

## **Report of the Executive Board on Item 6 of the Agenda (Resolution on the creation of Authorized Capital I)**

The authorization of the Executive Board to increase the share capital in accordance with § 5 (2) of the Articles of Association (Authorized Capital I) expires on March 30, 2020. In item 6 of the agenda, the Executive Board and the Supervisory Board therefore propose the creation of a new Authorized Capital I, which authorizes the issue of new shares against cash contributions and materially corresponds to the existing authorization.

Authorized Capital I is intended to enable the Company to react quickly and flexibly in changing markets in the interests of its shareholders. As decisions on how to meet its capital requirements generally need to be made at short notice, it is important that the Company is not dependent on the cycle imposed by Annual General Meetings or the long convening period for an Extraordinary General Meeting. Legislators have created the instrument of authorized capital to do justice to this situation. The main reasons for using authorized capital are to strengthen a company's equity base and to finance the acquisition of equity interests. Authorized capital is a proven instrument that is commonly used by companies.

In principle, we intend to grant our shareholders preemptive rights if Authorized Capital I is utilized. However, under the proposed renewal of the authorization, the Executive Board is to be authorized to disapply these preemptive rights in the cases below. These cases are listed individually in the proposed resolution under item 6 of the agenda and are described in further detail in the following.

The authorization to disapply preemptive rights for fractions serves to ensure a practicable subscription ratio with regard to the amount of the capital increase in each case. Not disapplying preemptive rights for fractions would make the technical implementation of a capital increase, and the exercising of preemptive rights, significantly more difficult, particularly in the case of a capital increase involving round numbers. The new shares for which shareholders' preemptive rights have been disapplied as unallotted fractions will be utilized at the best possible terms for the Company either through sale via the stock exchange or in another way. Since the disapplication of preemptive rights in this case is limited to fractions, any dilutive effect is low.

In addition, the intention is to continue to disapply shareholders' preemptive rights in favor of holders of convertible bonds and/or bonds with warrants. The background to this proposed authorization to disapply shareholders' preemptive rights is that, in line with market practice, conversion or option terms and conditions often contain provisions under which, in the event of a capital increase where all shareholders are granted preemptive rights to new shares, the conversion or option price must be reduced in accordance with an antidilution formula if the holders of the convertible bonds and/or bonds with warrants cannot be granted preemptive rights in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligations. The authorization gives the Executive Board the opportunity to choose between these two alternatives when utilizing authorized capital, after careful consideration of the interests. This helps to facilitate bond placement and thus serves the interests of the Company and its shareholders in having an optimal financing structure for the Company.

The Executive Board is of the opinion that, for the reasons mentioned, the disapplication of preemptive rights is in the Company's interest – including with respect to any potential dilutive effect.

In addition, the Executive Board may only exercise the authorizations granted under item 6 of the agenda 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 10% of the share capital at the time these authorizations become effective or at the time these authorizations are exercised. Furthermore, 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 Authorized Capital I until such time as it is utilized, this is counted towards the abovementioned 10% limit. This gives shareholders additional protection against a dilution of their existing shareholdings.

There are no plans at present to utilize Authorized Capital I. The Executive Board will carefully examine in each case whether exercising the authorization to issue new shares and, if appropriate, to disapply preemptive rights, is in the interests of the Company and its shareholders. It will report to the Annual General Meeting on each utilization of the authorization and on the specific reasons for any disapplication of preemptive rights.

Hamburg in February 2020

Beiersdorf Aktiengesellschaft

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