving the environmental impact of our product portfolio overall.

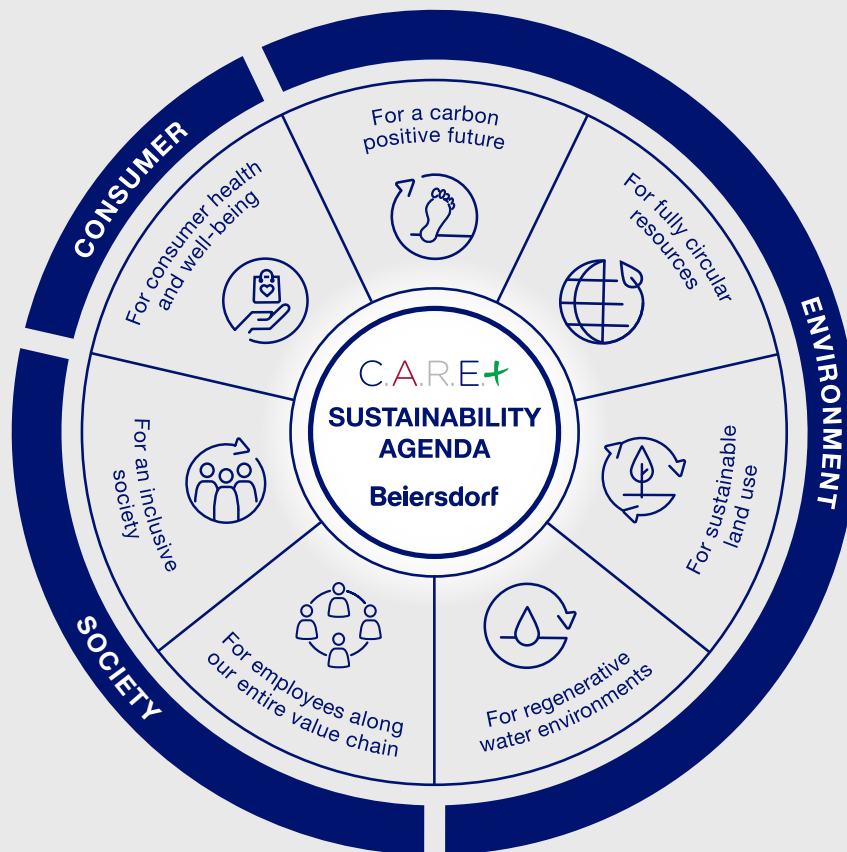
Planet

As a globally operating and responsible company, our aim is to take all necessary measures to combat climate change and encourage a sparing and efficient use of resources. As already mentioned before, the situation we face globally is very challenging and we are highly committed to taking all necessary steps in driving the change. Saving water, avoiding waste, and reducing our energy consumption are essential parts of our commitment to sustainability. With our “We care.” strategy, we had set ourselves the target to reduce our energy-related CO₂ emissions per manufactured product by 70% by 2025 (base year 2014). We are heading in the right direction in this area and achieved 65% less CO₂ emissions per product in the reporting year. We will continue to do even more in the future. The scheduled switch of all our sites to renewable electricity by 2020 was achieved early in the reporting year (previous year: 81%). We signed the climate pledge of the UN Global Compact and thus committed ourselves to even more ambitious climate targets that meet the requirements laid out by scientists to limit global warming to 1.5 degrees Celsius. These targets will be announced in the first quarter of 2020.

* This section of the Combined Management Report is not subject to audit requirements.

Our new Consumer Sustainability Agenda*

During 2019, sustainability has been uplifted to become an integral part of our C.A.R.E.+ strategy and, hence, a strategic priority for our business. What used to be our “We care.” sustainability commitment with the three pillars “Products, Planet, People,” is now a truly holistic approach with seven focus areas. They define where we as a company want to create a significant impact for our environment, for our society, and for our consumers.



FIRST STEPS TAKEN IN 2019



CLIMATE PLEDGE

- Commitment to set a more ambitious climate target
- Target: limit global warming to **1.5 degrees Celsius**



PLASTIC PLEDGE

- **100%** recyclable, compostable, or reusable packaging
- **25%** recycled content in our plastic packaging in Europe

* This section of the Combined Management Report is not subject to audit requirements.

People

The well-being of our employees is a high priority for us and we are convinced that a healthy and attractive working environment is fundamental to the success of our business. We therefore offer a variety of health and safety initiatives for our employees. We are also committed to fair working conditions and to a transparent, respectful cooperation with all suppliers and partners.

Our “Zero Accidents” program launched in 2015, with which we aim to reduce potential risks in the workplace, continued successfully in the reporting year: Beiersdorf further reduced the accident rate at its production sites to 1.2% (previous year: 1.9%).

We also actively work outside our company boundaries to sustainably improve the situation of our fellow citizens. Pursuant to our “People” commitment, we aim to reach and improve the lives of one million families by 2020. In the reporting year, we reached 1,068,958 families, considerably exceeding this target ahead of time, just like our “Products” targets described above.

New Sustainability Agenda from 2020 onwards

We are convinced that acting responsibly and sustainably is an essential part of ensuring that our company is fit for the future. Our commitment to sustainability is therefore firmly embedded in our new C.A.R.E.+ company strategy, which was established in 2019.

We took the start of C.A.R.E.+ as an opportunity to rework our sustainability strategy during the reporting year. As mentioned above, our new Sustainability Agenda will go beyond the “Products, Planet, People” approach and is not only more up-to-date and holistic but also more ambitious: From 2020 onwards, we will work on seven focus areas which are aligned with the UN Sustainable Development Goals (SDGs):

- Carbon-positive future
- Fully circular resources
- Sustainable land use
- Regenerative water environments
- Employees along our entire value chain
- Inclusive society
- Consumer health and well-being

We are in the process of setting ourselves ambitious targets for each of these focus areas. They will define how we aim to minimize the negative impacts of our business activities and how we take effective, positive action for the environment, for society, and for our consumers.

More details on our new Sustainability Agenda and the projects we implemented in the reporting year can be found in our Sustainability Report or at www.beiersdorf.com/sustainability.

tesa

Responsibility

At tesa, growth and economic success are inextricably linked with corporate responsibility. Climate protection, responsible use of resources, and occupational health and safety are therefore firmly anchored in the business processes. Moreover, civic engagement is an active part of our corporate culture.

Climate and environmental protection

tesa’s primary environmental impact is the energy consumption at its production sites. Therefore, tesa places particular emphasis on climate protection and reducing CO₂ emissions. Environmental management systems are used at all sites with a significant environmental impact in order to control environmental performance effectively. Seven production sites and tesa’s global headquarters have an ISO 14001-certified environmental management system. Global headquarters and the sites with the highest CO₂ emissions (Hamburg and Offenburg) additionally have an ISO 50001 certified energy management system. The energy management systems are the backbone of further increases in energy efficiency at the sites.

With its environmental program, tesa has been setting Group-wide, ambitious targets to improve its ecological footprint since 2001. The current target period applies to the years 2016 to 2020. Over this period, specific CO₂ emissions per metric ton of end product (location-based) are to be cut by a further 10% compared with the 2015 reference year. Strategic approaches are the use of energy- and resource-saving technologies, such as efficient generation of the company’s own energy through combined heat and power plants as well as the purchase of electricity from renewable sources. On the reporting date, the CO₂ emissions per metric ton of end product were 9.8% lower than the reference year 2015 (location-based method).

With its waste and raw materials management, tesa aims to minimize losses of the raw materials used in production, to use materials efficiently, and to recycle them whenever possible. Safe waste and hazardous waste containing solvents are almost fully recycled. By 2020, tesa aims to cut the specific waste volume per metric ton of end product by a further two percentage points in comparison with the 2015 reference year. As of the reporting date, tesa was on target Group-wide.

Occupational health and safety

To avoid work-related accidents and health hazards, prevention and raising awareness among staff are prioritized. The strategic aim is to reduce the number of accidents to zero.

Health and safety management is focused on production sites as these have a higher risk of accidents and health impairments than office locations. tesa employs its own safety specialists at all ISO 14001-certified sites. They are familiar both with tesa’s global health and occupational safety guidelines as well as with legal requirements and conditions.

The frequency of accidents >3 days at tesa in 2019 was 1.6 per million hours worked globally. This was well below the German industry average of 11.7 (BG RCI).

Corporate citizenship

tesa wants to look beyond its core business in making a positive contribution to society. As part of the tesa corporate citizenship strategy, the focus is on three strategic core areas: social commitment, supporting education, and environmental protection. On a project level, these are divided into the four pillars “tesa helps” and “tesa donates” (social), “tesa supports” (education), and “tesa protects” (environment).

tesa supported a host of diverse projects around the world once again in 2019:

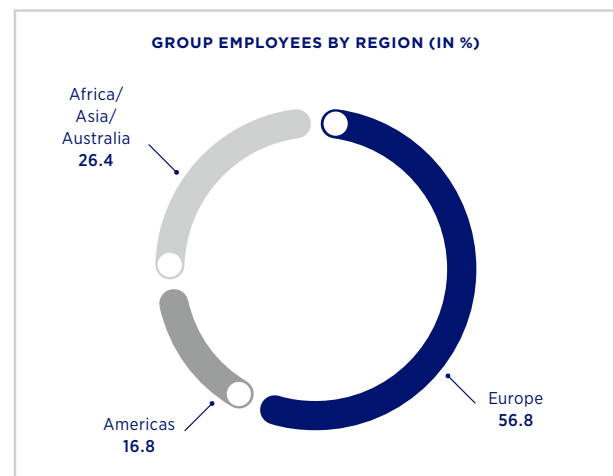
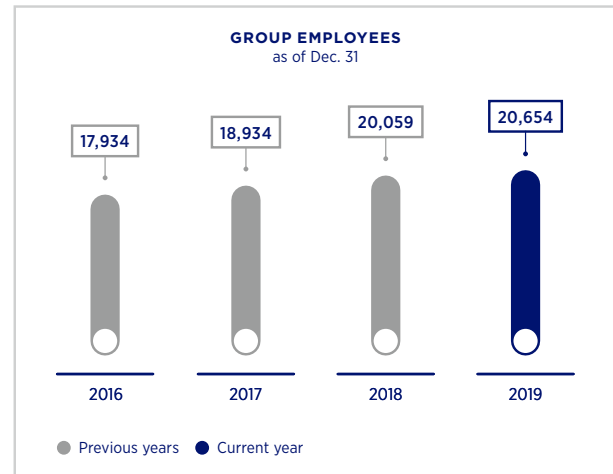
- The “tesa helps” initiative provides practical assistance to communities and supports social organizations at tesa locations around the world. In addition to donations, employees are involved with various projects run by social and charitable organizations.
- Staff in Belgium work with the D’Broej organization, an umbrella of eight youth centers in Brussels, offering disadvantaged children and young people help with homework, time and space for their individual development, as well as sports and other free-time activities.
- “tesa donates” supports the work of a number of institutions with donations in kind and financial contributions. For example, staff can donate a small amount from their monthly salaries and tesa then doubles this contribution. In 2019, we provided more than €8,500 of funding to Kleine Riesen Norderstedt e.V.
- As a technology-based company, tesa is very aware of the fundamental importance of education and qualified young people. That is why the company cooperates with the “Initiative für Naturwissenschaft und Technik” (Science and Technology Initiative) under “tesa supports.” In 2019, tesa once again offered students from various Hamburg secondary schools insights into the everyday working life of scientists in the form of three STEM project days.
- The tesa plant in Suzhou (China) has been involved in the “tesa Sunshine Education Assistance” program for over ten years. This aims to improve the elementary school education of the children of migrant workers. A total of about 710 children have already received the annual tesa Sunshine Scholarship.

More detailed information is available in the annual Sustainability Report at www.tesa.com/responsibility.

People at Beiersdorf*

Our employees make us what we are as a company. Our strong business achievements reflect the high qualification and engagement level by our people. Systematic, long-term people investment is firmly embedded in our Core Values, our C.A.R.E.+ strategy, and our HR Roadmap.

As of December 31, 2019, we employed 20,654 people worldwide, an increase of 3% compared with the previous year (20,059). The acquisition of COPPERTONE, effective August 30, 2019, was a key reason behind the increase in headcount. Germany continues to have the highest number of employees at 6,682 (previous year: 6,676), a share of 32%. A total of 15,728 people worked in the Consumer Business Segment (previous year: 15,142) and 4,926 at tesa (previous year: 4,917).



* This section of the Combined Management Report is not subject to audit requirements.

Consumer

C.A.R.E.+ strengthens people investment

Inspirational HR work is the collective ambition of the Beiersdorf Executive Board. For years, it has been one of its shared targets. Discussions around people are on the agenda at every Beiersdorf Executive Board meeting. The revision of the HR Roadmap in 2019 mirrored the development of the C.A.R.E.+ strategy as regards timeline and content, striking the right balance between change and continuity. While focus fields like employee engagement and management development continued, other big topics have been given additional attention and investments in 2019: learning organization, “New Work” and the further deepening and expansion of the Group’s diversity and inclusion initiatives.

Progressive working conditions and diverse development opportunities are what Beiersdorf always strives for. Still, working with our people and for our people is not simply a year-round feel-good program. Timely adapting structures and processes to changes in business and consumer needs is an equally important aspect of HR work, and part of Beiersdorf’s ongoing HR Roadmap. Convincing people of the necessity of change, well before they feel the effects of a crisis, is one of the hardest management tasks. Especially in light of Beiersdorf’s continuous business success, it is crucial that we keep change at the top of our people agenda, with a series of sensible, value-adding, and culture-shaping initiatives every year. While doing so, we put significant efforts into internal communications and structured change management.

Corporate culture

They are the heart of our company: Beiersdorf’s Core Values. Our values are authentically rooted in our history and firmly embedded in day-to-day operations across all our affiliates in the world.

Employee engagement is a decisive factor in the way we do business. From 2013 to 2018, we conducted an annual, Group-wide employee survey to identify where action was needed at team and organizational level. We decided not to hold a global survey in 2019 as major changes were required to comply with the new EU General Data Protection Regulation. We also used this break to conceptually overhaul the survey design so as to be able to respond more flexibly and faster to the pulse of the organization. We will conduct global employee surveys again in 2020.

Dialogue on an equal footing with employees has become a “management routine” at Beiersdorf. This is evident in the willingness of managers to engage in different forms of dialogues with the organization and in the diversity of our internal communication channels and tools. They enable employees to talk directly to the Executive Board and top management and include events at global and local level such as town hall meetings, round tables, and fireplace talks, as well as various online forums and chats. “Closeness” is a key concept here: Employees are kept close to important events and decisions with timely information – for example in townhall meetings with global live streams on the day the quarterly figures are published.

Participation in decision-making and company success

We involve our employees in key decision-making processes and in the success of our company. The large majority of employees worldwide share in our commercial success through variable remuneration. The close involvement of employee representatives is also part of our corporate culture. At the end of 2019, 55% (previous year: 56%) of our organizations had a works council, a union organization, or another form of employee representation, despite this being a legal requirement for only 44% (previous year: 45%) of our organizations.

Participation also means employees actively involving themselves in shaping their work place. New office projects in any place in the world have always been accompanied by employee sounding boards and a change management process. The biggest project of this kind is in Hamburg, where we have been building a new campus since 2018. It is due to be completed in 2021/22, and will hold up to 3,000 state-of-the-art workstations. Instead of top-down and one-size-fits-all, we have established a comprehensive change initiative with active participation by employees from all major functions and divisions. A completely new workplace strategy was developed together with cross-functional teams in 2019. It was also supported by our works councils. Employees also had the opportunity to express their opinions and proposals through various surveys with regard to future services.

New world of work, new ways of working

Digitalization, technological change, and the volatility of global markets call for one thing above all else from our employees and our business as a whole: the constant willingness to learn and adapt. We have adjusted to this necessity. We are helping our employees to develop the necessary awareness of this change and encourage them to integrate new working methods and learning techniques into their day-to-day work and to take an even more connected and digital approach than ever before. We are thereby creating the basis today for our success tomorrow.

Three years ago, Beiersdorf announced its “agile working” concept. This gave rise to numerous learning initiatives that are now a fixed part of our approach to knowledge and training. (More details in the section on “Learning culture.”)

Against this backdrop, Beiersdorf is making a big cultural shift toward innovative working arrangements. These involve fruitful cooperation between management and employees, with the latter passing on the new ideas to their colleagues. One employee initiative in the reporting year, for example, has introduced the “working out loud” (WOL) method globally throughout the company. Employees use WOL circles to make their own work and knowledge visible to others, so that everyone can benefit from it. This and other company and employee initiatives involving “New Work” (the new way of working in the digital age) were seized upon by a cross-functional project team that organized the first “NEW WORK FESTIVAL” at Beiersdorf’s Group headquarters in November 2019. The topics were collaboration, creativity and innovation, digital transformation, technology, leadership, learning, intra- and entrepreneurship, the purpose of work, diversity, and sustainability.

New Work is not only creating a suitable workspace and using technology. Beiersdorf is also committed to the health and physical and mental well-being of its employees. The company's own health management has been enhanced from year to year to better meet the needs of employees in a fast-changing world of work. Our "GOOD FOR ME" program seeks to maintain the health and performance of our employees on a long-term and sustainable basis as well as encourage them to take the initiative in staying healthy. Approximately 97% of our organizations worldwide offer health promotion measures (previous year: 92%). Since 2014, we have been offering skin screenings at our Group headquarters as a special service for employees.

PART-TIME EMPLOYEES BY REGION (IN %)

	2018	2019
Europe	11	12
Americas	1	0
Africa/Asia/Australia	2	1
	7	7

Diversity and Inclusion

We cherish diversity and inclusion not because we hope it helps our business. It is great if it does. As a company, however, we simply believe in diversity and inclusion, in their positivity and creative power.

Diversity and Inclusion is a global management process at Beiersdorf and a firmly established part in the Executive Board's agenda. Measures to promote equal opportunities and diversity at Beiersdorf are designed and implemented by a cross-functional Diversity team, whose members all act as volunteers in addition to their regular work. Since its launch, this team has grown into a global network with many ambassadors in the affiliates. In addition, the Diversity Committee of the Supervisory Board also regularly reviews and support various key initiatives.

As a globally operating company, we have a highly international workforce. Employees from 108 countries worked at Beiersdorf as of the end of the reporting year (previous year: 100). At the Hamburg headquarters, the proportion of international employees was 17.4% (previous year: 17.1%). Of our managers in the top three management groups, 40% have lived and worked outside of their home countries for at least three years (previous year: 39%).

Alongside international and cultural diversity, gender – especially equal career opportunities for women and men – has been another focus area for years. To make it even more effective, in 2019 we further expanded our "enCOURAGE" initiative as a framework for all our gender diversity activities. Its measures take into account the different needs employees have at different stages of their professional life. Existing activities under this initiative include:

- "move forward!" – a mentoring program for talented women who want to begin or develop a management career.
- "Peer Coaching Circles" – an extra program of "move forward!" with the aim of learning and growing together.
- "Women in Leadership" – a network now reaching across hierarchy levels, which organized the third "Women in Leadership Convention" in 2019. The convention is more than just an annual networking event: Female role models and their real-life stories inspire a much larger target group to take on or further develop their leadership roles while at the same time supporting the career of their female colleagues.

We offer progressive HR policies and a diverse range of flexible-working options to women and men. Some 67% of our organizations (previous year: 58%) offer their employees flex time, 67% (previous year: 65%) offer mobile working or the opportunity to work from home, 50% (previous year: 48%) part-time working, and 28% (previous year: 21%) the opportunity to take sabbaticals. With its 108 places and 29 teachers, our company daycare facility in Hamburg is one of the largest of its kind in Germany.

Alongside standard part-time working, job sharing (where two employees share a position in a "job tandem") has long been part of our HR practice, also at management level. At the end of the fiscal year, there were 22 job-sharing tandems at Beiersdorf in Germany. Thirteen tandems performed management roles on a part-time basis.

Since the introduction of the German law on the equal participation of women and men in leadership positions, Beiersdorf AG has been legally required to set targets for the proportion of women on the Executive Board and at the first two management levels, as well as deadlines for achieving them. The law requires that the Supervisory Board of Beiersdorf AG be comprised of at least 30% women and 30% men. With a current figure of 42% female Supervisory Board members (five of the twelve Supervisory Board members are women), this target has been well exceeded.

The current targets and deadlines for the proportion of women on the Executive Board and at the top two management levels are as follows:

- Executive Board: At least 10% women by June 30, 2022 (figure as of the end of December 2019: 13%, previous year: 14%)
- First management level: At least 35% women by June 30, 2022 (figure as of the end of December 2019: 31%, previous year: 24%)
- Second management level: At least 50% women by June 30, 2022 (figure as of the end of December 2019: 48%, previous year: 48%)

In 2018, Beiersdorf set a global target for the proportion of female leaders in the three top management groups (MG 1–3). This was in addition to the statutory

targets applicable to Beiersdorf AG. By June 30, 2022, a target of 35% women is to be achieved in MG 1–3. At the end of the financial year 2019, the proportion of women was 30.2% (previous year: 30.4%). With these clear targets, which go beyond the legal requirements, Beiersdorf is underlining its ambition to be one of Germany's leading companies for diversity and inclusion.

GENDER DISTRIBUTION BY REGION

	male (in %)	female (in %)	Employees (total)
Germany	51	49	4,143
Europe (excl. Germany)	39	61	4,098
North America	42	58	818
Latin America	45	55	2,182
Africa/Asia/Australia	50	50	4,487
Worldwide	46	54	15,728

Equal pay for women and men for equal work or work of equal value has been part of Beiersdorf's HR policy since even before the German state legislation on pay transparency came into effect. Equal pay at Beiersdorf AG is ensured through collective agreements as well as internal processes to evaluate positions not subject to collective pay agreements. Outside collective agreements, allocation to the relevant non-tariff salary bands is job-based, and thus gender-neutral in line with the Transparency in Wage Structures Act (Entgelttransparenzgesetz). Gender-specific deviations in target annual salaries for employees not covered by collective agreements are close to zero.

Working with different generations is another important aspect of diversity and inclusion. In the Consumer Business Segment in Germany, the proportion of employees aged over 50 is 30%. At the same time, 16% of employees are younger than 30 (previous year: 17%). The average age among employees as of December 31, 2019, was 42 years (previous year: 42 years). A good mix of ages helps us take advantage of the strengths of different generations and avoid spikes in retirement. To support our employees over 50, Beiersdorf AG offers internal training courses customized to the needs of this target group.

In addition, the "New Generation 50+" network, launched as an employee initiative in 2019, is working to question the assumption that "age" is a career obstacle and to show how career ambition can be realized regardless of age.

Our employees set up an LGBTIQ+ initiative in 2019. "Be You @Beiersdorf" aims to create a more visible community for the many LGBTIQ+ colleagues in the company. It involves building up a network through internal and external events, improving general understanding of LGBTIQ+ issues in the workplace, and challenging any subconscious prejudices and stereotypes. "Be You @Beiersdorf" is also part of the external network "PROUT AT WORK" and plans further integration with existing platforms and interest groups outside Beiersdorf.

People with disabilities: We are committed to equal treatment and equal opportunities – against every form of discrimination. Beiersdorf also places orders with sheltered workshops. Beiersdorf's green spaces in Hamburg, for example, are looked after by Elbe-Werkstätten, Germany's largest sheltered workshop of its kind.

Notwithstanding our extensive activities in supporting diversity and inclusion, we keep a modest stance on what we do and have a realistic view about its limitations. We know that many of the challenges we face are deeply rooted in the respective societies. Wherever possible, however, we are committed to providing the right environment and targeted support so that our employees can better overcome the many barriers that still exist.

AGE STRUCTURE IN THE CONSUMER BUSINESS SEGMENT GERMANY (IN %)

	2018	2019
> 60 years	4	5
51 – 60 years	25	25
41 – 50 years	22	22
31 – 40 years	27	29
21 – 30 years	19	17
< 20 years	2	2

People and the digital transformation

The global introduction of Office 365 during the reporting year, which was accompanied by extensive training sessions, was more than just a system upgrade. Office 365 enables our experts and teams worldwide to better collaborate and communicate, thus also helping all employees steadily improve their digital competencies.

An example of a grass roots initiative supported by the new Office 365 environment is the "QualityOnShelf" app, which was developed in-house in just three months. An intuitive user interface allows not only the responsible quality managers but all Beiersdorf employees worldwide to photograph damaged goods and capture the bar code, GPS location, and store branch. We now receive up-to-the-minute relevant information and can respond in real time – a big win for quality management and just one of many examples of "making digital work for you."

The worldwide roll-out of the COMPASS global HR management system also drove our digital transformation in the reporting year. The platform pools all personal data in order to reinforce dialogue and cooperation between employees, managers, and HR, and thereby creates the technological framework for innovative HR work. COMPASS supports self-initiative and lifelong learning. It focuses on each individual employee and their profile. Employees decide for themselves which data to provide and which development steps and career interests they want to highlight.

Learning culture

We systematically invest in the professional development of our employees and support their talents in an individualized and lasting way. With our "Learning@Beiersdorf" concept that we presented in the reporting year, we laid the groundwork for the next-level "learning organization." The concept is based on three components: building a global learning infrastructure steered by a learning management system and enriched by tools with which employees can create their own learning content; ensuring targeted learning, meaning high-quality learning content for specific groups; and finally, making learning a natural part of our everyday work.

Learning organization*

We invest systematically in the professional development of our employees and promote their talents individually and sustainably. In 2019, we created the online learning platform “COMPASS Learning” as a global foundation for learning content.

IN USE WORLDWIDE

COMPASS Learning is already in use in nearly all of our more than

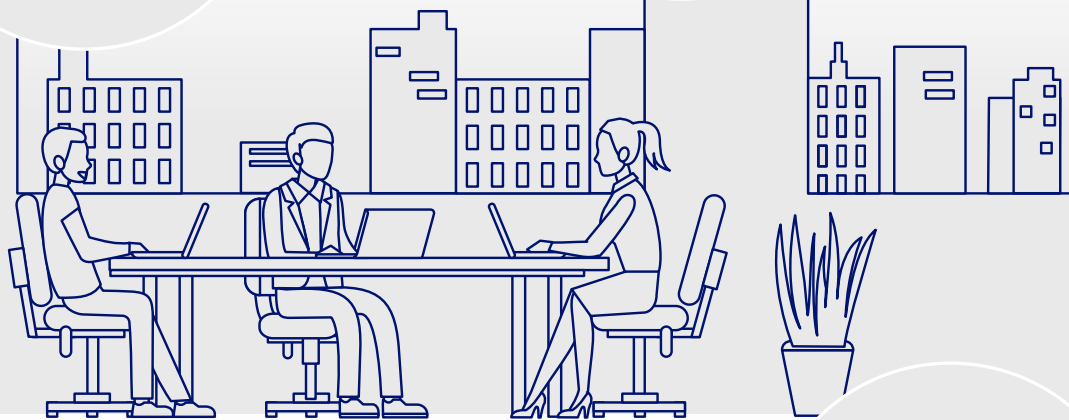
170
affiliates.

EXTENSIVE E-LEARNING OFFERING

We have

250

e-learning courses on offer, and the number will increase.



TRAINING SESSIONS COMPLETED

Around the world, nearly 4,700 Beiersdorf employees completed

~13,500

training sessions via COMPASS.

CROSS-FUNCTIONAL LEARNING

>30%

of the courses offered are used across functions.

* This section of the Combined Management Report is not subject to audit requirements.

The “COMPASS Learning” online platform created in 2019 is the global basis for learning content and is used in almost all of our more than 170 affiliates. Globally, almost 4,700 Beiersdorf employees completed approximately 13,500 training sessions using COMPASS during the reporting year. We currently also have 250 e-learning offerings, and the numbers will further increase. What is equally encouraging: Many of our employees have shown strong interest in learning content outside their own field of expertise. Over 30% of courses are being used cross-functionally. Of the approximately 560 participants in the 15 R&D-related e-learning programs, for example, 150 worked on other fields.

In Germany, Beiersdorf also runs an extensive, free-of-charge training program for all employees outside their working time. In the reporting year, over 242 employees took part in 27 courses on personal skills, methods and techniques, and professional competencies.

Management development

We are all managers, starting with managing ourselves, then projects, or our teams. Thus, development is always a joint responsibility at Beiersdorf.

We aim to fill the majority of management positions with talented people from within our own ranks. To make this possible, we systematically prepare our employees for their new roles. In 2019, 100% of positions at the first management level (previous year: 75%, Roadmap 2020 target: 75%) and 83% at the second management level (previous year: 80%, Roadmap 2020 target: 90%) were awarded to internal candidates.

Beiersdorf uses a multitude of different methods in identifying new talents and supporting their long-term development. The quality of this long-term work was recognized by trendence, which awarded Beiersdorf AG the top ranking as the most attractive employer for young professionals in the German FMCG sector.

tesa

The training and commitment of its staff make a major contribution to tesa's business success, quality, and sustainability. Being an attractive employer is therefore a vital prerequisite for the company's ongoing positive performance. As one of the world's technology leaders in the field of technical adhesive tapes and adhesive system solutions, tesa relies on the recruitment and long-term retention of highly qualified staff.

Personnel development

In 2019, tesa once again invested in advanced training and further attractive development opportunities for its staff.

2019 marked the launch of the new career path model “X perience” at all locations across the globe. The model's aim is to create a common awareness of worthwhile development and career pathways for employees across the entire company and to motivate them to consider not only international or functional but also cross-functional job rotation opportunities in their individual career planning. As one of the first initiatives, tesa promoted this concept through an X-Change Day, where various departments showcased their job opportunities to interested staff members.

Leadership culture

Managers' ability to offer employees a motivating work environment and encourage them to express their talents is key to tesa's business success and its attractiveness as an employer. In 2019, tesa therefore further expanded and broadened the international scope of the leadership program. The Essential Leadership Training is aimed at new managers at tesa and is now offered across the globe. The aim is to give all managers worldwide the same understanding of leadership. The Advanced Leadership Training is available for managers who have held management responsibility for a longer period of time. It gives managers the opportunity to tackle particularly difficult leadership challenges and develop new solutions under the guidance of a trainer. In 2019, tesa also began to design a new Management Development Program (MDP) that helps leaders and managers to further develop their competencies.

Knowledge transfer

tesa is making increasing use of e-learning formats for knowledge transfer. These learning methods open up opportunities for employees to acquire new knowledge anytime and anywhere, thus promoting the general trend toward more flexibility in the workplace. Current offerings include e-learning on topics such as compliance, occupational safety, research and development, and the tesa Supply Network. Following the successful test in four regions in 2019, employees will soon be able to access all professional development offerings at tesa at any time via a digital learning hub.

Attractive working environment

Alongside leadership, development opportunities, and performance-related pay, factors such as occupational health and safety are increasingly influencing employee retention and the company's attractiveness as an employer. In terms of occupational health and safety, tesa places emphasis on prevention. Investments in technical and occupational health and safety measures as well as regular training, along with a global campaign to raise awareness, meant that the rate of work-related accidents was again considerably below the industry average in 2019. The corporate health management scheme “It's for you” and the “tesa sport club” took a new approach in 2019 with a wide range of courses. From health check-ups to back-strengthening training programs and physiotherapy, employees can take advantage of a broad interdisciplinary offering.

Economic Report

Economic Environment

General Economic Situation

As expected, the pace of growth in the **global economy** weakened further over the course of 2019. This left the annual growth rate slightly down on the previous year's level. An economic slowdown was seen both in most industrialized nations and in the emerging markets. Despite easing for a time, the various international trade disputes, especially between the United States and China, were a major brake on growth. Considerably weaker growth rates in the eurozone and parts of Asia were another key factor. The general political and economic uncertainty surrounding geopolitical conflicts, the unknown long-term consequences of the United Kingdom leaving the European Union (Brexit), and the future political direction of the United States continued to hit economic performance.

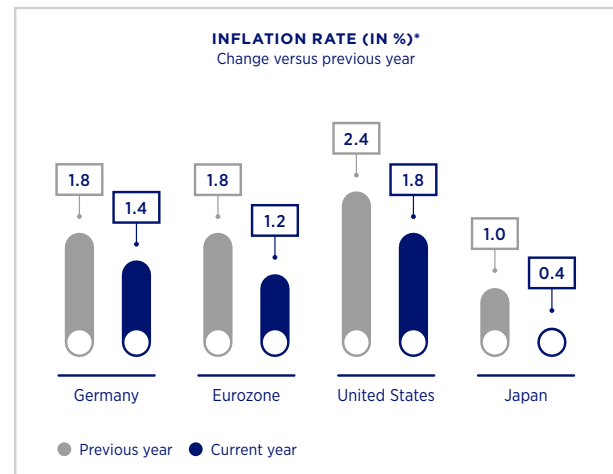
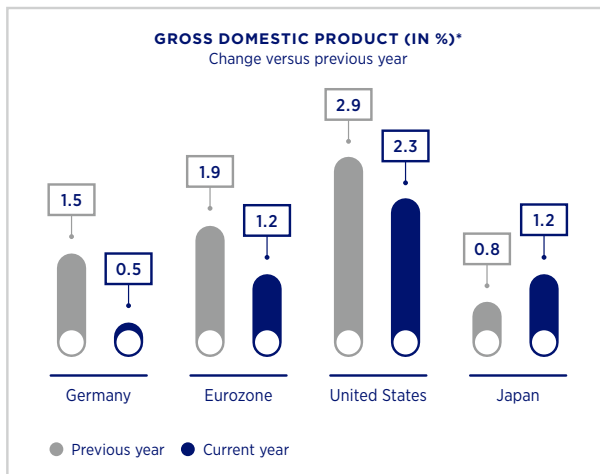
Economic growth in **Europe** lost momentum in 2019, and the recovery in the eurozone weakened significantly. Positive domestic demand, boosted by the positive trend in the labor market and continued low interest rates, once again helped to underpin growth. Weak global demand coupled with falls in industrial output put a major damper on the year-on-year performance of Europe's export-dependent economy. In addition to global trade disputes, the political uncertainty due to the proliferation of anti-European movements and the ongoing exit negotiations with the United Kingdom weighed on European growth.

The **German** economy saw an unexpectedly sharp loss of momentum compared to the previous year. Persistent declines in new orders for German industry from the beginning of the year were the main driver behind this trend. Robust growth in the service sector and in consumer spending bolstered by the continued positive situation on the labor market and rising wages, painted a somewhat brighter picture of Germany's economy.

In the **United States**, growth momentum in 2019 slowed somewhat compared to the previous year. Falling investment, mainly as a result of greater uncertainty due to the trade dispute with China, played a major part in this, as did lower exports. Meanwhile, the health of the labor market and consumer spending shored up the economy.

In **Japan**, economic growth was slightly up on the previous year and continued to be underpinned by companies' willingness to invest. Weakening domestic demand following a VAT increase acted as a brake, along with lower exports to China.

In the **emerging markets**, the dominant picture in 2019 was one of slowing economic growth. In **China**, the growth rate was slightly down on the previous year's level. Momentum was underpinned especially by government infrastructure programs and state-directed lending. However, this was unable to offset declines in production, particularly in the automotive sector, and weaker construction activity. After strong growth in the previous year, the pace of economic expansion slowed markedly in **India** due to weak domestic demand and



* Source: Commerzbank Research.

falling investments. General political uncertainty continued to weigh on economic performance in the **Middle East**. The picture in the **Southeast Asian** emerging markets was mixed despite the positive developments in Malaysia, the Philippines, and Indonesia. This was especially due to a slowdown in Thailand and weaker export demand. After a slight economic recovery in the previous year, economic growth in **Brazil** was down year-on-year. The global economic slowdown, adverse weather, the recession in Argentina, and faltering structural reforms had a negative impact on Brazil's economic growth. In **Russia**, growth in 2019 was muted compared to the previous year. This was especially due to subdued consumer spending following a VAT rise at the beginning of the year. The high investment growth rates seen in earlier years also fell sharply over the course of 2019. Ongoing international sanctions continued to put a heavy strain on the Russian economy.

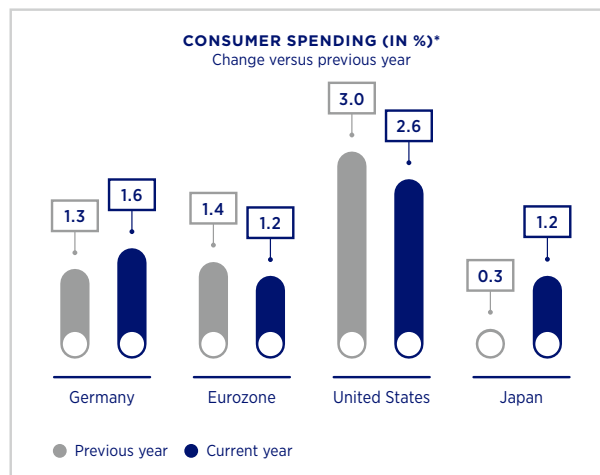
Sales Market Trends

After a moderate increase in the first half of 2019, the growth rate for the full year in the cosmetics market – the market relevant for Beiersdorf – fell slightly short of that seen in 2018. Growth momentum came especially from South America, the Middle East, and Asia. Market growth was positive in North America and Japan, too, albeit at a low level. The European market recorded a slight slowdown.

For the tesa Business Segment, 2019 was marked by a decline in the automotive sector. Production declined worldwide. Germany and China were hit particularly hard, while Eastern Europe acted as a growth driver. Consumer electronics, especially wearables (fitness bracelets and smartwatches) and hearables (in-ear headphones) experienced extremely dynamic growth. The smartphone and tablet market registered a slight expansion. The packaging and construction industry also performed largely positively.

Procurement Market Trends

The situation on the commodity markets was generally steady. The very tight situation seen in 2018, which was marked by numerous supply bottlenecks resulting from force majeure combined with capacity shortages in the market for primary materials, eased significantly in the course of 2019. The average oil price for the full year was slightly lower than in 2018. By taking a range of measures and becoming more cost-aware – with regard to the existing range and especially in the development of our innovations – we were able to curb increases in the cost of our raw materials and packaging.



* Source: Commerzbank Research.

Overall Assessment of the Economic Environment

Macroeconomic growth in 2019 was positive despite significant (geo)political and structural risks, but fell slightly short of the level seen in the previous year. The performance of the global cosmetics market weakened slightly in the course of the year. Despite the favorable situation in many emerging-market countries, there were particular challenges in numerous regions and markets, especially in Europe. Notwithstanding this challenging environment, the Consumer Business Segment increased its sales and outperformed the market as a whole.

In the automotive sector, which is important to tesa, the economic environment was considerably more subdued in 2019 than in the previous year. Despite difficult market conditions, tesa achieved sound sales growth. In the Direct Industries division, sales were up substantially in consumer electronics. In the Trade Markets division, online business with end consumers (Consumer) and sales of painter tapes for tradespeople (Craftsmen) performed particularly well.

Results of Operations

Results of Operations – Group

INCOME STATEMENT (IN € MILLION)

	2018	2019	Change in %*
Sales	7,233	7,653	5.8
Cost of goods sold	-3,075	-3,221	4.8
Gross profit	4,158	4,432	6.6
Marketing and selling expenses	-2,484	-2,666	7.3
Research and development expenses	-211	-236	12.2
General and administrative expenses	-404	-416	3.0
Other operating result (excluding special factors)	54	-19	-
Operating result (EBIT, excluding special factors)	1,113	1,095	-1.6
Special factors	-16	-63	-
Operating result (EBIT)	1,097	1,032	-6.0
Financial result	-49	5	-
Profit before tax	1,048	1,037	-1.1
Income taxes	-303	-301	-1.0
Profit after tax	745	736	-1.2

* Percentage changes are calculated based on thousands of euros.

Sales

Organic Group sales in 2019 were up 4.1% on the previous year. The Consumer Business Segment grew by 4.8%. tesa achieved a 0.8% rise in sales. In nominal terms, Group sales rose by 5.8% as against the prior year to €7,653 million (previous year: €7,233 million).

In **Europe**, organic sales were up 1.8% on the previous year. In nominal terms, sales stood at €3,757 million (previous year: €3,673 million), 2.3% higher than the prior-year figure.

Organic growth in the **Americas** amounted to 4.1%. In nominal terms, sales rose by 8.3% to €1,372 million (previous year: €1,267 million).

The **Africa/Asia/Australia** region reported organic growth of 7.8%. In nominal terms, growth of 10.1% to €2,524 million was recorded (previous year: €2,293 million).

Expenses/Other operating result

The **cost of goods sold** climbed by 4.8%, which was slower than the increase in sales. Exchange rate effects and persistent price pressure on procurement markets were more than offset by the positive mix effect, price adjustments in sales markets, and efficiency gains in production, logistics, and purchasing. This resulted in an overall positive effect on **gross profit**.

Marketing and selling expenses increased by 7.3% – a faster rate than sales – and amounted to €2,666 million (previous year: €2,484 million). This trend was predominantly attributable to the increased investments approved as part of the new C.A.R.E.+ business strategy. The marketing budget was adjusted to the changed market conditions and especially the change in consumers' media use. A total of €1,638 million (previous year: €1,532 million) was spent on advertising and trade marketing. We further consolidated our market position by investing in marketing and sales in a number of countries, especially in emerging markets.

Research and development expenditure rose considerably as part of the C.A.R.E.+ investments and totaled €236 million (previous year: €211 million). This strengthens Beiersdorf's ability to adapt to the current and future requirements of consumers and customers by developing innovative products. **General and administrative expenses** rose more slowly than sales from €404 million in the previous year to €416 million in 2019. They included the effects of regionalization through the foundation of new subsidiaries and expenditure on updating and securing our information systems. **Other operating result** (excluding special factors) declined to €-19 million (previous year: €54 million). This was mainly due to lower proceeds from the sale of fixed assets, higher restructuring expenses, exchange losses, and lower reversals of provisions.

Operating result (EBIT, excluding special factors)

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

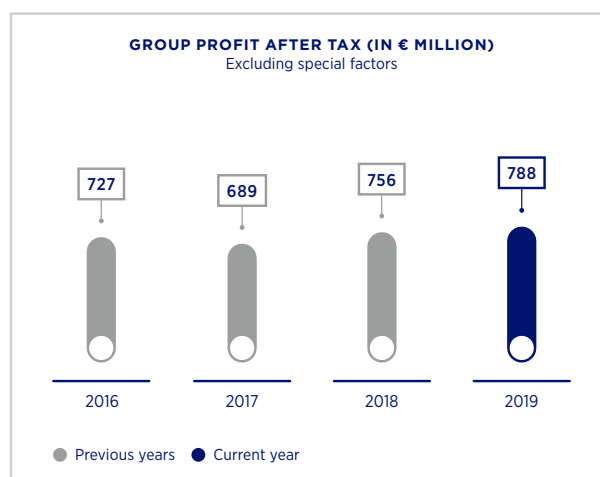
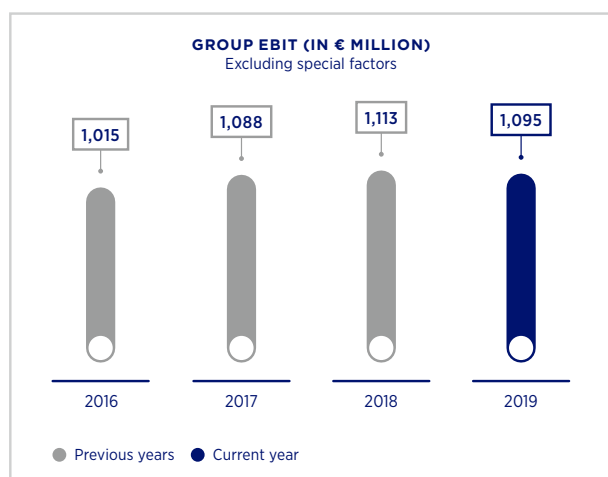
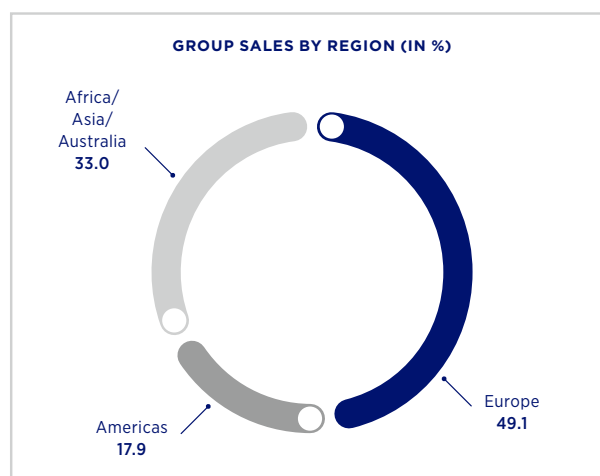
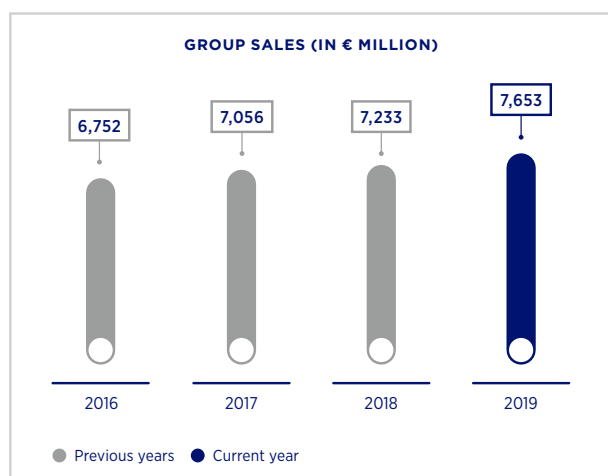
EBIT excluding special factors amounted to €1,095 million (previous year: €1,113 million), while the EBIT margin was 14.3% (previous year: 15.4%). The Consumer Business Segment generated EBIT excluding special factors of €883 million (previous year: €903 million), the EBIT margin reached 14.1% (previous year: 15.3%). EBIT at tesa excluding special factors was €212 million (previous year: €210 million), the EBIT margin was 15.3% (previous year: 15.7%).

The Group operating result before special factors in **Europe** was €591 million (previous year: €637 million). The EBIT margin was 15.7% (previous year: 17.3%). The operating result before special factors in the **Americas** amounted to €125 mil-

lion (previous year: €132 million). The EBIT margin was 9.1% (previous year: 10.4%). In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €379 million (previous year: €344 million). The EBIT margin was 15.0% (previous year: 15.0%).

Special factors

The special factors recognized in the Consumer Business Segment consisted of one-time expenditure of €25 million associated with the acquisition and integration of the COPPERTONE brand and expenses of €19 million arising in connection with the sale of the SLEK brand and the cessation of the associated business. The special effects in the tesa Business Segment in the amount of €19 million mainly comprise expenses for the announced cost saving program. In 2018, special factors in the amount of €16 million were recognized for the impairment of the Chinese hair care brand SLEK.



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Results of Operations

Operating result (EBIT)

The operating result (EBIT) amounted to €1,032 million (previous year: €1,097 million). This corresponds to an EBIT margin of 13.5% (previous year: 15.2%).

Financial result

The financial result amounted to €5 million (previous year: €-49 million). In the previous year, the result had been affected by one-time losses in the value of financial assets and high negative exchange rate effects.

Income taxes

Income taxes amounted to €301 million (previous year: €303 million). The tax rate was 29.0% (previous year: 28.9%). The taxes for the special factors amount to €11 million.

Profit after tax

Profit after tax was €736 million (previous year: €745 million), the return on sales after tax was 9.6% (previous year: 10.3%). Excluding special factors, profit after tax amounted to €788 million (previous year: €756 million). The corresponding return on sales after tax was 10.3% (previous year: 10.5%).

Earnings per share – Dividends

Earnings per share were €3.17 (previous year: €3.21). Excluding special factors, earnings per share amounted to €3.40 (previous year: €3.26). These figures were calculated on the basis of the weighted number of shares bearing dividend rights (226,818,984). The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par-value share bearing dividend rights to the Annual General Meeting (previous year: €0.70). For further information on the number, type, and notional value of the shares, please refer to Note 17 "Share Capital" in the notes to the consolidated financial statements.

Results of Operations – Business Segments

Consumer

SALES – CONSUMER BUSINESS SEGMENT (IN € MILLION)

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2019	Change (in %)	
			nominal	organic
Europe	2,941	3,027	2.9	2.3
Western Europe	2,354	2,418	2.7	2.2
Eastern Europe	587	609	3.8	3.0
Americas	1,051	1,145	8.9	5.3
North America	441	497	12.4	3.8
Latin America	610	648	6.3	6.4
Africa/Asia/Australia	1,898	2,102	10.8	8.4
Total	5,890	6,274	6.5	4.8

Sales in the **Consumer** Business Segment achieved organic volume- and price-driven growth of 4.8% in 2019. Exchange rate effects added 1.7 percentage points to the growth rate, while the positive structural effects from the acquisition of COPPERTONE offset the sale of the Chinese hair care brand SLEK. In nominal terms, sales therefore rose by 6.5% to €6,274 million (previous year: €5,890 million).

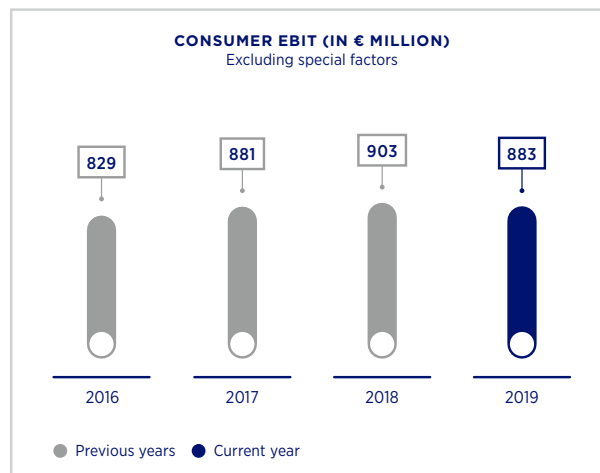
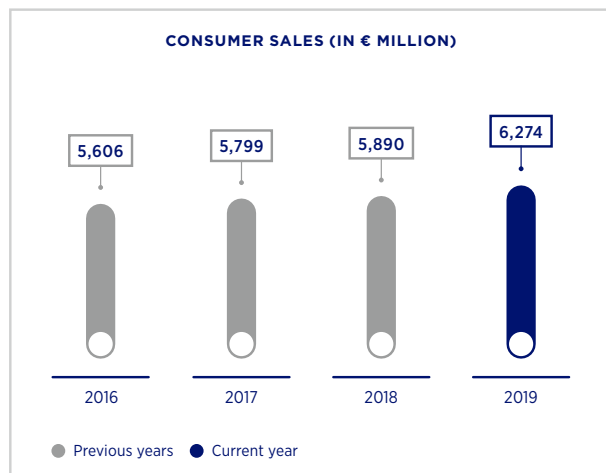
While the situation improved considerably in most emerging markets, the sales development in the European markets showed a mixed picture. In non-European markets we gained market share and, in some cases, double-digit sales growth rates. NIVEA and the Healthcare business unit, which includes the HANSAPLAST and ELASTOPLAST brands, once again achieved healthy growth rates overall. The Derma business unit, which includes the EUCERIN and AQUAPHOR brands, and LA PRAIRIE, which continues to go from strength to strength, both contributed to the excellent performance of the business segment with growth rates that were well above average in some cases.

EBIT excluding special factors stood at €883 million (previous year: €903 million). The EBIT margin excluding special factors fell to 14.1% (previous year: 15.3%) as a result of the investment initiative announced in the previous year as part of the C.A.R.E.+ strategy. The acquisition of the COPPERTONE brand, the integration of COPPERTONE's business into the Beiersdorf Group, and the reorganization of the Chinese business in connection with the sale of the SLEK brand resulted in non-recurring expenses of €44 million. The operating result for the Consumer Business Segment including special factors therefore stood at €839 million (previous year: €887 million), while the EBIT margin was 13.4% (previous year: 15.1%).

NIVEA grew organically by 3.0% globally in 2019. The key growth drivers were NIVEA Deo, NIVEA Body, and NIVEA Face. The NIVEA Deep range for men, introduced in the previous year and expanded during 2019, was a significant growth driver for NIVEA Deo, as were successful product innovations in the NIVEA Dry and NIVEA Black & White ranges. Alongside its strong core business, NIVEA

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Results of Operations



Body continued to build on the success of the NIVEA Body Pleasure range. In the NIVEA Face category, successful face care innovations such as NIVEA Cellular Elasticity, and the expansion of the NIVEA MicellAIR® Skin Expert face cleansing range launched in 2018, made significant growth contributions.

Overall, NIVEA slightly improved its strong position despite various challenges in the markets. In the NIVEA Body category, we extended our market share particularly in Asia and Latin America. In the NIVEA Deo category, market share gains were achieved in Germany, Thailand, and South Africa. NIVEA Face showed a strong performance in Germany, Italy, and Brazil. At country level, NIVEA achieved especially positive growth in market share in Germany, Thailand, Brazil, and South Africa. A decline in market share was seen particularly in the United Kingdom, China, and Russia.

The **Derma** business unit increased sales by 7.5%. Business developed very positively especially in the United States, Germany, Asia, and South America. A positive growth contribution came, in particular, from the EUCERIN Face category, driven by the launch of EUCERIN Anti-Pigment, and from the AQUAPHOR brand.

Sales in **Healthcare** were up 3.1% on the previous year's level. Business developed very positively especially in Germany and Australia. The core business wound care and the pain relief segment made a particular growth contribution. In both segments, innovations were a major factor behind this growth.

In the selective cosmetics segment, our **LA PRAIRIE** brand again achieved strong organic sales growth of 20.0% after an outstanding performance in the previous year. The Asian travel retail business (airports and duty-free shops in downtown locations) along with China and Australia delivered a significant contribution to growth, while sales in Hong Kong fell due to sustained political protests. Sales in Europe (without travel retail business) fell short of the previous year's level. This was a short-term effect due to a more selective distribution strategy. As in the previous year, the Skin Caviar Collection (particularly Skin Caviar Liquid Lift) and Platinum Rare Collection achieved especially strong

growth with their core ranges. The newly introduced Platinum Rare Cellular Life Lotion and Skin Caviar Premier Eyelift were among the sales drivers.

In the **Europe** region, sales were up 2.3% year-on-year in organic terms. In nominal terms, sales rose by 2.9% to €3,027 million (previous year: €2,941 million).

In **Western Europe**, sales climbed by 2.2% compared to the previous year. Healthy growth rates were achieved especially in Germany. Sales in France, the United Kingdom, and Spain, meanwhile, fell short of the previous year. NIVEA Face Care and the wound care and pain relief categories of the Healthcare business unit performed especially positively. The Derma business unit also showed encouraging growth. Sales growth was significantly influenced by the very good performance of the LA PRAIRIE brand's travel retail business as well.

Sales in **Eastern Europe** were up 3.0% on the previous year. This was mainly driven by double-digit growth in Ukraine and Kazakhstan as well as by the positive performance in Poland and Russia. NIVEA Deo, NIVEA Face, NIVEA Shower, and NIVEA Sun performed especially well. EUCERIN also saw strong growth in the region.

Organic sales in the **Americas** region rose by 5.3%. At €1,145 million, nominal sales were up by 8.9% on the previous year's figure (€1,051 million).

Sales in **North America** climbed by 3.8% year-on-year. NIVEA Body and LA PRAIRIE were especially successful. AQUAPHOR recorded double-digit growth. The sun care brand COPPERTONE, acquired at the end of August 2019, is not included in the organic growth rate. For seasonal reasons, it saw only a low sales volume.

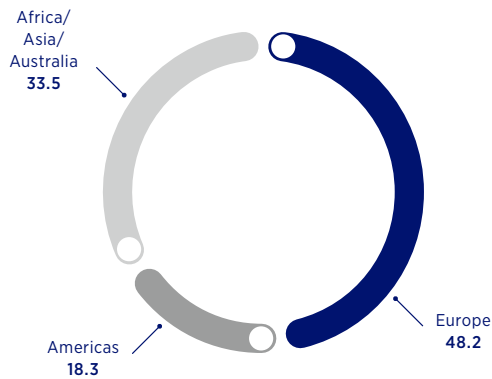
Combined Management Report
Results of Operations

In **Latin America**, there was a positive sales trend with growth of 6.4%. In a difficult market environment, sales in Argentina fell substantially short of the prior-year figure. This was also partly due to negative exchange rate effects. Brazil, Mexico, and Central America posted very strong, double-digit growth rates. NIVEA Deo, NIVEA Body, NIVEA Universal Creams, and NIVEA Face Cleansing all performed especially well. EUCERIN also achieved strong sales growth.

The **Africa/Asia/Australia** region achieved an organic sales increase of 8.4%. In nominal terms, sales rose by 10.8% to €2,102 million (previous year:

€1,898 million). This was based on double-digit growth in India, Turkey, Malaysia, Vietnam, the Philippines, and parts of Africa, as well as very good growth in Thailand, Japan, and Australia. In China, sales were below the previous year. This was mainly due to developments in the hair care category with the sale of its SLEK brand in the second half of the year. NIVEA Deo, NIVEA Body, NIVEA Universal Creams, NIVEA Face Cleansing, and NIVEA Shower performed especially well. EUCERIN and LA PRAIRIE posted double-digit growth rates. This was despite the ongoing conflicts in Hong Kong, which had a major negative impact especially on the luxury cosmetics business.

CONSUMER SALES BY REGION (IN %)



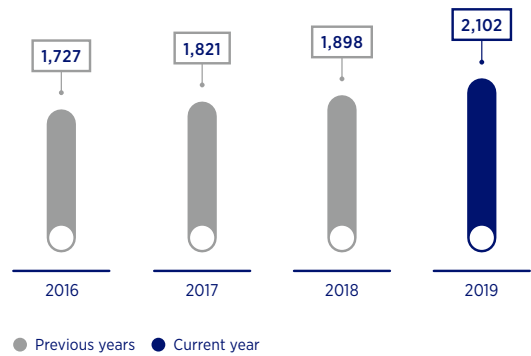
CONSUMER SALES IN EUROPE (IN € MILLION)



CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



Combined Management Report
Results of Operations

tesa

SALES – TESA BUSINESS SEGMENT (IN € MILLION)

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2019	Change (in %)	
			nominal	organic
Europe	732	729	-0.3	-0.4
Americas	216	228	5.2	-2.1
Africa/Asia/Australia	395	422	6.8	4.7
Total	1,343	1,379	2.7	0.8

In 2019, **tesa** achieved a gain in organic sales of 0.8% in a difficult market environment. Sales by companies acquired in 2018 (+0.8 percentage points) and exchange rate effects (+1.1 percentage points) added 1.9 percentage points. In nominal terms, sales therefore rose by 2.7%, from €1,343 million in the previous year to €1,379 million.

In **Europe**, organic sales fell by 0.4%. Business in the Trade Markets division showed a positive trend, while sales fell in the Direct Industries division due to weakness in the automotive market. In nominal terms, tesa generated European sales of €729 million (previous year: €732 million). The region's share of Group sales declined to 52.9% (previous year: 54.5%).

In the **Americas**, tesa's organic sales fell by 2.1%. The Trade Markets division recorded slight growth in sales. Declining sales in the automotive market meant that Direct Industries performed considerably weaker in 2019 than in the previous years. Sales in the region rose by 5.2% in nominal terms to €228 million (previous year: €216 million). The region's share of Group sales increased to 16.5% (previous year: 16.1%).

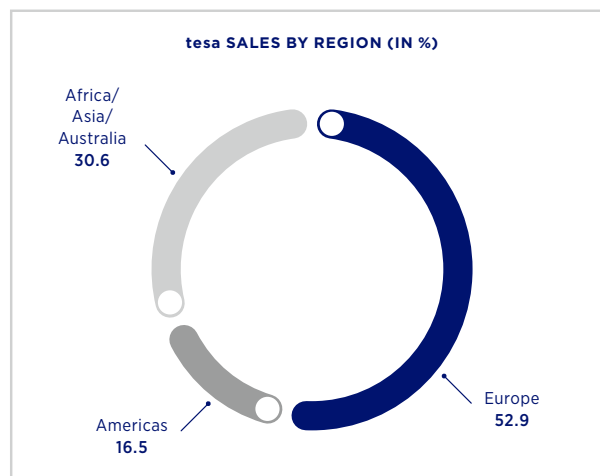
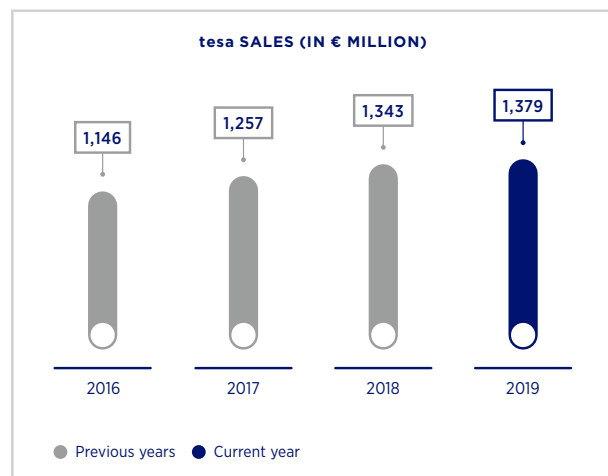
In **Asia**, tesa achieved organic sales growth of 4.7%, buoyed up by the project business with products for the electronics industry. The weakness of the automotive sector in 2019 was evident in this region, too. In nominal terms, sales in the region were up 6.8%, from €395 million in the previous year to €422 million. The region's share of Group sales increased to 30.6% (previous year: 29.4%).

EBIT excluding special factors increased to €212 million (previous year: €210 million). The EBIT margin excluding special factors was 15.3% (previous year: 15.7%). The special factors in the tesa business segment in the amount of €19 million mainly include expenses for the announced cost-saving program. This was a necessary step given the persistent deterioration in market conditions in important core markets for tesa. The operating result including special factors therefore stood at €193 million (previous year: €210 million), while the EBIT margin was 13.9% (previous year: 15.7%).

Direct Industries

Sales in tesa's **Direct Industries** division fell by 0.3% in organic terms. Sales stagnated in Europe, while a drop in sales was recorded in the Americas. tesa achieved growth in Asia, including through increased sales in project business with the electronics industry. In nominal terms, sales rose by 2.5% to €818 million (previous year: €798 million). The share of Direct Industries in total sales was 59.3% (previous year: 59.5%).

In consumer electronics, tesa recorded a sharp increase in sales and expanded its position as a leading provider of innovative products and solutions for the manufacture of smartphones, tablets, and notebooks. Particular growth impetus came from the electrically conductive adhesive tapes ranges. Thanks to its industry prominence, tesa was able to open up new applications with these tapes, which saw a good take-up from customers.



The automotive sector experienced a global sales and production crisis in 2019. tesa Automotive was unable to escape this but performed well overall relative to the market. This was partly thanks to the current industry trends of e-mobility, digitalization, and the automation of production lines. The product portfolio in these areas is being continuously expanded.

In the printing and paper business, tesa further expanded its activities in flexographic printing. It achieved further considerable growth in the printing of packaging and labels. This was thanks not least to the self-adhesive sleeves business of the Twinlock® brand, which tesa acquired from the Dutch firm Polymount in 2018. Important momentum also came from the enhanced Easy Splice Film range for film printing applications.

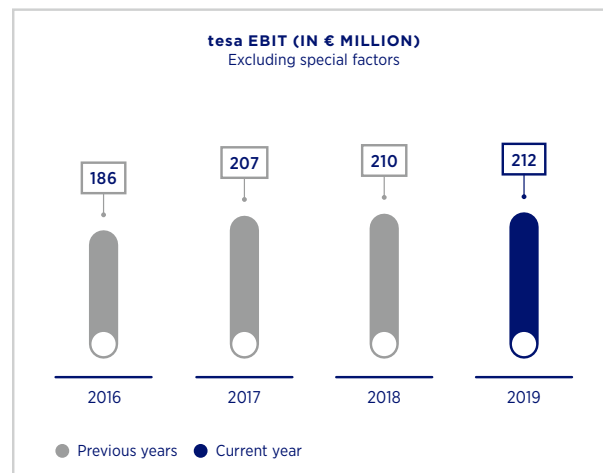
The portfolio of development projects in the pharmaceuticals business was also further expanded, fostering product innovations as part of the approval process. tesa won contracts for process development in the field of generics. This created a good basis for further product launches.

With tesa scribos®, tesa enables international brand manufacturers to digitalize their products. Customized product markings and software solutions connect products to the digital world. tesa scribos® has developed a novel product marking with a hidden winning code. Among the software solutions, the focus is currently on the quantity control platform tesa® 360 Ordering and the data analysis module tesa® 360 Data Analytics.

The building industry business area also had a positive year in 2019. This was thanks especially to products based on ACX^{plus} technology, which is used in the manufacture of windows and doors and in interior construction. In Europe, tesa implemented further projects involving structural adhesives for facade components. The market gave a very positive reception to the new adhesive tapes that can be cleanly removed after use. Sealing solutions for the construction and building supplies industry were another focus.

Trade Markets

The **Trade Markets** division performed positively with organic sales growth of 2.5%. In nominal terms, sales improved by 3.0% to €555 million (previous year: €539 million). The division thus accounted for 40.3% (previous year: 40.1%) of the tesa Business Segment's total sales in the reporting year.



tesa improved and expanded its range for the industrial distribution business. This was partly down to the development of new product categories such as silicone tapes used mainly for masking and design applications in the automotive and household appliance industries. tesa also introduced a new temperature-resistant masking tape to the market, renewing a series of traditional products in the tesa range.

In General Industries, sales of high-quality, double-sided, specialist adhesive tapes for household devices continued to develop very positively. New products used in air filters made an important contribution.

In the Consumer & Craftsmen segment, which concentrates on products for consumers and professional tradespeople in Europe and Latin America, tesa achieved further growth. The digital sales channels in particular outperformed the market.

The positive development was attributable not least to the very successful Europe-wide introduction of a new range of bathroom accessories under the tesa® brand. These can be quickly and easily mounted thanks to the innovative *nie wieder bohren* technology. Sales of the innovative adhesive nail and the entire “clever fastening system” were again increased by the new brand campaign “Everyone deserves to feel at home”.

Net Assets

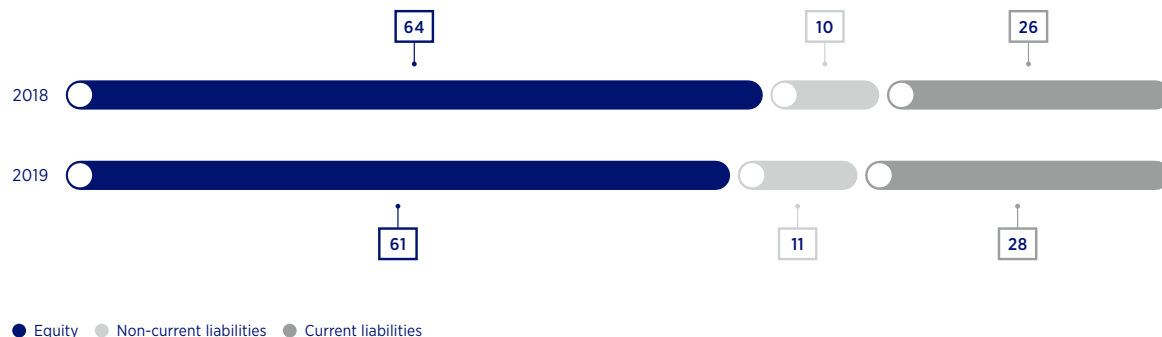
NET ASSETS - GROUP (IN € MILLION)

Assets	Dec. 31, 2018	Dec. 31, 2019
Non-current assets	4,301	5,318
Inventories	986	1,016
Other current assets	2,665	2,589
Cash and cash equivalents	919	1,142
	8,871	10,065
Equity and liabilities	Dec. 31, 2018	Dec. 31, 2019
Equity	5,647	6,093
Non-current provisions	801	987
Non-current liabilities	73	148
Current provisions	426	491
Current liabilities	1,924	2,346
	8,871	10,065

Non-current assets increased by €1,017 million to €5,318 million (previous year: €4,301 million). Long-term securities increased by €182 million to €2,795 million (previous year: €2,613 million). Capital expenditure on property, plant, and equipment, and investment in intangible assets amounted to €765 million (previous year: €463 million; without tesa acquisitions: €358 million). Of this amount, €700 million (previous year: €320 million) related to the Consumer Business Segment and €65 million (previous year: €143 million) to the tesa Business Segment. A major part of the Consumer-Investment is attributable to the COPPERTONE acquisition (€445 million). Other capital expenditure are primarily related to the plants of the two business segments, Consumer and tesa, as well as the construction of the new Group headquarters. Recognition of right-of-use assets from leases as a result of the first-time application of IFRS 16

increased property, plant, and equipment by €177 million. Depreciation on right-of-use assets at the Group amounted to €62 million. Other depreciation, amortization, and impairment losses stood at €177 million (previous year: €165 million). Inventories increased by €30 million to €1,016 million (previous year: €986 million), partly due to the COPPERTONE acquisition. The high level of investment resulted in a decline in other current assets to €2,589 million (previous year: €2,665 million). This item includes short-term securities of €770 million (previous year: €889 million). The decline in this position was largely due to individual maturities and investment in longer-term securities. Trade receivables rose by €48 million to €1,442 million (previous year: €1,394 million). Income tax receivables amounted to €140 million (previous year: €108 million), while other current assets fell by €3 million to €155 million.

FINANCING STRUCTURE (IN %)



Cash and cash equivalents increased to €1,142 million (previous year: €919 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks and lease liabilities) was reduced, among other things, by the acquisition of COPPERTONE and the first-time consideration of lease liabilities by €152 million to €4,250 million (previous year: €4,402 million). Current liabilities to banks rose by €263 million to €281 million (previous year: €18 million). In view of the persistent low interest rates in the euro area, short-term borrowing is increasingly used to support the management of financial assets and bank balances.

Total non-current provisions and liabilities stood at €1,135 million (previous year: €874 million). This item includes provisions for pensions and other

post-employment benefits, which increased to €878 million (previous year: €677 million), mainly due to a reduction in the interest rate. There was a related reduction in deferred tax liabilities to €27 million (previous year: €64 million). The recognition of lease liabilities in accordance with IFRS 16 increased non-current liabilities by €117 million. Total current provisions and liabilities rose by €487 million to €2,837 million (previous year: €2,350 million) as a result of an increase in trade payables due to operational factors, an increase in current bank liabilities, as well as the first application of IFRS 16 (€60 million). The equity ratio was 61% (previous year: 64%). Non-current liabilities accounted for 11% (previous year: 10%) and current liabilities for 28% (previous year: 26%).

Financial Position

CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2018	2019
Gross cash flow	933	842
Change in net current assets	-65	140
Net cash flow from operating activities	868	982
Net cash flow from investing activities	-635	-750
Free cash flow	233	232
Net cash flow from financing activities	-210	-21
Other changes	-5	12
Net change in cash and cash equivalents	18	223
Cash and cash equivalents as of Jan. 1	901	919
Cash and cash equivalents as of Dec. 31	919	1,142

Gross cash flow amounted to €842 million in the period under review, down €91 million on the prior-year value.

The change in net current assets led to an inflow of €140 million (previous year: outflow of €65 million). The increase of €188 million in trade payables and current provisions were partly offset by a €30 million rise in inventories and an €18 million rise in receivables and other assets.

The net cash outflow from investing activities amounted to €750 million in the year under review (previous year: €635 million). Interest and other financial income received of €40 million and proceeds of €13 million from the sale of intangible assets and property, plant, and equipment were offset by net investments of €31 million in the purchase of securities as well as capital expenditure of €320 million for property, plant, and equipment, and intangible assets and payments of €445 million for the COPPERTONE acquisition, as well as capital expenditure for the acquisition of previous years from the tesa business segment in the amount of €7 million.

Free cash flow was €232 million, down by €1 million on the prior-year value (€233 million). The net cash outflow of €21 million from financing activities

(previous year: €210 million) mainly comprised the Beiersdorf AG dividend payment of €159 million as well as interest and other financial income received in the amount of €138 million.

The initial application of IFRS 16 led to a €64 million decrease in gross cash flow and a negative cash flow from financing activities of €64 million.

Cash and cash equivalents amounted to €1,142 million (previous year: €919 million).

Financing and liquidity provision

Hedging currency, interest rate, and default risks, and investing liquid assets are at the heart of financial management at Beiersdorf. Providing liquidity for the Group is also a paramount objective. The type and volume of transactions are in line with the 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.

Combined Management Report
Overall Assessment of the Group's Economic Position

Overall Assessment of the Group's Economic Position

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

		Result in 2018	Forecast for 2019 in 2018 Annual Report	Forecast for 2019 in H1 2019 Report	Forecast for 2019 in 9M 2019 Quarterly Statement	Result in 2019
Sales growth (organic)						
Consumer	(in %)	5.0	3 – 5	3 – 5	4 – 5	4.8
tesa	(in %)	6.8	3 – 4	3 – 4	1 – 2	0.8
Group	(in %)	5.4	3 – 5	3 – 5	3 – 5	4.1
EBIT margin (excluding special factors)						
Consumer	(in %)	15.3	14.0 – 14.5	14.0 – 14.5	14.0 – 14.5	(14.3)* 14.1
tesa	(in %)	15.7	slightly below prior year	slightly below prior year	slightly below prior year	15.3
Group	(in %)	15.4	around 14.5	around 14.5	around 14.5	(14.5)* 14.3

*The EBIT margin shown in brackets do not include any special factors or effects from the acquired COPPERTONE business.

Beiersdorf once again successfully achieved the targets it set itself in 2019, despite differences in the performance of the two business segments. The **Group** generated sales of €7,653 million (previous year: €7,233 million). Organic growth stood at 4.1% (previous year: 5.4%). EBIT excluding special factors reached €1,095 million (previous year: €1,113 million). The EBIT margin excluding special factors was 14.3% (previous year: 15.4%). Excluding effects from the integration of the COPPERTONE business, the EBIT margin was 14.5%.

The **Consumer** Business Segment can look back on a successful 2019. A major focus was on implementing the new C.A.R.E.+ strategy as well as giving the existing business a greater concentration on face care, further leveraging the potential of the brands EUCERIN, HANSAPLAST and LA PRAIRIE, and tapping into new markets and business fields. Despite challenges, LA PRAIRIE continued the previous year's strong growth. NIVEA and EUCERIN also achieved good to very good growth rates in the reporting year. In addition, the acquisition of the COPPERTONE business and brand strengthened the leading position in the sun care market.

With sales growth of 4.8%, Consumer was at the upper end of the forecast for fiscal year 2019. This growth came from both the saturated markets and emerging markets, and from all regions. Due to the investments in implementing the new strategy, the operating result (EBIT, excluding special factors) and EBIT margin were down on the previous year, but within the forecast. The Consumer EBIT margin excluding special factors was 14.1% (previous year: 15.3%). Excluding effects from the integration of the COPPERTONE business, the Consumer EBIT margin was 14.3%.

The **tesa** Business Segment generated organic sales growth of 0.8% in a difficult market environment. The Trade Markets division, which includes the retail consumer business, contributed strongly to the business segment's positive performance. Sales in the Direct Industries division remained stable overall. The electronics business showed a clear positive performance in 2019. However, the automotive business experienced a setback in sales in an uncertain market environment. As forecast, the operating result (EBIT, excluding special factors) and EBIT margin were slightly down on the previous year.

Beiersdorf AG

Business Activities

Beiersdorf AG is based in Hamburg (Germany) and is the parent company of the Beiersdorf Group. As of December 31, 2019, Beiersdorf AG employed 2,289 people (previous year: 2,260). The number of vocational trainees and trainees not included in this figure was 130 (previous year: 136).

Beiersdorf AG is responsible for the German Consumer business and provides typical holding company services to its affiliates. In addition to its own operating activities, Beiersdorf AG manages an extensive investment portfolio and is the direct or indirect parent company of over 170 subsidiaries worldwide. The company also performs central planning/financial control, supply chain, treasury, and human resources functions, as well as a large proportion of research and development activities for the Consumer business.

Beiersdorf AG's operating business is one part of the Beiersdorf Group's business activities. The entire company is managed on the basis of the key performance

indicators outlined in the "Management and Control" section of the Combined Management Report. It is only possible to gain a full insight into the key performance indicators at the level of the Group.

The net assets, financial position, and results of operations of Beiersdorf AG are dominated by its own business activities and by the activities of its affiliates in the form of royalty income and dividend income. Consequently, the economic position of Beiersdorf AG essentially corresponds to that of the Group as a whole. Similarly, the opportunities and risks as well as the outlook for Beiersdorf AG correlate closely with those for the Group.

Basis of Preparation of the Financial Statements

The annual financial statements of Beiersdorf AG are prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the *Aktiengesetz* (German Stock Corporation Act, *AktG*). The recommendations of the German Corporate Governance Code that are relevant to the annual financial statements were taken into account.

Result of Operations – Beiersdorf AG

INCOME STATEMENT – BEIERSDORF AG IN ACCORDANCE WITH *HGB* (IN € MILLION)

	2018	2019
Sales	1,262	1,336
Other operating income	38	40
Cost of materials	-290	-296
Personnel expenses	-276	-307
Depreciation and amortization of property, plant, and equipment, and intangible assets	-11	-21
Other operating expenses	-575	-669
Operating result	148	83
Net income from investments	230	180
Net interest expense	-22	-31
Other financial result	-41	-2
Financial result	167	147
Profit before tax	315	230
Income taxes	-51	-41
Profit after tax	264	189
Transfer to other retained earnings	-88	-13
Net retained profits	176	176

Beiersdorf AG's **sales** rose by €74 million to €1,336 million in the reporting year (previous year: €1,262 million). Product sales of NIVEA Face Care, HANSAPLAST, and EUCERIN were particularly encouraging. Sales of €1,022 million (previous year: €966 million) were generated in Germany and €314 million (previous year: €296 million) in other countries.

The **operating result** declined by €65 million to €83 million due to increased personnel expenses, higher depreciation and amortization, and increased marketing expenses.

At €147 million, the **financial result** declined by €20 million compared with the previous year. With other financial result improving by €39 million, the decline was mainly due to a €50 million decrease in income from investments and a €9 million decrease in net interest expense.

At €230 million, **profit before tax** was down €85 million on the prior-year figure.

Profit after tax was €189 million (previous year: €264 million), a decline of €75 million on the previous year.

Net Assets and Financial Position – Beiersdorf AG

BALANCE SHEET – BEIERSDORF AG IN ACCORDANCE WITH HGB (IN € MILLION)

Assets	Dec. 31, 2018	Dec. 31, 2019
Intangible assets	1	200
Property, plant, and equipment	138	139
Financial assets	4,069	4,638
Fixed assets	4,208	4,977
Inventories	2	3
Receivables and other assets	772	783
Securities	1,116	650
Cash and cash equivalents	73	115
Current assets	1,963	1,551
Prepaid expenses	4	4
Deferred tax assets	43	64
	6,218	6,596
Equity and liabilities	Dec. 31, 2018	Dec. 31, 2019
Equity	2,735	2,765
Provisions for pensions and other post-employment benefits	522	573
Other provisions	283	232
Provisions	805	805
Liabilities	2,678	3,026
	6,218	6,596

Fixed assets saw a substantial year-on-year rise of €769 million. This increase is largely attributable to the acquisition of long-term government and corporate bonds as well as the COPPERTONE trademark rights and patents. Investments of €13 million in property, plant, and equipment were accompanied by depreciation of €11 million.

Current assets declined by €412 million over the fiscal year to €1,551 million. This item includes short-term securities of €650 million (previous year: €1,116 million). The decline in this position is largely attributable to increased investment of funds in long-term securities. Receivables and other assets largely comprise financial receivables from affiliated companies.

Liabilities increased by €348 million year-on-year to €3,026 million. This is chiefly due to new current liabilities to banks to optimize asset and liquidity management during the persistently low interest rate situation.

€2,765 million (previous year: €2,735 million), or 42% (previous year: 44%), of the total balance sheet assets of €6,596 million (previous year: €6,218 million) is financed by **equity**.

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).

Risk Report

Risks and Opportunities

In the course of its business activities, the Beiersdorf Group is exposed to a multitude of risks. These result, among other things, from its activities that seek to develop and make use of opportunities to improve the company's competitiveness. Risks and opportunities encompass events and developments with a certain probability of occurrence that may have material negative or positive financial and non-financial effects on the achievement of the Beiersdorf Group's objectives. Beiersdorf uses an integrated risk and opportunity management system in order to identify and evaluate material risks at an early stage and to consistently limit them using counteractive measures.

Integrated Risk and Opportunity Management System

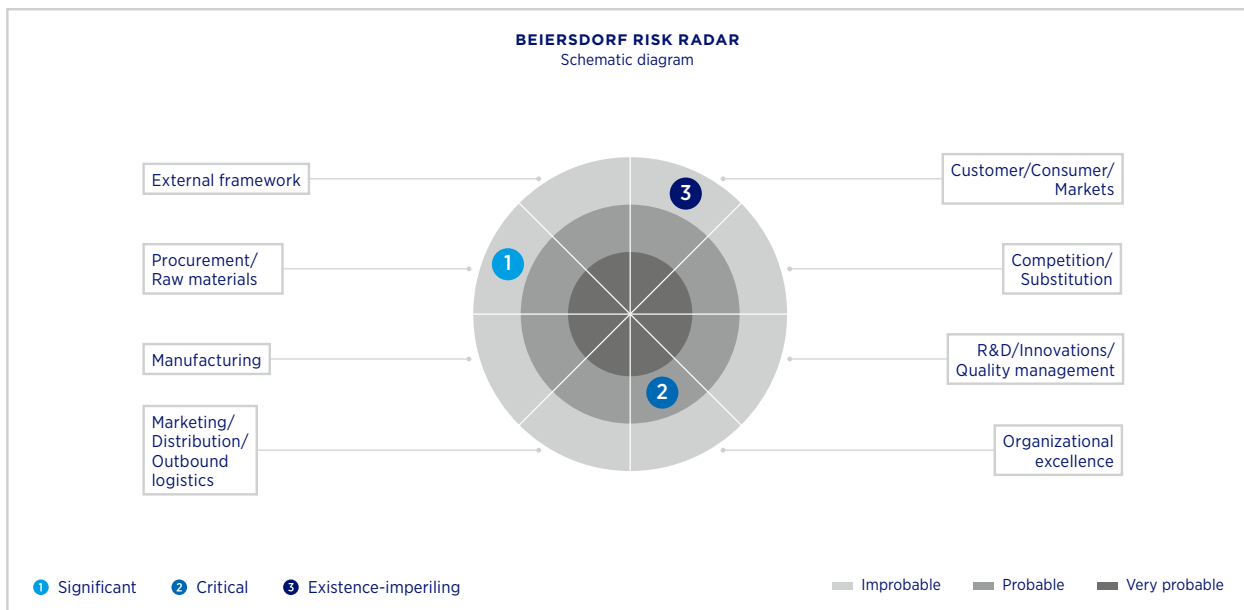
The risk and opportunity management system at Beiersdorf is an integral part of the central and local planning, management, and control processes in the individual companies, management units, and regions, at Consumer and tesa Business Segment levels, and at Group level. Risk and opportunity management is complemented by the accounting-related internal control systems, the various internal and external monitoring bodies – supported by Internal Audit – and external auditors. Compliance management, which is also relevant in this context, is described extensively in the separate Group Sustainability Report.

Risk and opportunity management is closely aligned with corporate strategy and helps Beiersdorf identify and make optimal use of its potential. Regularly analyzing customers and the competition, for example, enables a swift response to dynamic market developments. Specific market opportunities and risks are derived from the information obtained.

Beiersdorf incurs risks only if there is a corresponding opportunity for an appropriate increase in value, and only if they can be managed using established methods and measures within the relevant organization. In cases where the full avoidance of risks is not possible or reasonable, risks are mitigated using appropriate measures, or are transferred to third parties such as insurance companies.

Within the risk management process, periodic inventories are carried out to identify, evaluate, document, and subsequently communicate the material risks in a structured way along with the measures to manage these risks. The corresponding principles, reporting and feedback processes, as well as responsibilities are laid out in a directive that applies across the Group and is regularly updated. Risk management is coordinated at Group headquarters.

Beiersdorf distinguishes between strategic, functional, and operational risks. Strategic risks encompass fundamental frameworks, developments, and events that could have a substantial impact on the Group or its business segments. Functional risks are challenges inherent to the business model. The various specialist functions generally work at the global or regional level to counter these risks in a sustainable manner, with action relating to the design of operational and organizational structures as well as with specific individual measures. Operational risks and opportunities are those that may influence short-term sales and profits.



BEIERSDORF RISK CLASSIFICATION

	Probability of occurrence	Possible financial effects
Strategic risks	Improbable	Significant
	Probable	Critical
	Very probable	Existence-imperiling
Functional & operational risks	≤ 10%	Clustered based on sales and earnings impact
	> 10% – ≤ 50%	
	> 50% – ≤ 90%	
	> 90%	

Appropriate observation periods are assigned to these risk categories. A period of around five years generally applies for strategic risks. For functional risks, the period is around two years as a rule, and for short-term operational risks around one year.

In the Group's internal risk reporting, individual risks are uniformly presented by positioning them on a risk radar. The various fields of the radar reflect, in summarized form, the relevant areas for the company both inside and outside the Group that may give rise to risks. The graph below (Beiersdorf Risk Radar) shows the structure of the risk radar for strategic risks.

For each category, the risks are also classified based on their probability and the potential financial impact of their occurrence. Except in the case of strategic risks, the risks examined are net risks, i.e. the probability of occurrence and the impacts are calculated after implementation of risk management measures.

The Executive and Supervisory Boards are regularly updated on the risk situation at Consumer and tesa Business Segment levels and at Group level. Direct lines of communication ensure that sudden, unforeseen material risks are reported immediately to top management. The latest information on risk development is fed into the management and planning systems of the corporate units throughout the year and becomes part of the decision-making and control processes. By directly integrating the risk inventory and planning process, the risk management system is continuously developed further and risk awareness is embedded throughout the company.

Description of the Material Risks and Opportunities

Strategic and functional risks

Maintaining and increasing the value of our major consumer brands with their broad appeal is of utmost importance to Beiersdorf's business development. The trust of our customers and, in particular, of the consumers of our products, is essential for this. We have designed our risk management system to fully justify this trust and to provide enduring, successful protection to the value of our brands. Among other things, our extensive operational and communication measures in relation to sustainability, diversity, and other aspects of CSR enable us to categorize risks to the reputation of our brands as improbable.

Our compliance with high standards regarding the quality, safety, and environmental sustainability of our products and packaging is the basis for our consumers' continued trust in our brands. Our products are subject to the strict criteria of our quality management system throughout the entire procurement, production, and distribution process. When creating new products, we perform in-depth safety assessments, which also take consumer feedback into account. As a result, we regard risks due to quality problems as unlikely to materialize and to involve, at most, limited, isolated cases.

With the aid of the "Consumer Insights" process, we promptly identify constantly changing consumer wishes and reflect them in our product development. Alongside other sustainability criteria, we particularly follow the debates on avoiding certain packaging and raw materials. We have responded to the current discussion on the use of plastics in products and packaging with a new

plastic cycle strategy. Direct communication with consumers via digital social media is becoming an ever more important aspect of this. As a result, we have also comprehensively reviewed and re-oriented our use of media and marketing, for example. We regard the risks from changes in consumer behavior as critical and probable. In relation to the above-mentioned environmental and sustainability aspects, they can even be regarded as very probable.

Strong brands that balance innovation and continuity and have a clear benefit for consumers are our response to the ever-intensifying global competition on price, cost, quality, and innovation. As well as intensively seeking potential cost reductions throughout the value chain, we also continuously review the effectiveness of all marketing and sales activities, for instance in the performance-based management of our sales terms and promotions. In doing so, we are also responding to increasing retail concentration. By specifically promoting largely independent management of our smaller, sometimes region-specific brands such as HIDROFUGAL, 8x4, and SKIN STORIES, we are responding to the continuing growth in significance of rival brands at local and regional level, whose emergence we regard overall as critical and very probable.

Expertise-based brands that constantly provide consumers with relevant new products require a high degree of up-front investment in innovation and marketing. The continuous expansion of our trademark and patent portfolio is therefore of utmost importance. We protect our intellectual property proactively and comprehensively. By closely aligning the Group functions involved in this with the operational business, we identify commercial opportunities from our research and development activities at an early stage and safeguard them long-term using industrial property rights. Of course, we also acknowledge and respect existing third-party rights when developing our new products. In general, we regard the risk of third-party attacks on our trademarks or product names and the use of certain ingredients as critical and probable. At the same time, we are convinced that this will not significantly hinder us from continuing to successfully introduce relevant innovations into the market.

Our management focus on the sustainable success of our market activities ensures that we invest in promising markets in terms of brands, products, and regions. In addition to the acquisition of the COPPERTONE brand, which was successfully completed in the reporting year, activities range from the screening of new business fields and selective participation in start-ups (including “accelerator programs”) to the establishment of new affiliates, such as Pakistan and Myanmar, or partnerships in countries not previously covered. At the same time, we ensure that we are generating the funds needed for these activities in the long term. Without this management, we would regard the risk of investing also in less promising markets as critical and probable.

We counter procurement risks relating to delivery reliability and price for raw materials, commodities, and services by continuously monitoring our markets and suppliers and using appropriate contract management. Strategic partnerships are an important element of actively managing our supplier portfolio. Here, we take into account the growing global political and economic uncertainties

by developing new business models that ensure lasting access to our procurement markets. We are focusing particularly on special local and regional supply chains. At the same time, we ensure that the overall structure of our global production and logistics provides both sufficient flexibility in terms of capacity and the necessary infrastructure as well as corresponding availability of qualified staff and further training opportunities. In general, we regard the strategic and functional risks in this context as of average significance but rather improbable.

We have continued to work intensively on our project to increase the security, availability, reliability, and efficiency of our IT systems against internal and external attacks, as well as on measures relating to the Group-wide business continuity management system to secure operations at all times. The project is due to run for several years. We therefore now categorize risks to Beiersdorf in connection with the setup and functionality of our IT as significant rather than critical, but still regard them as rather probable.

The completed installation of a Europe-wide data protection system is helping us ever more each day to ensure safe handling of our company’s sensitive data as well as that of our business partners and consumers, such as when developing and using our social media presence or creating new software solutions. At the same time, it allows us to successfully implement the increased information and documentation requirements. We are currently examining the requirements and opportunities for rolling this system out to other regions.

Alongside this, we counter our internal compliance risk and the further growing external compliance risks by providing clear rules of conduct and transparent management structures, accompanied by comprehensive training and monitoring activities, such as for protecting the confidentiality of internal data. Finally, occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by frequently updated process control checks and location-specific audits. We generally regard risks in these areas as less significant and relatively improbable.

Partnerships and other contacts with universities enable us to build early links to qualified potential 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. Risks in the context of our global recruitment activities remain an insignificant issue for us.

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 a global directive. They are managed and hedged centrally to a very large extent, taking into account the specific requirements for the organizational separation of the trading, settlement, and controlling functions.

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 covered bonds). The investment strategy is regularly agreed with our internal supervisory body and with the Supervisory Board. Thus, we consider market risks from the investment of our free liquidity to be insignificant and relatively improbable.

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. Specific, additional 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."

Short-term operational risks and opportunities

Operational risks and opportunities are continuously monitored as part of the financial planning, forecasting, and reporting process at the local, regional, and central level. This ensures that all sales and earnings effects regarded as relatively likely are directly and appropriately incorporated into our financial reporting, taking into account the measures implemented and planned (e.g. recognition of provisions).

This applies in particular to the risks associated with Brexit. Coordinated by a multifunctional task force, we are working on all the relevant processes and have prepared for a variety of scenarios via mitigating activities. The effects of Brexit – even an unregulated Brexit – on the business of our company in the United Kingdom, for example through higher customs duties or changes in exchange rates, are not considered to be critical for the Group as a whole.

A monthly review of key financial figures for the Group companies is conducted, led by the Group Controlling function together with Risk Management and Internal Audit. This is designed to enable potential critical developments to be addressed swiftly and precisely with those involved and corrective action to be initiated where appropriate.

The net operational risks currently remaining arise from legal and tax proceedings and from tax audits. These risks are prudently quantified by both internal and external experts to the extent possible, and the necessary provisions are provided for in the financial accounts. Assessing the course and outcome of legal disputes is associated with considerable uncertainty. Based on the information currently available, it is highly unlikely that these disputes will result in significant charges for the Group.

Further information and details on the extent of the risks described here can be found in Note 28 of the notes to the consolidated financial statements, "Contingent Liabilities, Other Financial Obligations, and Legal Risks."

Summary of the Risk Situation

Compared with the previous year, there has been no significant structural change in our assessment of the likelihood of occurrence and/or potential financial impact of the above risks and opportunities. Overall, even considering the updated estimations, there is no fundamental change to the risk situation. Based on the current assessment, the Beiersdorf Group is therefore not exposed to any risks that could endanger its continued existence.

Accounting-Related Internal Control System

The aim of the accounting-related internal control system is to implement appropriate principles, procedures, and controls to ensure the correctness and reliability of accounting and financial reporting in the financial statements and management report of the Beiersdorf Group and Beiersdorf AG in line with the legal regulations and relevant accounting standards.

The scope and orientation of the internal control system have been shaped by the Executive Board based on the Group-specific requirements. The accounting-related internal control system consists of the following components: control environment, risk assessment process, control activities, information, communication, and monitoring.

An analysis was used to identify the items and positions containing the material risks for the financial statements. The underlying processes were then assigned to these. Preventive, monitoring, and detective measures designed to ensure security and control in accounting, information processing, and the operational functions have been defined Group-wide for these processes. 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. These measures were updated during the reporting year.

Shared service centers provide uniform handling of the core accounting processes at Beiersdorf AG and most of its affiliates. In some cases, they achieve this with the help of fully automated processes. Standardized IT systems are used to support financial reporting for the companies included in the consolidated financial statements and consolidation. Procedural instructions, standardized reporting formats, and IT-based reporting and consolidation processes support financial reporting.

The consolidated financial statements are based on accounting directives specified by Beiersdorf AG. These guidelines are updated on an ongoing basis through continuous analysis of the relevance and impact of changes in the regulatory environment.

The accounting process and compliance with the control requirements and accounting directives by the companies included in the consolidated financial statements are regularly reviewed.

It remains the case that even putting in place appropriate, effective systems does not guarantee the correct, complete, and timely recording of information in the accounts with absolute certainty. It is impossible to entirely rule out personal judgments, erroneous controls, criminal acts, or other circumstances. Should these occur, they could limit the effectiveness and reliability of the internal control system.

Independent Monitoring

The supervisory bodies and the Internal Audit department are integrated into the Beiersdorf Group's internal control system with audit activities that are independent of the Group's operations. Internal Audit systematically evaluates the integrity of financial accounting, the effectiveness of the accounting-related internal control system and of the risk and opportunity management system, and compliance. As a process-independent organizational unit, it uses a risk-based approach to reviewing the business processes, the systems and controls that have been put in place, and the financial accounting of transactions. The audit findings are used for ongoing enhancement of the company's management and of preventive and detective controls. In accordance with § 317 (4) HGB, the Group auditor also evaluates the effectiveness of the risk early warning and monitoring system. Internal Audit and the Group auditor regularly report the audit results to the supervisory bodies.

The Audit Committee of Beiersdorf AG monitors, in particular, the accounting process and the effectiveness of the internal control system, the risk management system, and the internal audit system.

Report on Expected Developments

Expected Macroeconomic Developments

For 2020, we expect **global economic growth** to be slightly down on the prior-year level, with the uncertainty of the ongoing trade conflicts acting as a major brake. Geopolitical unrest, EU-skeptical movements in European countries, and uncertainty about the long-term consequences of Brexit, as well as the future economic policy of the United States will also have a continuing negative impact on the development of the global economy.

In **Europe**, we expect growth to fall slightly short of the prior-year level. Low interest rates, a slightly expansionary fiscal policy, and stable domestic demand thanks to a robust labor market will continue to prop up growth. However, there is a danger that domestic demand will also weaken, causing the downturn in industry to spread to the service sector. The long-term impact of Brexit, trade conflicts, Italian budgetary policy, and a possible change in course by the European Central Bank are a continuing source of uncertainty.

In **Germany**, we expect growth to slightly exceed the prior-year level. Investment, increased government expenditure, and stable consumer spending are likely once again to be the main factors supporting the economy. Uncertainty surrounds export performance given the trade disputes and unknown consequences of Brexit.

For the **US economy**, we expect the growth rate to fall short of that seen in the previous year. Rising uncertainty due to the trade dispute with China will hold investment growth back, and a slowdown also threatens the service sector. Consumer spending and the Fed's rate cuts appear to be holding this downward trend at bay. The potential impact of economic policy is difficult to predict.

In **Japan**, we anticipate a substantial fall in growth. Output may be bolstered by a new fiscal package and the stimulus provided by the Summer Olympics, but slowdowns in investment and consumer spending, primarily as a result of the VAT rise in fall 2019, will have a substantial negative impact.

In the **emerging markets**, we expect growth overall to be in line with the previous year. For the **Chinese economy**, we expect growth to be slightly below the prior-year level, underpinned again by an expansionary fiscal policy. The ongoing trade dispute with the United States, the risk of a depreciating renminbi, and the continued high level of indebtedness in state-owned enterprises continue to cause uncertainty. Furthermore, the impact of the corona virus epidemic cannot yet be estimated. In **India**, we expect noticeably higher growth again after a weaker year in 2019. In the **Middle East**, we expect trade barriers and other protectionist measures to continue to slow economic growth in the region. For the **Southeast Asian** emerging markets, we expect growth to be slightly down on the previous year's level due to lower growth in production

and persistently low export demand. In **Brazil**, we anticipate that the economy will continue the recovery expected for 2019 with a noticeable surge in growth. There is uncertainty about the effectiveness of the new government's economic stimulus measures. In **Russia**, we expect a slight rise in economic growth after a weak performance in the previous year.

Procurement Market Trends

The commodity markets are likely to pick up again in 2020. This is due to very volatile oil prices, partly as a result of the output reduction decided by the Organization of the Petroleum Exporting Countries (OPEC), and a host of political uncertainties such as the unrest in the Middle East and the current trade disputes between the United States and China as well as the United States and the European Union, as well as Brexit.

Prices for natural preliminary raw materials will be pushed above their current low level and will rise moderately. An increase in demand for more sustainable materials will also lead to generally tighter commodity markets and potentially higher costs. Certain materials will only be available at a premium. Prices of commodities and packaging materials are increasingly decoupling from base materials.

Beiersdorf will continue to work intensively on programs to achieve lasting reductions in procurement costs. This includes continuously optimizing the overall cost structure of our products. On the whole, however, we expect the cost of materials to rise slightly in 2020.

Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will remain at the prior-year level in 2020. We expect only modest growth in the major European and North American markets. The emerging markets will contribute positively to the overall performance.

For tesa, we continue to expect largely stable sales trends in Europe, though political developments represent an element of unpredictability. In North America, we again expect a more positive development from the automotive industry in 2020. After strong growth in 2019, we anticipate a continued positive trend in Latin America. In Asia, we anticipate moderate growth, which will be coupled very closely to the performance of the Chinese economy. The declining automotive market globally and the rather cautious expectations in the electronics industry are resulting in slightly muted growth expectations.

Our Market Opportunities

Market performance will remain mixed in 2020 and competition will continue to increase in some markets. By implementing our C.A.R.E.+ strategy systematically, we want to meet the challenges ahead of us to unlock Beiersdorf's potential and to be able to further deliver sustainable growth. We see strong opportunities both in systematically expanding our presence in the emerging markets and in consolidating our position in European markets.

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.

For tesa, the electronics industry business in Asia remains attractive; however, its project-based nature continues to entail a high risk of volatility. Growth expectations for the coming year are slightly above the market trend. This applies to business with both consumers and industrial customers. tesa expects to bolster its market position with continued investment in research and development, and therefore in innovative products.

Business Developments

Our assessment of business developments in the coming year is based on the above assumptions in conjunction with our specifically defined measures. Any potential impact from the corona virus epidemic in China on our business is not quantifiable yet, thus not reflected in this business outlook.

In the Consumer Business Segment, Beiersdorf expects sales growth to outperform the market at 3 – 5% in fiscal year 2020. The EBIT margin from ongoing operations (excluding special factors) is expected to be in the range of 14.0 – 14.5%.

In the tesa Business Segment, we are predicting slightly positive sales growth in 2020. The EBIT margin from ongoing operations (excluding special factors) is expected to remain at the prior year's level.

Based on the forecasts of the two business segments, Group sales growth is expected to be around 3 – 5%. We expect the consolidated EBIT margin from ongoing operations (excluding special factors) to remain at the prior year's level.

Hamburg, February 11, 2020
Beiersdorf AG

The Executive Board

Remuneration Report and Other Disclosures

Remuneration Report

The remuneration report explains the structure and amount of the remuneration paid to the members of the Executive Board and the Supervisory Board. It takes into account the legal requirements and the recommendations of the German Corporate Governance Code in the version dated February 7, 2017 (the Code) applicable to fiscal year 2019. It is a component of the annual and consolidated financial statements as well as the combined management report for Beiersdorf AG and the Group.

1. Remuneration of the Executive Board

The Supervisory Board addressed the structure and appropriateness of Executive Board remuneration, as well as individual remuneration questions, on February 1, February 21, February 26, April 17, June 27, September 3, and December 3, 2019. On January 31, 2020, the Supervisory Board determined the remuneration of the Executive Board for fiscal year 2019. Remuneration decisions were prepared by the Presiding Committee.

Overview

The remuneration system for the Executive Board takes into account the tasks and performance of the individual members of the Executive Board and the Executive Board as a whole, the company's economic and financial situation, its performance and outlook, as well as its relevant peer group under stock corporation law and the Code. The remuneration structure is geared toward sustainable enterprise development.

The remuneration of the Executive Board in 2019 continued to comprise essentially four components:

- a fixed basic remuneration component,
- a short-term Variable Bonus with annual targets,
- a long-term bonus based on enterprise value performance (Enterprise Value Component/LTP), as well as
- customary ancillary benefits.

The predominant multi-year element of variable remuneration and its largely forward-looking basis of calculation consists of the Enterprise Value Component (see section c) below).

Remuneration of the Executive Board in 2019 in More Detail

a) Fixed Remuneration

The fixed annual remuneration is paid in 12 equal installments. It is generally reviewed for appropriateness from time to time.

b) Variable Bonus

The members of the Executive Board receive a Variable Bonus that is based on the performance of the Consumer Business Segment. This is paid in full after the Annual General Meeting of the year following that in which it is granted. As specified by the Supervisory Board and depending on the level of goal achievement in each case, 20% of the Variable Bonus for fiscal year 2019 is determined by sales growth (sales component), 30% by market share (market share component), 30% by the achievement of strategic business goals (strategic component), and 20% by the achievement of personal goals by Executive Board members (personal component). The size of the sales component is calculated based on sales growth in the Consumer Business Segment. The Supervisory Board adjusts the calculation for influences resulting from currency effects and M&A. The market share component is determined by the increase in market share in the skin care categories in the countries with the highest sales. The strategic component is based on certain initiatives for personalized skin care, digitalization, and sustainability, with each of these areas contributing 10%. The personal component consists partly of a common HR goal relating to succession planning and diversity, which contributes 10%. The remaining 10% attributable to the personal component is determined by personal goals for each Executive Board member based on their functional and/or regional responsibilities. Following due assessment of the circumstances, the Supervisory Board lays down percentages for target achievement for each of the components, with intermediate figures being interpolated on a straight-line basis. The individual components lapse if goal achievement is less than 70%. No further increases are made for any of the components if the goals are exceeded by more than 200% (cap). The Supervisory Board may increase or decrease the Variable Bonus by up to 20% in order to take extraordinary developments into account. Bonus entitlements can also be transferred to the long-term Enterprise Value Component.

c) Enterprise Value Component

Executive Board members share in the increase in enterprise value for the Consumer Business Segment in the form of a multi-year bonus. This is based on a mathematical formula drawn from the annual financial statements at the beginning and end of their term of office. Each Executive Board member is allocated a notional share of the enterprise value (Enterprise Value Component or Base Virtual Units) at the start of their period of appointment or reappointment. The Executive Board member will be paid their share of the percentage increase in the Enterprise Value Component during their term of office once their period of appointment or reappointment has ended and following, where applicable, an additional vesting period ("bonus period"), if the Annual General Meeting approves the Executive Board member's actions.

The increase in enterprise value corresponds to the percentage share of the Executive Board member's (notionally allocated) Enterprise Value Component

that will be paid to them. For the Executive Board members appointed before 2017, the enterprise value is calculated as a multiple of sales and EBIT as reported in the consolidated financial statements. The increase in value is the increase in enterprise value from the beginning to the end of the bonus period. In each case, this is calculated as an average over three years. For Executive Board members appointed from 2017 onwards, enterprise value is calculated solely from the increase in sales from the beginning to the end of the bonus period, unless EBIT deviates by more than 10% from plan.

Example: If the enterprise value from sales and EBIT increases by 32% (= 8 x 4% p.a.) over an eight-year term of office (= 3 years following initial appointment + 5 years following reappointment) and the notional share of the enterprise value is €10,000 thousand, the formula results in a bonus of €3,200 thousand.

As with the Variable Bonus, sales are adjusted for special factors. EBIT is adjusted for, among other things, any deviations from the plan for marketing expenses compared with the start of the bonus period. In individual cases, the Supervisory Board is also entitled to make adjustments following due assessment of the circumstances, for instance by adjusting for special factors and inflation or by increasing or decreasing the Enterprise Value Component for objective reasons by up to 20%.

In addition, the Executive Board members can share in the enterprise's performance by making a personal investment and acquiring Covered Virtual Units. This personal investment is made by retaining bonus payments due under the Variable Bonus, by the Executive Board member providing collateral (e.g. by pledging a suitable asset), or by way of allocation. The Covered Virtual Units participate in positive and negative percentage changes in the value of the Enterprise Value Component. They vest immediately. If they are retained or allocated, they are paid out in full or in part, or not paid out, after being adjusted on the basis of the enterprise value performance. For Covered Virtual Units, the Executive Board member may receive a further Enterprise Value Component in the same amount (Matching Virtual Units), corresponding to the Base Virtual Units.

As a rule, the Enterprise Value Component is limited to a maximum amount for each member of the Executive Board (200% cap, corresponding to around 10% p.a.). This does not apply to Covered Virtual Units, since the Executive Board member is also exposed to a risk of loss in this case. If an Executive Board member is active for a period shorter than his/her period of appointment, the

Supervisory Board should reduce his/her Enterprise Value Component pro rata. The Enterprise Value Component is forfeited in the event that an Executive Board member's contract is terminated prematurely at the request of the Executive Board member or by the company for good cause.

d) Other

The remuneration of the Executive Board does not involve any stock option program or comparable securities-based incentives. Equally, the members of the Executive Board do not receive any additional remuneration for their membership of supervisory bodies of Group companies and investees. Private use of company cars and accident insurance are taxed as non-cash benefits. There are no pension commitments for Executive Board activities.

In the event that an Executive Board member's term of office is terminated prematurely for reasons for which the Executive Board member concerned is not responsible, the contracts of service limit the severance payment to two annual salary payments (severance pay cap). In the event of premature termination of the Executive Board member's term of office other than for good cause for which the Executive Board member is responsible, the Variable Bonus (depending on entitlement) and Enterprise Value Component are awarded on a pro rata basis. No commitments exist in relation to the premature termination of membership of the Executive Board, especially as a result of a change of control. Members of the Executive Board did not receive any loans or advances from the company, nor were any contingent liabilities entered into in their favor.

Stefan F. Heidenreich, who resigned from the Executive Board by mutual agreement as of December 31, 2018, received fixed remuneration of €1,250 thousand (previous year: €1,250 thousand) for 2019 up to the end of his contract of service on December 31, 2019, and a Variable Bonus for 2019 of €1,250 thousand (previous year: €1,188 thousand). His long-term bonus based on enterprise value performance (LTP) was transferred to a pension commitment in the form of a defined-contribution scheme with full reinsurance.

Ralph Gusko, who resigned from the Executive Board by mutual agreement as of December 31, 2019, will receive, as per his contract, fixed remuneration of €500 thousand per year and a Variable Bonus of €400 thousand per year until the end of his contract of service on June 30, 2022. He will receive his long-term bonus (LTP) for the eight-and-a-half-year period until the end of his service in 2019. The provisions for his LTP did not increase in 2019; the amount awarded is covered by the provisions already recognized.

Combined Management Report
Remuneration Report

e) Overviews of Individual Executive Board Remuneration

TOTAL REMUNERATION OF THE EXECUTIVE BOARD FOR ACTIVITIES IN FISCAL YEAR 2019 (IN € THOUSAND)

	Fixed basic remuneration		Variable Bonus		Other remuneration ¹		Sum		Change in provisions for Enterprise Value Component		Total ²	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Stefan De Loecker	500	1,000	1,385 ³	1,390	371	9	2,256	2,399	1,327	2,394	3,583 ⁴	4,793
Ralph Gusko (until December 31, 2019)	500	500	360	400	118	254	978	1,154	-826 ⁵	-	152	1,154
Thomas Ingelfinger	450	450	315	462	8	36	773	948	432	275	1,205	1,223
Zhengrong Liu	500	500	285	417	40	39	825	956	1,061	634	1,886	1,590
Ramon A. Mirt (from March 1, 2019)	-	417	-	348	-	1,113 ⁶	-	1,878	-	581	-	2,459 ⁷
Asim Naseer (from January 1, 2019)	-	500	-	402	-	377	-	1,279	-	529	-	1,808
Dessi Temperley	240	480	158	417	182	15	580	912	182	442	762	1,354
Vincent Warnery	500	500	375	450	33	14	908	964	1,232	1,873	2,140	2,837
Total⁸	4,180	4,347	4,201	4,286	773	1,857	9,154	10,490	2,093	6,728	11,247	17,218

The following table shows the Virtual Units allocated to the Executive Board members and the amounts set aside in the years since they were granted in each case.

VIRTUAL UNITS AND PROVISIONS (IN € THOUSAND)

	2018				2019			
	Base Virtual Unit	Covered Virtual Unit	Matching Virtual Unit	Total amount set aside in 2018	Base Virtual Unit	Covered Virtual Unit ⁹	Matching Virtual Unit	Total amount set aside in 2019
Stefan De Loecker	12,000	1,250	2,250	661 ¹⁰	40,000	-	-	3,055
Ralph Gusko (until December 31, 2019)	10,000	1,900	1,900	4,784 ¹¹	10,000	1,900	1,900	4,500
Thomas Ingelfinger	5,500	1,270	1,270	2,205	5,500	1,330	1,330	2,480
Zhengrong Liu	10,000	1,950	1,500	3,205	10,000	2,075	1,500	3,839
Ramon A. Mirt (from March 1, 2019)	-	-	-	-	12,000	-	-	581
Asim Naseer (from January 1, 2019) ¹²	-	-	-	-	6,000	1,590	-	529
Dessi Temperley	6,000	438	438	182	6,000	513	513	624
Vincent Warnery	10,000	1,144	2,144	2,559 ¹³	10,000	1,219	2,219	4,432 ¹³
Total¹⁴	68,500	18,546	50,096	35,381	99,500	8,627	7,462	20,040

¹ Other remuneration includes the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits, such as the provision of a company car and insurance in line with standard market terms, including any taxes assumed on these items, and relocation expenses, if any.

² Payment of the amounts set aside for Enterprise Value Components included in the total remuneration is linked to a number of preconditions, and in particular to a corresponding sustainable increase in the company's enterprise value and to approval of the Executive Board member's actions (see section c) above). The amount set aside for Vincent Warnery already includes an increase in the Enterprise Value Component, which will be awarded to him from February 1, 2020 with effect as of contract commencement (see also footnote 13).

³ This figure includes an amount of €1,000 thousand (target amount) awarded to Stefan De Loecker as a multi-year bonus in 2018.

⁴ €1,383 thousand of this amount was granted to Stefan De Loecker as remuneration for his activities at Group companies up until June 30, 2018.

⁵ The total amounts set aside up to and including 2017 for the Enterprise Value Components awarded to Ralph Gusko were greater than the amount payable to him on his departure. The provisions were thus reversed accordingly in 2018.

⁶ This figure includes an amount of €417 thousand (target amount) awarded to Ramon A. Mirt as a multi-year bonus in 2019. Target achievement is calculated based on the average annual growth rate in accordance with corporate planning in his regions and also based on the increase in market share throughout his term of office as a member of the Executive Board.

⁷ €2,089 thousand of this amount was granted to Ramon A. Mirt as remuneration for his activities at Group companies.

⁸ The totals for the previous year additionally include the payments made to members who left the Executive Board in 2018. For Stefan F. Heidenreich – fixed basic remuneration: €1,250 thousand, Variable Bonus: €1,188 thousand, other remuneration: €12 thousand, total: €2,450 thousand, change in provisions for Enterprise Value Component: €-1,262 thousand, total: €1,188 thousand.

For Jesper Andersen – fixed basic remuneration: €240 thousand, Variable Bonus: €135 thousand, other remuneration: €9 thousand, total: €384 thousand, change in provisions for Enterprise Value Component: €-53 thousand, total: €331 thousand.

⁹ This figure includes both the Covered Virtual Units acquired by way of personal investment and the following Covered Virtual Units granted in 2019 by way of allocation: Thomas Ingelfinger €60 thousand; Asim Naseer €90 thousand; Zhengrong Liu €125 thousand; Dessi Temperley €75 thousand; Vincent Warnery €75 thousand.

¹⁰ Stefan De Loecker was paid a share of the Enterprise Value Component amounting to €2,986 thousand in 2018, as contractually agreed. This was taken into account in the total amount for which a provision was recognized in 2018.

¹¹ This figure includes the personal investments made in the form of retained bonus payments due under the Variable Bonus.

¹² The figures for the Virtual Units for Asim Naseer are based on the target amounts of the long-term Enterprise Value Components awarded to him. The notional share of the enterprise value was thus calculated mathematically.

¹³ This already includes an increase in the Covered Virtual Units to €2,000 thousand and an increase in the Matching Virtual Units to €4,000 thousand, which will be awarded to Vincent Warnery from February 1, 2020 with effect as of contract commencement.

¹⁴ The totals additionally include the payments made to members who left the Executive Board in 2018. For Stefan F. Heidenreich – Base Virtual Unit: €10,000 thousand, Covered Virtual Unit: €10,000 thousand, Matching Virtual Unit: €40,000 thousand, total amount set aside in 2018: €21,000 thousand. For Jesper Andersen – Base Virtual Unit: €5,000 thousand, Covered Virtual Unit: €594 thousand, Matching Virtual Unit: €594 thousand, total amount set aside in 2018: €785 thousand.

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The following tables show the benefits granted and allocations for each member of the Executive Board in fiscal year 2019 in accordance with the recommendations of section 4.2.5 (3) and (4) of the German Corporate Governance Code in the version dated February 7, 2017.

BENEFITS GRANTED AND ALLOCATIONS FOR EXECUTIVE BOARD MEMBERS (IN € THOUSAND)

Stefan De Loecker

Chairman of the Executive Board (since January 1, 2019)

Date joined: July 1, 2014

	Benefits granted				Allocation ¹⁵	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	500	1,000	1,000	1,000	500	1,000
Fringe benefits/ancillary benefits ¹⁶	371	9	9	9	371	9
Total	871	1,009	1,009	1,009	871	1,009
Variable Bonus	400	1,000	-	2,000	460	1,390
Multi-year variable remuneration						
Multi-year Bonus 2018 (term January 1, 2017 – December 31, 2018)	1,000	-	-	-	925	-
LTP – Base Virtual Unit ¹⁷	550	2,000	-	4,000	2,250	-
LTP – Covered Virtual Unit ^{17/18}	139	-	-	-	480	-
LTP – Matching Virtual Unit ¹⁷	39	-	-	-	256	-
Total fixed and variable remuneration	2,999	4,009	1,009	7,009	5,242	2,399
Service cost	-	-	-	-	-	-
Total remuneration¹⁹	2,999	4,009	1,009	7,009	5,242	2,399

Ralph Gusko

Member of the Executive Board (until December 31, 2019)

Date joined: July 1, 2011

	Benefits granted				Allocation ¹⁵	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits ¹⁶	118	254	254	254	118	254
Total	618	754	754	754	618	754
Variable Bonus	400	400	400	400	360	400
Multi-year variable remuneration						
LTP – Base Virtual Unit ¹⁷	500	-	-	-	-	1,600
LTP – Covered Virtual Unit ^{17/18}	245	-	-	-	284	550
LTP – Matching Virtual Unit ¹⁷	95	-	-	-	-	100
Total fixed and variable remuneration	1,858	1,154	1,154	1,154	1,262	3,404
Service cost	-	-	-	-	-	-
Total remuneration	1,858	1,154	1,154	1,154	1,262	3,404

¹⁵ The allocations include fixed basic remuneration and other remuneration as well as the Variable Bonus paid once actions have been approved by the following year's Annual General Meeting. Multi-year bonuses and LTP are reported as allocations in the fiscal year in which the relevant term or bonus period expires; actual payment takes place only once actions have been approved by the following year's Annual General Meeting.

¹⁶ The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).

¹⁷ The terms of the LTP are as follows: for Stefan De Loecker from 2014 and from 2019 to after the 2024 Annual General Meeting; for Ralph Gusko from 2011 to after the 2020 and 2022 Annual General Meeting (50% each of the total amount set aside for the Enterprise Value Component).

¹⁸ Covered Virtual Units are not capped because the Executive Board member is also exposed to a risk of loss. For presentation reasons, however, the minimum values are shown as €0 and the maximum values are capped at 200%.

¹⁹ Of these total amounts, the following amounts were awarded/paid to Stefan De Loecker as remuneration for his activities at Group companies up until June 30, 2018: €1,219 thousand (target amount), €746 thousand (min. p.a.), €1,625 thousand (max. p.a.), €2,335 (allocation).

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Remuneration Report

BENEFITS GRANTED AND ALLOCATIONS FOR EXECUTIVE BOARD MEMBERS (IN € THOUSAND, CONTINUED)

Thomas Ingelfinger

Member of the Executive Board

Date joined: July 1, 2014

	Benefits granted				Allocation ²⁰	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	450	450	450	450	450	450
Fringe benefits/ancillary benefits ²¹	8	36	36	36	8	36
Total	458	486	486	486	458	486
Variable Bonus	350	350	-	700	315	462
Multi-year variable remuneration						
LTP – Base Virtual Unit ²²	275	275	-	550	-	-
LTP – Covered Virtual Unit ^{22/23}	124	127	-	193	-	-
LTP – Matching Virtual Unit ²²	64	67	-	133	-	-
Total fixed and variable remuneration	1,271	1,305	486	2,062	773	948
Service cost	-	-	-	-	-	-
Total remuneration	1,271	1,305	486	2,062	773	948

Zhengrong Liu

Member of the Executive Board/Labor Relations Director

Date joined: July 1, 2014

	Benefits granted				Allocation ²⁰	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits ²¹	40	39	39	39	40	39
Total	540	539	539	539	540	539
Variable Bonus	300	300	-	600	285	417
Multi-year variable remuneration						
LTP – Base Virtual Unit ²²	500	500	-	1,000	-	-
LTP – Covered Virtual Unit ^{22/23}	223	229	-	333	-	-
LTP – Matching Virtual Unit ²²	75	75	-	150	-	-
Total fixed and variable remuneration	1,638	1,643	539	2,622	825	956
Service cost	-	-	-	-	-	-
Total remuneration	1,638	1,643	539	2,622	825	956

²⁰ See footnote 15 on the reporting of remuneration components as allocation.

²¹ The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).

²² The terms of the LTP are as follows: for Thomas Ingelfinger from 2014 to after the 2023 Annual General Meeting; for Zhengrong Liu from 2014 to after the 2024 Annual General Meeting.

²³ See footnote 18 on the reporting of the Covered Virtual Units.

Combined Management Report
Remuneration Report

BENEFITS GRANTED AND ALLOCATIONS FOR EXECUTIVE BOARD MEMBERS (IN € THOUSAND, CONTINUED)

Ramon A. Mirt

Member of the Executive Board

Date joined: March 1, 2019

	Benefits granted				Allocation ²⁴	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	-	417	417	417	-	417
Fringe benefits/ancillary benefits ²⁵	-	696	696	696	-	696
Total	-	1,113	1,113	1,113	-	1,113
Variable Bonus	-	250	-	500	-	348
Multi-year variable remuneration						
Multi-year Bonus 2019 (term January 1, 2019 – December 31, 2024)	-	417	-	833	-	-
LTP – Base Virtual Unit ²⁶	-	500	-	1,000	-	-
LTP – Covered Virtual Unit ^{26/27}	-	-	-	-	-	-
LTP – Matching Virtual Unit ²⁶	-	-	-	-	-	-
Total fixed and variable remuneration	-	2,280	1,113	3,446	-	1,461
Service cost	-	-	-	-	-	-
Total remuneration²⁸	-	2,280	1,113	3,446	-	1,461

Asim Naseer

Member of the Executive Board

Date joined: January 1, 2019

	Benefits granted				Allocation ²⁴	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	-	500	500	500	-	500
Fringe benefits/ancillary benefits ²⁵	-	377	377	377	-	377
Total	-	877	877	877	-	877
Variable Bonus	-	300	-	600	-	402
Multi-year variable remuneration						
LTP – Base Virtual Unit ²⁶	-	300	-	600	-	-
LTP – Covered Virtual Unit ^{26/27}	-	170	-	249	-	-
LTP – Matching Virtual Unit ²⁶	-	-	-	-	-	-
Total fixed and variable remuneration	-	1,647	877	2,326	-	1,279
Service cost	-	-	-	-	-	-
Total remuneration	-	1,647	877	2,326	-	1,279

²⁴ See footnote 15 on the reporting of remuneration components as allocation.

²⁵ The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).

²⁶ The terms of the LTP are as follows: for Ramon A. Mirt from 2018 to after the 2025 Annual General Meeting; for Asim Naseer from 2018 to after the 2023 Annual General Meeting.

²⁷ See footnote 18 on the reporting of the Covered Virtual Units.

²⁸ Of these total amounts, €1,910 thousand/target amount, €743 thousand/min. p.a. and €3,076 thousand/max. p.a. were granted and €1,091 thousand/allocation paid to Ramon A. Mirt as remuneration for his activities at Group companies.

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BENEFITS GRANTED AND ALLOCATIONS FOR EXECUTIVE BOARD MEMBERS (IN € THOUSAND, CONTINUED)

Dessi Temperley

Member of the Executive Board/CFO
Date joined: July 1, 2018

	Benefits granted				Allocation ²⁹	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	240	480	480	480	240	480
Fringe benefits/ancillary benefits ³⁰	182	15	15	15	182	15
Total	422	495	495	495	422	495
Variable Bonus	150	300	-	600	158	417
Multi-year variable remuneration						
LTP – Base Virtual Unit ³¹	150	300	-	600	-	-
LTP – Covered Virtual Unit ^{31/32}	49	101	-	126	-	-
LTP – Matching Virtual Unit ³¹	11	26	-	51	-	-
Total fixed and variable remuneration	782	1,222	495	1,872	580	912
Service cost	-	-	-	-	-	-
Total remuneration	782	1,222	495	1,872	580	912

Vincent Warnery

Member of the Executive Board
Date joined: February 15, 2017

	Benefits granted				Allocation ²⁹	
	2018 Target amount	2019 Target amount	2019 (min. p.a.)	2019 (max. p.a.)	2018	2019
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits ³⁰	33	14	14	14	33	14
Total	533	514	514	514	533	514
Variable Bonus	300	300	-	600	375	450
Multi-year variable remuneration						
LTP – Base Virtual Unit ³¹	500	500	-	1,000	-	-
LTP – Covered Virtual Unit ^{31/32}	132	136	-	197	-	-
LTP – Matching Virtual Unit ³¹	107	111	-	222	-	-
Total fixed and variable remuneration	1,572	1,561	514	2,533	908	964
Service cost	-	-	-	-	-	-
Total remuneration	1,572	1,561	514	2,533	908	964

²⁹ See footnote 15 on the reporting of remuneration components as allocation.

³⁰ The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).

³¹ The terms of the LTP are as follows: for Dessi Temperley from 2018 to after the 2022 Annual General Meeting; for Vincent Warnery from 2017 to after the 2023 Annual General Meeting.

³² See footnote 18 on the reporting of the Covered Virtual Units.

f) Former Members of the Executive Board and Their Surviving Dependents

Payments to former members of the Executive Board and their surviving dependents totaled €4,523 thousand (previous year: €3,769 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €58,588 thousand (previous year: €36,822 thousand).

Combined Management Report
Remuneration Report

2. Remuneration of the Supervisory Board

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

Based on a resolution by the Annual General Meeting on April 25, 2018, Supervisory Board remuneration was revised effective July 1, 2018, in § 15 of the Articles of Association, taking into account the recommendations of the German Corporate Governance Code. Among other changes, Supervisory Board members will no longer receive variable remuneration components in future. Their remuneration will consist solely of fixed remuneration components.

Remuneration for the period since July 1, 2018, is subject to the provisions of the Articles of Association in the version dated April 25, 2018. In addition to being reimbursed for cash expenses, Supervisory Board members receive fixed

remuneration of €85,000 and an attendance fee of €1,000 for Supervisory Board and committee meetings. The Chairman of the Supervisory Board receives two-and-a-half times the fixed remuneration and his deputy within the meaning of § 12 (1) sentence 1 of the Articles of Association receives one-and-a-half times the fixed remuneration.

Members of committees – with the exception of the Nomination Committee and the committee set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Codetermination Act, *MitbestG*) – receive additional compensation of €20,000 for each full fiscal year for their work on these committees. From July 1, 2018, this amount is doubled for members of the Audit Committee. The chairman of a Supervisory Board committee receives two-and-a-half times the standard remuneration for a Supervisory Board member. If a member of the Supervisory Board simultaneously holds several offices for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying office.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN FISCAL YEAR 2019 (IN €)¹

	Fixed		Attendance fees		Committee fees		Total	
	2018 ²	2019	2018	2019	2018	2019	2018	2019
Hong Chow	85,000	85,000	9,000	6,000	13,753	20,000	107,753	111,000
Frank Ganschow (until April 17, 2019)	85,000	24,918	5,500	4,000	-	-	90,500	28,918
Reiner Hansert	85,000	85,000	15,000	18,000	30,082	40,000	130,082	143,000
Martin Hansson (Deputy Chairman)	87,678	127,500	14,000	21,000	-	-	101,678	148,500
Michael Herz	85,000	85,000	8,500	11,000	20,000	20,000	113,500	116,000
Thorsten Irtz (until April 17, 2019)	127,500	37,377	8,000	2,000	-	-	135,500	39,377
Jan Koltze (since April 17, 2019)	-	60,315	-	5,000	-	-	-	65,315
Matthias Locher (until April 17, 2019)	85,000	24,918	5,500	4,000	-	-	90,500	28,918
Dr. Dr. Christine Martel	85,000	85,000	9,500	16,000	70,247	100,000	164,747	201,000
Tomas Nieber (until April 17, 2019)	85,000	24,918	10,000	2,000	30,082	11,726	125,082	38,644
Olaf Papier (since April 17, 2019)	-	60,315	-	8,000	-	14,192	-	82,507
Frédéric Pflanz (since April 25, 2018 and previously until April 25, 2019)	40,171	60,315	3,000	5,000	-	-	43,171	65,315
Prof. Dr. Reinhard Pöllath (Chairman)	212,500	212,500	15,500	21,000	-	-	228,000	233,500
Prof. Manuela Rousseau (Deputy Chairwoman since April 17, 2019)	85,000	115,158	9,000	9,000	13,753	5,863	107,753	130,021
Regina Schillings (since April 17, 2019)	-	60,315	-	9,000	-	28,384	-	97,699
Poul Weihrauch (until April 17, 2019)	85,000	24,918	1,000	1,000	-	-	86,000	25,918
Kirstin Weiland (since April 17, 2019)	-	60,315	-	7,000	-	14,192	-	81,507
Total	1,232,849	1,233,782	113,500	149,000	177,917	254,357	1,524,266	1,637,139

¹ Presented exclusive of value added tax.

² Until June 30, 2018, the Supervisory Board members received a variable, dividend-based remuneration component geared towards sustainable enterprise performance. For presentation purposes, this variable remuneration is included in the fixed remuneration for 2018.

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

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 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."

Disclosures Pursuant to Takeover Law

The disclosures required under § 315a (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*) and § 289a (1) *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.

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *AktG*, § 31 *Mitbestimmungsgesetz* (German Codetermination 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 members; 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 (1) 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 to increase the share capital with the approval of the Supervisory Board 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 in deviation from § 60 (2) *AktG*.

Shareholders must 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 may only exercise the above authorizations to disapply preemptive rights to the extent that the total proportionate interest in the share capital attributable to the shares issued while disapplying preemptive rights does not exceed 20% of the share capital at the time these authorizations become effective or at the time these authorizations are exercised. If 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 during the term of the authorized capital until such time as it is utilized, this must be counted towards the above-mentioned limit.

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

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 to sell in whole or in part the own shares purchased on the basis of the above-mentioned or a prior authorization with the approval of the Supervisory Board 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 to sell in whole or in part the own shares acquired in accordance with the above-mentioned or a previous authorization with the approval of the Supervisory Board 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 to retire the own shares acquired in accordance with the above-mentioned or a prior authorization with the approval of the Supervisory Board 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 opportunities quickly and flexibly. The authorization to purchase and utilize own shares enables the company in particular to also offer shares in 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 or partial 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.