ANNUAL REPORT

2016

Beiersdorf

Beiersdorf 2016

KEY FIGURES – OVERVIEW

		2015	2016
Group sales	(in € million)	**6,686**	**6,752**
Change (organic)	(in %)	3.0	3.2
Change (nominal)	(in %)	6.4	1.0
Consumer sales	(in € million)	**5,546**	**5,606**
Change (organic)	(in %)	3.6	3.3
Change (nominal)	(in %)	6.5	1.1
tesa sales	(in € million)	**1,140**	**1,146**
Change (organic)	(in %)	0.4	2.6
Change (nominal)	(in %)	5.9	0.6
Operating result (EBIT, excluding special factors)	(in € million)	**962**	**1,015**
Operating result (EBIT)	(in € million)	962	1,015
Profit after tax	(in € million)	671	727
Return on sales after tax	(in %)	10.0	10.8
Earnings per share	(in €)	2.91	3.13
Total dividend	(in € million)	159	159
Dividend per share	(in €)	0.70	0.70
Gross cash flow	(in € million)	**770**	**859**
Capital expenditure	(in € million)	**249**	**162**
Research and development expenses	(in € million)	**183**	**188**
Employees	(as of Dec. 31)	**17,659**	**17,934**

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1.
TO OUR SHAREHOLDERS

Letter from the Chairman

Ladies and Gentlemen,

2016 was another successful year for Beiersdorf. We not only reached, but exceeded our ambitious targets for 2016. This made us one of the few companies in the industry to increase its earnings guidance in the course of the year. Given the major challenges in the majority of markets, and the impact of the many global economic and political events, this achievement could not be taken for granted. We can say without any doubt that the employees at Beiersdorf have done outstanding work.

Both our business segments – Consumer and tesa – contributed to Beiersdorf's success in 2016. With our strong brands, attractive product innovations, and a further increased presence in emerging markets, we have again gained market share and raised our sales in both business segments. We have further optimized processes and cost structures across the company with visible success. We have also considerably improved our working capital. As a result of all the individual measures, we have become even more competitive, efficient, and agile.

Markets in many countries were dominated by declining growth rates and considerably tougher industry competition in 2016. Challenging economic and political developments resulted in consumer uncertainty and lower consumer spending.

That these adverse conditions have not interrupted our profitable growth path of the last few years once again illustrates the strength of our brands and business strategy. We are systematically pursuing our strategic core objectives that we set out in our Blue Agenda: Strengthening our brands, increasing our innovation power and pace, expanding our presence in emerging markets, and the people at Beiersdorf continue to be the decisive factors for our success.

In the Consumer Business Segment, we have again successfully driven the growth of our three core brands NIVEA, Eucerin, and La Prairie. With the global launch of NIVEA Deo Protect & Care, we have also achieved another major innovation success and demonstrated that our products precisely meet the needs of our consumers. One crucial factor for our sustainable upward trend remains the continuous expansion of our presence in emerging markets, driven again in 2016 by our targeted investments and specially focused regional product development.

tesa continued its positive performance in 2016, despite a very difficult market environment in some areas. It is proof of tesa's extraordinary innovative strength, productivity, and flexibility that the business segment achieved this in spite of continued weak demand in one of its key business areas: the electronics industry in Asia. tesa's self-adhesive products and system solutions were successful both in the business with industrial customers – especially the automotive sector – and the consumer business.

The figures for 2016 confirm Beiersdorf's sustainable growth trend. Group sales climbed organically by 3.2%. Adjusted for currency effects, we recorded nominal growth of 1.0% to €6,752 million. The operating result (EBIT) increased by 5.5% to €1,015 million. The consolidated EBIT margin improved to 15.0%, up from last year's 14.4%. The Consumer Business Segment generated organic sales growth of 3.3%. In nominal terms, sales rose by 1.1% to €5,606 million. At tesa, organic sales grew by 2.6%, representing nominal growth of 0.6% to €1,146 million. The EBIT margin was 14.8% for the Consumer Business Segment and 16.2% for tesa.

There is no doubt that these positive figures are thanks to the high expertise and great commitment of our employees. Together with my Executive Board colleagues, I would therefore like to thank everyone at Beiersdorf for their great work.

Ladies and gentlemen, we look ahead to 2017 with optimism. We are well aware of the existing macroeconomic and political risks that could affect the performance of our business. We take these risks seriously and are responding accordingly. At the same time, we are confident of our strengths and resilience, and of the support of our consumers, shareholders, business partners, and friends.

Thank you for your trust in Beiersdorf.

STEFAN F. HEIDENREICH
Chairman of the Executive Board

Beiersdorf’s Shares and Investor Relations

The political events in the United Kingdom and the United States were the main stories on the stock markets in 2016, and took investors by surprise. Beiersdorf’s shares proved robust, particularly in the first half of the year. However, after a very strong previous year, they closed 2016 slightly lower as a result of shifts from defensive to cyclical stocks.

Early in the year, Germany’s benchmark index, the DAX, fell almost 20% in a nervous market environment, reaching its low for 2016 of 8,753 points. This sharp correction was triggered by weak economic data and stock market turbulence in China. At the same time, the oil price fell below the 30-dollar mark, intensifying deflationary concerns in the eurozone. The European Central Bank (ECB) reacted with a series of monetary policy measures. It cut the deposit rate for banks further into negative territory and, for the first time, announced a purchase program for corporate bonds. With this further loosening of monetary policy, yields on ten-year German government bonds dropped below zero for the first time in their history.

Contrary to predictions, the United Kingdom voted to leave the European Union in a referendum in June. The “Brexit” vote caused sterling to fall to a 30-year low against the US dollar. The DAX temporarily lost 1,000 points. Suspension of trading in British shares and considerable falls in financial stocks followed. However, the shock was short-lived. Driven by sound economic data from Europe, the United States, and China, the stock markets recovered close to their pre-referendum levels. There were a series of corporate takeovers in this period, including in the Household and Personal Care sector, to which Beiersdorf belongs. This trend was boosted by the fact that companies could obtain funding in euros at negative interest rates for the first time.

In November, the focus moved to the US presidential elections, in which Donald Trump emerged as the unexpected winner. The capital markets responded with high growth and inflation expectations. American stock indices reached new highs, and the DAX climbed well above 10,000 points. The oil price passed the 50-dollar mark after the Organization of the Petroleum Exporting Countries (OPEC) and other, non-OPEC countries agreed to reduce output. After a slump lasting several years, commodity prices recovered on the whole by the end of the year. In December, responding to the favorable economic climate, the US Federal Reserve increased its key interest rate for the second time in ten years. Meanwhile, the ECB prolonged its bond purchase program. This led the euro to hit its weakest level against the US dollar since 2003. By contrast, the DAX ended 2016 at a high for the year of 11,481 points.

As a defensive stock, Beiersdorf shares suffered less than the DAX during the market weakness early in the year, and therefore outperformed the German benchmark index over the first six months. In the third quarter, their price moved sideways, remaining stable in a recovering market. Despite the increase in the EBIT guidance after the third quarter, Beiersdorf shares were unable to escape the general shift to more cyclical stocks following the US presidential election. Performance at year-end was thus below the DAX. After a very strong previous year, Beiersdorf shares closed 2016 slightly down with a year-end price of €80.60. Five years after the launch of the Blue Agenda in 2012, Beiersdorf has nearly doubled the value of our shareholders’ investment, taking into account reinvested dividends.

Beiersdorf’s efficiency programs were the main topic in discussions between the Executive Board and investors. At the Financial Analyst Meeting in February, the Executive Board explained the company’s excellent position in what is currently a challenging skin care segment. Attendance at the Annual General Meeting, which was held in Hamburg in late March, was once again up on the previous year. Beiersdorf was one of the first DAX companies to adjust its reporting to the new exchange rules in 2016: At the end of the first and third quarters, Beiersdorf published a compact quarterly statement containing detailed sales figures and a full-year forecast of sales and the operating result. Feedback from the capital market was very positive. In the year under review, 27 financial analysts regularly published research notes on Beiersdorf, of which the vast majority made buy or hold recommendations.

For more information on Beiersdorf’s shares please visit
WWW.BEIERSDORF.COM/SHARES.

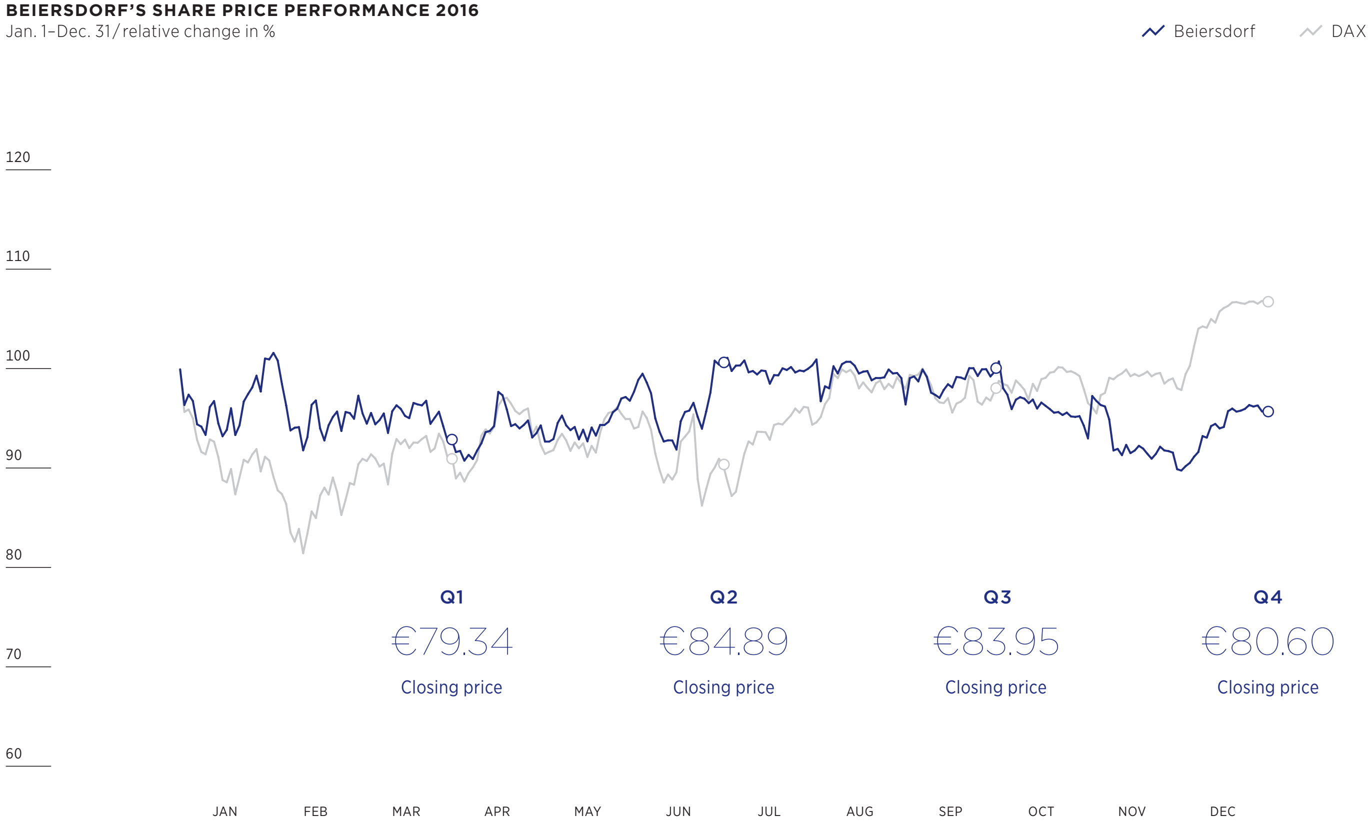
For more information on Investor Relations please visit
WWW.BEIERSDORF.COM/INVESTORS.

KEY FIGURES – SHARES

		2015	**2016**
Earnings per share as of Dec. 31	(in €)	2.91	3.13
Market capitalization as of Dec. 31	(in € million)	21,208	20,311
Closing price as of Dec. 31	(in €)	84.16	80.60
High for the year	(in €)	89.13	85.56
Low for the year	(in €)	66.01	75.55

BEIERSDORF’S SHARE PRICE PERFORMANCE 2016

Jan. 1–Dec. 31/relative change in %

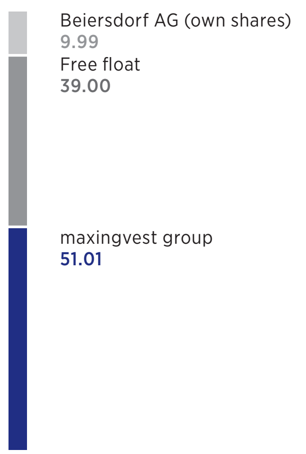


BASIC SHARE DATA

Company name	Beiersdorf Aktiengesellschaft
Admission year	1928
WKN	520000
ISIN	DE0005200000
Stock trading venues	**Official Market:** Frankfurt/Main and Hamburg **Open Market:** Berlin, Düsseldorf, Hanover, Munich, and Stuttgart
Number of shares	252,000,000
Share capital in €	252,000,000
Class	No-par value bearer shares
Market segment/index	Prime Standard/DAX
Stock exchange symbol	BEI
Reuters	BEIG.DE
Bloomberg	BEI GR

SHAREHOLDER STRUCTURE (IN %)

As of Dec. 31, 2016



Report by the Supervisory Board

Dear Shareholders,

In fiscal year 2016, the Supervisory Board performed its duties in accordance with the law, the Articles of Association, the Corporate Governance Code, and the bylaws. It supervised and advised the Executive Board, focusing particularly on the course of business and business strategy, corporate planning, accounting, the company's position and outlook, risk management, and the internal control system. The Executive Board reported regularly during and between the meetings, both in writing and orally, particularly on significant events and developments in the business and market.

There were no indications of any conflicts of interest relating to Executive Board or Supervisory Board members. Before taking over the management of a Beiersdorf customer, Isabelle Parize left the Supervisory Board as a precaution in January 2016. Beatrice Dreyfuß, who was elected to replace Ms. Parize, is to pass on her position to Hong Chow, if elected, at the 2017 Annual General Meeting upon her own re-election as an alternate member. The company informed the Supervisory Board about the new market abuse regulations during a special training. It provided regular information at or during meetings about other rules concerning corporate governance and conduct. All Supervisory Board members took part in more than half of the meetings of the full Board and committees (attendance rate over 90%). Some absent members participated in resolutions by providing a written vote.

The Executive Board and Supervisory Board (especially the Executive Board and Supervisory Board chairmen, and the CFO and the chairs of the Audit and Finance Committees) worked together on detailed preparation and follow-up of meetings of the full Board and committees. Discussions took place with and among Supervisory Board members prior to and after the meetings (particularly involving members of the relevant committees and employee representatives). A secure digital platform accessible only to members and selected employees is available for drafts, documents, and comments. The efficiency and performance of the Supervisory Board were the subject of a new efficiency audit, this time performed internally, and multiple meetings. The Supervisory Board also considered and discussed external views and developments concerning good corporate governance in Germany and other countries, critical appraisals of Supervisory Board activity, and the analysis of the most recent efficiency audit.

The Executive Board strategy is to achieve swift and lasting healthy growth by delivering tangible consumer benefit in the Consumer Business Segment and in the tesa Business Segment. Supporting and encouraging this strategy has been and remains a major focus of the Supervisory Board. The Supervisory Board also supports the Executive Board strategy in relation to the remuneration system and capital allocation, as well as with its willingness to invest with a focus on NIVEA (research, regionalization/localization, diversity, compliance, etc.) and willingness to strengthen and promote the other brands (plasters, pharmacy, new channels, etc.) as well.

Full Supervisory Board

The Supervisory Board met seven times, including one extraordinary meeting. The meetings regularly addressed the company's strategic orientation, business developments, the interim financial statements, compliance, and significant individual transactions. Proposals for decision were approved after careful examination and discussion. All members of the Executive Board generally took part in the Supervisory Board meetings. Part of each meeting took place in the presence of the Supervisory Board members alone. The meetings early in the year focused on the prior year's annual financial statements, and those at the end of the year on the planning for 2017. The meetings in the second and third quarters concentrated on HR development and the strategy.

On **January 29, 2016**, the Supervisory Board discussed the achievement of the targets set for the Executive Board for the 2015 fiscal year and determined the Executive Board members' total remuneration.

On **February 11, 2016**, the Supervisory Board addressed business developments and looked in detail at the corporate planning for 2016. It approved the annual and consolidated financial statements as well as the management reports for the company and the Group, including the remuneration report, and adopted the annual financial statements for the 2015 fiscal year. It also discussed the report on dealings among Group companies, the corporate governance statement, and the report on the disclosures required under takeover law. It approved the Supervisory Board's report to the Annual General Meeting and the corporate governance report for the 2015 fiscal year. The Supervisory Board discussed the schedule of responsibilities within the Executive Board and approved in principle the investment plans for a new Group headquarters. It endorsed the agenda and proposals for resolution for the Annual General Meeting. In addition, the Supervisory Board once again addressed the company-related and personal objectives of the Executive Board members for 2016.

On **March 10, 2016** (extraordinary meeting), following on from previous meetings, the Supervisory Board discussed Board matters. In light of the circumstances, it discussed the obligations, methods of work, and composition of the Supervisory Board and its committees, and prepared for the Annual General Meeting.

On **March 31, 2016**, the Supervisory Board prepared for the upcoming Annual General Meeting. The Executive Board provided information on business performance to date and an outlook for the year as a whole, and reported on the status of investment plans for the new Group headquarters.

At the meeting following the Annual General Meeting, the Supervisory Board elected Frédéric Pflanz as its Deputy Chairman and as a member of various committees. It also discussed the first results from the Supervisory Board efficiency audit.

On **September 7/8, 2016**, the Supervisory Board discussed the Executive Board's strategy for the Consumer Business Segment in depth. The meeting also covered the Group's interim report as of June 30, 2016, and business developments as of the end of August, and looked ahead to the full year 2016. The Supervisory Board addressed employee development, the latest global employee survey, diversity issues, and talent acquisition. It also discussed the changes and expansions being considered for the investment plans for the new Group headquarters as well as reports from the various committees. Following a duly performed invitation to tender, the Audit Committee recommended two auditors for the audit of the annual and consolidated financial statements for the 2017 fiscal year and issued a justified preference. The Supervisory Board agreed with the recommendations and preference of the Audit Committee. The Supervisory Board addressed adjustments to Executive Board remuneration and contracts of service as well as the findings of the efficiency audit.

On **December 8, 2016**, the Supervisory Board discussed business developments up to the end of November 2016 and adopted the corporate planning for the 2017 fiscal year subject to the growth initiatives proposed by the Executive Board. The Supervisory Board looked at the first practical experiences following the entry into force of the new capital market law requirements and examined planned changes to the Corporate Governance Code. It appointed Ralph Gusko and Thomas Ingelfinger as Executive Board members, each for a further five years. It discussed the achievement of the targets set for Executive Board members in fiscal year 2016 and set the targets for fiscal year 2017. Finally, the Supervisory Board resolved adjustments to Executive Board remuneration and contracts of service, and approved the declaration of compliance.

In **early 2017**, the Supervisory Board resolved the extent to which the Executive Board had achieved its targets in 2016 as well as its remuneration for that year. It also approved the annual financial statements and consolidated statements for 2016 along with the related reports, and approved the proposals for resolution for the Annual General Meeting.

Committees

The Supervisory Board has established five **committees** that can make decisions in place of the Supervisory Board in individual cases. The chairs of the committees provided the Supervisory Board with regular detailed reports on the committees' work. The **Mediation Committee** did not meet during the reporting period.

The **Presiding Committee** (four meetings) discussed business developments and strategy along with the remuneration of the Executive Board and Supervisory Board, and also prepared meetings of the full Supervisory Board. In three cases, following prior oral discussion and clarification, the Presiding Committee issued written decisions on contracts subject to approval.

The **Audit Committee** (ten meetings, including one extraordinary meeting) primarily performed the preliminary examination of the annual and interim financial statements and management reports, discussed the Executive Board's proposal for the appropriation of net retained profits, verified the independence and discussed the appointment of the auditors, looked at compliance issues, and specified the areas of emphasis for the 2016 audit. The auditor reported to the Audit Committee on the key findings of the audit. The Audit Committee issued the public invitation to tender for the auditing of the annual and consolidated financial statements and made a proposal to the Supervisory Board for the appointment of the auditor by the Annual General Meeting. It set up a working group for this purpose, which worked intensively on this topic for a period of several months. In light of new statutory provisions, the Audit Committee rendered more precisely the guidelines for approving non-audit services. It also discussed the merger of Beiersdorf BKK and DAK-Gesundheit with effect from July 1, 2016. Business developments, the quarterly figures, the internal control system, risk management, the reports – including special reports – and audit plan by Internal Audit, accounting issues at the Group and selected national subsidiaries, and the status of legal disputes and proceedings were also regularly discussed.

The **Finance Committee** (five meetings, including one extraordinary meeting) addressed, in particular, investments and the investment strategy in the context of increasing cash holdings, foreign currency risk, and compliance management. The Finance Comittee also looked in detail at the risks that could arise from legal and tax proceedings. This included a claim for damages against Beiersdorf AG and six other companies by the liquidator of Anton Schlecker e.K. in connection with German antitrust proceedings already concluded, that was also discussed by the Audit Committee.

The **Nomination Committee** (one meeting) resolved, taking into account the Supervisory Board's targets for its composition and the requirements of the Corporate Governance Code, to propose Frédéric Pflanz to the Supervisory Board as the Board's candidate for proposal to the 2016 Annual General Meeting. It also prepared the proposal to the 2017 Annual General Meeting on the election of Hong Chow.

Annual Financial Statements and Audit

The annual financial statements are prepared in accordance with the requirements of the *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), taking into account the applicable interpretations of the IFRS Interpretations Committee. The supplementary requirements of German law are also applied. The **auditors** audited the **annual financial statements** and **management reports for 2016** for Beiersdorf AG and the Group, and issued unqualified audit opinions for them. The Executive Board's report on dealings among Group companies required by § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*) due to the majority interest held by maxingvest ag, Hamburg, received the following audit opinion: "Following the completion of our audit, which was carried out in accordance with professional standards, we confirm: 1. that the information contained in this report is correct; 2. that the compensation paid by the company with respect to the transactions listed in the report was not inappropriately high; and 3. that there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Executive Board."

The Supervisory Board received the 2016 annual financial statements and management reports for Beiersdorf AG and the Group, the report on dealings among Group companies, and the auditors' reports immediately after their **preparation**. The auditors reported on the key findings of their audit to the Audit Committee and to the full Supervisory Board. The Supervisory Board's examination of the annual financial statements and management reports for Beiersdorf AG and the Group, the report on dealings among Group companies, including the concluding declaration by the Executive Board, and the auditors' reports did not raise any objections. The Supervisory Board concurred with the auditors' findings and approved the annual financial statements of Beiersdorf AG and the consolidated financial statements for the year ending December 31, 2016. The annual financial statements of Beiersdorf AG are thus **adopted.** The Supervisory Board endorsed the Executive Board's proposal on the appropriation of net profit.

The Supervisory Board would like to **thank** all employees worldwide, along with the employee representatives and Executive Board, for their successful work. The Board would also like to thank our shareholders, business partners, and, most importantly, consumers for their continued trust in the company, and its services and brands.

Hamburg, February 24, 2017
For the Supervisory Board

REINHARD PÖLLATH
Chairman

2.
CORPORATE GOVERNANCE

Corporate Governance Report 2016

Corporate governance – good corporate management and supervision – has always been a high priority at Beiersdorf. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, compliance with statutory provisions and corporate guidelines, and responsible risk management are the basis of the company's success in this area.

Beiersdorf welcomes the German Corporate Governance Code (the Code). It ensures transparency with respect to the legal framework for corporate management and supervision at German listed companies and contains accepted standards for good, responsible corporate management. The Code and its amendments did not necessitate any fundamental changes at Beiersdorf. Corporate governance is an ongoing process, above and beyond the Code as well. We will continue to track developments carefully.

Declaration of Compliance

In December 2016, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2016 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the recommendations made in the Code with two exceptions, as well as a large number of the suggestions. The 2016 Declaration of Compliance was also made permanently accessible to the public on the company's website at WWW.BEIERSDORF.COM/DECLARATION_OF_COMPLIANCE.

Declaration by the Executive Board and the Supervisory Board of Beiersdorf Aktiengesellschaft on the Recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the *Aktiengesetz* (German Stock Corporation Act, *AktG*)

In fiscal year 2016, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, all recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated May 5, 2015, with the following exceptions:

In accordance with section 4.2.3 (2) sentence 6 of the German Corporate Governance Code, the amount of remuneration of Executive Board members should be capped, both overall and with respect to the variable remuneration components.

The remuneration of the Executive Board members is limited by such a cap. The Enterprise Value Component granted to the members of the Executive Board, alongside the regular, variable remuneration, which is based on voluntary personal investment by the Executive Board members concerned (*Covered Virtual Units*), participates in positive and negative changes in the enterprise value and is not capped in respect of increases in value. The Supervisory Board considers it appropriate that members of the Executive Board who contribute their own money – comparable to an investment – should be allowed to participate in positive changes in enterprise value without restriction. The Supervisory Board and Executive Board have resolved to declare a corresponding deviation from the recommendation of the German Corporate Governance Code.

Section 4.2.3 (2) sentence 8 of the German Corporate Governance Code states that performance targets or comparison parameters for the variable remuneration of the members of the Executive Board shall not be changed retroactively.

However, the following adjustments have been made to the remuneration system for active members of the Executive Board for simplification reasons:

- Starting with financial year 2016, the Variable Bonus payable to members of the Executive Board depending on achievement of the performance targets will be paid out in full annually and will no longer be tied to the achievement of further long-term targets. A further purpose of this adjustment is to ensure a reasonable balance between annual and long-term variable remuneration.
- Reaching or exceeding specific market shares in the core skin care categories for the key European markets has been eliminated as one of several performance targets for the Matching Virtual Units, i.e. the virtual Enterprise Value Component granted as part of variable remuneration. This will bring them into line with the other Enterprise Value Components (Virtual Units, Covered Virtual Units).
- For the purposes of calculating the enterprise value for the Enterprise Value Component, EBIT, which is taken into account alongside sales, is adjusted for any deviations from the plan for marketing expenses among other things. This has now been rendered more precise through the stipulation that adjustments are based on deviations from a fixed ratio for marketing expenses.

As a result of the adjustments described above, the Chairman of the Executive Board has, among other things, been awarded a base amount under the Enterprise Value Components granted to him in addition to a once-only payment contingent upon full completion of the period of his contract. This is to make up for the lost possibility of obtaining a higher payout under the Matching Virtual Units granted to him in the event of an increase in market share and to provide reasonable incentive. In the light of the appreciation in enterprise value achieved to date, this base amount is below the value of the Enterprise Value Components currently expected for the payout date.

Hamburg, December 2016

For the Supervisory Board

PROF. DR. REINHARD PÖLLATH
Chairman of the Supervisory Board

For the Executive Board

STEFAN F. HEIDENREICH
Chairman of the Executive Board

JESPER ANDERSEN
Member of the Executive Board

Management Structure

Beiersdorf AG is governed by German stock corporation, capital market, and codetermination law, among other things, as well as by its Articles of Association. The company has a dual management and supervisory structure consisting of the Executive Board and the Supervisory Board, as is customary in Germany. The Annual General Meeting acts as the decision-making body for shareholders and is responsible for taking fundamental decisions by the company. These three bodies are all dedicated in equal measure to the good of the company and the interests of the shareholders.

1. SUPERVISORY BOARD

Beiersdorf AG's Supervisory Board consists of 12 members. Half of these are elected by the Annual General Meeting in accordance with the *Aktiengesetz* (German Stock Corporation Act, *AktG*) and half by the employees in accordance with the *Mitbestimmungsgesetz* (German Co-determination Act, *MitbestG*); all members are elected for a period of five years. Their regular term of office expires at the end of the Annual General Meeting resolving on the approval of their activities for fiscal year 2018.

The Supervisory Board appoints, advises, and supervises the Executive Board as laid down by the law, the Articles of Association, and the bylaws. The Supervisory Board and Executive Board work closely together for the good of the company and to achieve sustainable added value. Certain decisions require the approval of the Supervisory Board.

The Supervisory Board regularly makes decisions at its meetings on the basis of detailed documents. It is informed in a regular, timely, and comprehensive manner about all relevant matters. In addition, the Chairman of the Executive Board informs the Chairman of the Supervisory Board regularly and in a timely manner about important transactions, and liaises with him on important decisions.

The Supervisory Board regularly evaluates its work and resolves measures for improvement (examination of efficiency), most recently in spring 2016.

The members of the Supervisory Board are personally responsible for ensuring they receive the necessary training and further education. The company provides them with appropriate support in this area, such as by organizing internal training events on topics that are of relevance to Supervisory Board work.

The company has also taken out a D&O insurance policy for the members of the Supervisory Board. The deductible amounts to 10% of any damage incurred, up to one-and-a-half times the fixed annual remuneration of the Supervisory Board member.

a) Specification and Achievement of Objectives

The Supervisory Board again resolved concrete company-specific objectives for its composition in December 2014. It amended these in December 2015 in response to the changes to the Code decided during the year. The objectives reflect the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members, regular limits on age and length of membership for Supervisory Board members, and diversity – especially an appropriate degree of female representation. The objectives initially apply until the end of 2018. They will also be taken into account by the Nomination Committee when proposing candidates for election. The Supervisory Board as a whole must possess the knowledge, ability, and specialist experience required to perform its tasks properly.

International Focus

All members of the Supervisory Board must be open to the company's international orientation. At least three members should embody this in concrete terms and should therefore have particular international experience due to their activities abroad or their background, for example. At least two members with international experience should be shareholder representatives. Efforts are being made to further increase the Supervisory Board's international orientation.

Representation of Women

Diversity of composition requires an appropriate degree of female participation. The Supervisory Board's goal is therefore to further strengthen the number and position of women on the Supervisory Board and to achieve four female members (30%) in line with the objective it set for itself in December 2014. At least two women should be shareholder representatives. The aim is to regularly increase the number of women on the Supervisory Board in the company's interests when changes are made to its composition. As a listed company subject to codetermination on a basis of parity, Beiersdorf AG is subject to the statutory gender quota, which requires women and men respectively to comprise at least 30% of the Supervisory Board.

Regular Limits on Age and Length of Membership

According to the Supervisory Board bylaws, members should generally retire at the Annual General Meeting following their 72nd birthday. The Supervisory Board has also determined that membership should regularly be limited to a maximum of 20 years.

Independent Focus

The Supervisory Board should include what it considers to be an appropriate number of independent members. A Supervisory Board member is not considered to be independent in particular if he or she has personal or business relations with the company, its governing bodies, a controlling shareholder, or an enterprise associated with the latter which may cause a material and not merely temporary conflict of interests. The Supervisory Board considers it to be adequate if at least eight of its members are independent. In this context, it assumes that the employee representatives are to be considered independent within the meaning of the Code. With respect to the shareholder representatives, considering the fact that Beiersdorf AG is a dependent company within the meaning of § 17 (1) *AktG*, the Supervisory Board considers it to be adequate if at least two of its members are independent.

Potential Conflicts of Interest

The Supervisory Board's objective with respect to independence also takes potential conflicts of interest on the part of its members into account to an appropriate extent. In a dependent company, the Supervisory Board considers it to be good corporate governance if the Supervisory Board also includes a significant number of representatives of the majority shareholder.

Notwithstanding this, all members of the Supervisory Board must inform the Supervisory Board, by way of communication addressed to the Chairman of the Supervisory Board, of any conflicts of interest, in particular those relating to a consulting function or directorship with clients, suppliers, lenders, or other third parties or competitors of the company. Members of the Supervisory Board must resign their office if faced with material and not merely temporary conflicts of interest.

Diversity Officers

Additionally, two Supervisory Board members have been appointed as diversity officers in order to advance and promote these objectives: Dr. Dr. Martel and Professor Rousseau. Their role is to support the Supervisory Board at every intended election of a shareholder representative to the Supervisory Board, or of a committee member, and to issue a statement together with the Chairman of the Supervisory Board regarding the proposals for election made by the Nomination Committee responsible for this, after consultation with the remaining members of the Supervisory Board.

In addition to a balanced mix of professional skills within the Supervisory Board as a whole, diversity is an important criterion for the selection of Supervisory Board and committee members in the company's best interests. There are currently three female Supervisory Board members in total, including the Chair of the Audit Committee: Professor Rousseau as an employee representative, and Dr. Dr. Martel and Ms. Dreyfus as shareholder representatives. The statutory gender quota for the composition of the Supervisory Board is applicable to all elections from January 1, 2016, onward. Existing mandates may continue until their scheduled expiry. In addition to their particular professional skills, all the shareholder representative members embody the idea of international orientation by virtue of their background or extensive international experience.

Three-quarters of the members of the Supervisory Board as a whole are independent, and at least one-half of the shareholder representatives. The Supervisory Board assumes, as a highly precautionary measure, that a Supervisory Board member with relations to the controlling shareholder should not be regarded as independent. Notwithstanding this, the Supervisory Board believes that relations to the controlling shareholder do not in themselves pose the risk of a material and permanent conflict of interest; rather, it assumes that the company's interests will largely coincide with those of its majority shareholder in those cases in which their business activities do not overlap.

One Supervisory Board member, Michael Herz, has exceeded the regular age limit set out in the bylaws of the Supervisory Board. Given Mr. Herz's knowledge and experience, the Supervisory Board decided in 2015 to make a reasonable exception for this member. The regular limit for length of membership and the rules governing potential conflicts of interest were complied with.

b) Committees

The work of the Supervisory Board is performed at, and outside of, the meetings of the full Board as well as in the committees. The Supervisory Board has formed the following five committees:

Presiding Committee

The Presiding Committee is composed of the Chairman of the Supervisory Board, two additional shareholder representatives, and one employee representative. The Committee prepares meetings and human resources decisions and resolves – subject to the resolution of the full Board specifying the total remuneration – instead of the full Board on the contracts of service and pension agreements for members of the Executive Board and on other issues involving the Executive Board. It regularly discusses long-term succession planning for the Executive Board. Finally, it can make decisions on transactions requiring Supervisory Board approval in those cases in which the Supervisory Board cannot pass a resolution in time.

Audit Committee

The Audit Committee is composed of the Chairman of the Supervisory Board, two shareholder representatives, and two additional employee representatives. At least one member of the Audit Committee is an independent member of the Supervisory Board who has expertise in either accounting or auditing. This requirement is met in particular by the Chair of the Audit Committee, Dr. Dr. Martel. The Audit Committee prepares the decisions of the Supervisory Board on the annual and consolidated financial statements, the proposal to the Annual General Meeting on the election of the auditors, and the agreement with the auditors (issuing the audit engagement, stipulating the areas of emphasis of the audit, and agreeing on the fee). It verifies the auditors' independence and conducts the preliminary examination for additional services that they provide. It advises and supervises the Executive Board on questions relating to accounting and the effectiveness of the internal control system, the risk management system, and the internal audit system. In addition, it discusses the half-year reports and quarterly statements with the Executive Board.

Finance Committee

The Finance Committee is composed of the Chairman of the Supervisory Board, two additional shareholder representatives, and two employee representatives. It monitors corporate policy in the areas of finance, financial control, tax, and insurance. It decides in place of the Supervisory Board on approval for raising and granting loans, on the assumption of liability for third-party liabilities, and on investment transactions. In addition, the Finance Committee advises and supervises the Executive Board on compliance and on all items assigned to it by the full Board in general or in individual cases.

Mediation Committee

The Mediation Committee required under codetermination law consists of the Chairman of the Supervisory Board and the Deputy Chairman, as well as one member elected from among the employee representatives and one member elected from among the shareholder representatives. It makes proposals on the appointment of Executive Board members if the requisite two-thirds majority is not reached during the first ballot.

Nomination Committee

The Nomination Committee is composed of the Chairman of the Supervisory Board and three additional shareholder representatives. It suggests candidates to the Supervisory Board for proposal for election to the Annual General Meeting.

The composition of the Supervisory Board and its committees can be found on our website at WWW.BEIERSDORF.COM/BOARDS and on page 82 f. of this report.

2. EXECUTIVE BOARD

The Executive Board manages the company on its own responsibility and conducts the company's business. It is obliged to act in the company's best interests and is committed to increasing its sustainable enterprise value. It performs its management duties as a collegiate body with collective responsibility.

The members of the Executive Board are appointed by the Supervisory Board. The Supervisory Board also takes diversity aspects into account when determining the composition of the Executive Board. All current Executive Board members embody the notion of international orientation due to their years of working abroad or to their special expertise in Beiersdorf's key international markets. The Supervisory Board aims to ensure appropriate representation of women as part of succession planning for the Executive Board. In September 2015 in accordance with statutory provisions, the Supervisory Board set a target for the share of women on the Executive Board of 10%, to be achieved by June 30, 2017.

The duties of the Executive Board are broken down by functions and regions. The schedule of responsibilities constitutes part of the bylaws for the Executive Board.

The Executive Board develops the corporate goals and the Group's strategy, agrees them with the Supervisory Board, ensures their implementation, and regularly discusses their implementation status with the Supervisory Board. It is responsible for managing and monitoring the Group, for corporate planning including the annual and multi-year planning, and for preparing the quarterly statements, the half-year reports, and the annual and consolidated financial statements. It is also responsible for Group financing. In addition, the Executive Board is responsible for ensuring adequate risk management and risk control, and for ensuring that all statutory provisions and internal corporate guidelines are observed, and works to ensure that Group companies abide by them (compliance). It provides the Supervisory Board with regular, timely, and comprehensive reports on all questions that are of relevance for the company, including explanations for discrepancies between the actual course of business and the planning and targets. Certain Executive Board measures and transactions that are of particular significance for the company require the approval of the Supervisory Board or its committees.

The Executive Board also takes diversity aspects into account when filling executive positions within the company, particularly with regard to ensuring an appropriate degree of female representation. In August 2015 in accordance with the new statutory provisions, the Executive Board set a target of 30% for the share of women at Beiersdorf AG's first management level below the Executive Board, and a target of 38% for the second management level, both to be achieved by June 30, 2017.

The Executive Board passes resolutions in regular meetings that are chaired by the Chairman of the Executive Board. The members of the Executive Board work together in a collegial manner and inform one another on an ongoing basis about important measures and events in their areas of responsibility.

Executive Board members disclose potential conflicts of interest to the Supervisory Board without delay and inform their colleagues on the Executive Board. Material transactions between the company and members of the Executive Board and their related parties require the approval of the Supervisory Board and must comply with the standards customary in the sector. Sideline activities also require the approval of the Supervisory Board.

The company has taken out a D&O insurance policy for the members of the Executive Board that provides for a deductible in the amount of 10% of any damage incurred, up to one-and-a-half times the fixed annual remuneration of the Executive Board member concerned.

3. ANNUAL GENERAL MEETING

In accordance with the Articles of Association, shareholders exercise their rights both at the Annual General Meeting and outside it. Each share entitles the holder to one vote.

Among other things, the Annual General Meeting passes resolutions on the appropriation of net retained profits, on the formal approval of Executive Board and Supervisory Board members' actions, on the election of the auditors, and on amendments to the Articles of Association.

The Ordinary Annual General Meeting takes place each year, generally during the first five months of the fiscal year. The notice convening the Annual General Meeting and its agenda are also published on the company's website, together with the reports and documentation required for the Annual General Meeting, including the annual report and forms for postal voting. It can also be dispatched electronically together with the associated documents with the consent of the individual shareholder. To assist shareholders in personally exercising their rights, the company offers them the services of a voting representative who votes in accordance with their instructions. The invitation explains how shareholders can issue instructions for exercising their voting rights. In addition, shareholders are free to appoint a proxy holder of their choice as their representative at the Annual General Meeting. It is also possible to submit postal votes, and to issue, change, and revoke proxy instructions to the voting representative appointed by the company, via the Internet before and during the Annual General Meeting.

Directors' Dealings and Shareholdings of the Executive and Supervisory Boards

1. DIRECTORS' DEALINGS (ART. 19 (1) MARKET ABUSE REGULATION)

In accordance with Article 19 (1) of the Market Abuse Regulation, the members of the Executive Board and the Supervisory Board are required to notify transactions involving shares in Beiersdorf AG or financial instruments linked thereto (directors' dealings) to the company and *Bundesanstalt für Finanzdienstleistungsaufsicht* (*BaFin* – the Federal Financial Supervisory Authority) promptly and no later than three business days after the date of transaction. This also applies to related parties of such persons. This requirement does not apply in cases in which the total amount of transactions involving a member of the Executive Board or the Supervisory Board and the related parties of such a person is less than a total of €5,000 within a calendar year.

The notifications received by Beiersdorf AG are published in a due and proper manner and are available on the company's website at WWW.BEIERSDORF.COM/DIRECTORS_DEALINGS.

2. SHAREHOLDINGS (SECTION 6.2 OF THE CODE)

The ownership of shares of the company or related financial instruments must be reported by Executive Board and Supervisory Board members if they directly or indirectly exceed 1% of the shares issued by the company (section 6.2 of the Code). If the entire holdings of all members of the Executive Board and the Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately for the Executive Board and the Supervisory Board.

Michael Herz has notified the company that 51.02% of the shares in the company are attributable to him. As of December 31, 2016, the remaining members of the Supervisory Board did not directly or indirectly hold shares of the company or related financial instruments. Consequently, members of the Supervisory Board held a total of 51.02% of the shares as of December 31, 2016. The members of the Executive Board held a total of significantly less than 0.1% of the shares as of December 31, 2016.

Further Information on Corporate Governance

Detailed information on the work of the Supervisory Board and its committees, as well as on the cooperation between the Supervisory Board and the Executive Board, can be found in the Report by the Supervisory Board on page 6 f. of this report.

The consolidated financial statements and half-year reports are prepared in accordance with International Financial Reporting Standards (IFRSs). The annual financial statements of Beiersdorf AG are prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code, *HGB*). The Annual General Meeting on March 31, 2016, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditors for Beiersdorf AG and the Beiersdorf Group for fiscal year 2016.

Current developments and key company information are published on our website, WWW.BEIERSDORF.COM, as soon as possible. As well as detailed disclosures on corporate governance at Beiersdorf, it features additional information on the Executive Board, the Supervisory Board, and the Annual General Meeting, the company's reports (annual reports, annual financial statements, management reports, half-year reports, and quarterly statements), as well as a financial calendar with all key events and publications, ad hoc disclosures, and directors' dealings.

The Corporate Governance Statement of Beiersdorf AG and the Group in accordance with §§ 289a and 315 (5) *HGB* has been made publicly available on the company's website at WWW.BEIERSDORF.COM/CORPORATE_GOVERNANCE_STATEMENT. It includes the Declaration of Compliance in accordance with § 161 *AktG* as well as information on key corporate governance practices, on Executive and Supervisory Board working practices and the composition and working practices of their committees, and on the statutory requirements for the equal participation of women and men in leadership positions.

Hamburg, February 24, 2017
Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board

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 and is a component of the annual financial statements of, and the management reports for, Beiersdorf AG and the Group.

1. REMUNERATION OF THE EXECUTIVE BOARD

a) Supervisory Board Resolutions

The Supervisory Board addressed the structure and appropriateness of Executive Board remuneration, as well as individual remuneration questions, on January 29, February 11, March 10, March 31, September 8, and December 8, 2016. On February 2, 2017, the Supervisory Board determined the remuneration of the Executive Board for fiscal year 2016. Remuneration decisions were prepared by the Presiding Committee.

b) 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 German Corporate Governance Code. The remuneration structure is geared towards sustainable enterprise development.

The remuneration of the Executive Board in 2016 continued to comprise four components:

- a fixed basic remuneration component,
- a 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 Supervisory Board resolved to change some components of Executive Board remuneration with effect from the 2016 fiscal year. In particular, starting with the 2016 fiscal year, the predominant multi-year element of variable remuneration will be provided solely by the Enterprise Value Component (see below in section c) the last paragraph under bb)).

c) Remuneration of the Executive Board for 2016 in More Detail

aa) Fixed Remuneration

The fixed annual remuneration is paid in 12 equal installments. It is generally reviewed for appropriateness every two years.

bb) Variable Bonus

The members of the Executive Board receive a Variable Bonus that is based on the performance of the Consumer Business Segment. As specified by the Supervisory Board and depending on the level of goal achievement in each case, 15% of the Variable Bonus for fiscal year 2016 is determined by the EBIT margin (EBIT component), 20% by sales growth (sales component), 30% by market share, 20% by the achievement of human resources goals, and 15% by the achievement of specific personal goals by individual Executive Board members (personal component). The size of the EBIT component is calculated on the basis of the return on sales. In the process, the Supervisory Board makes adjustments for special factors and deviations from plan for marketing and research and development expenses. The sales component is calculated on the basis of sales growth, with the Supervisory Board again taking special factors into account. The personal component is mostly composed of two personal goals, which depend on the functional and, if applicable, regional responsibilities of each individual Executive Board member. These are set annually by the Supervisory Board for each individual Executive Board member. Following due assessment of the circumstances, the Supervisory Board lays down percentages for target achievement for each of the components, with intermediate figures being extrapolated 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 (see section cc)).

The Supervisory Board has resolved that, from the 2016 fiscal year onwards, the Variable Bonus for serving Executive Board members should be paid in full (previously: 49%) after the Annual General Meeting of the year following that in which the bonus was granted. This will not affect Variable Bonuses from earlier fiscal years. For the years prior to and including 2015, 49% of the Variable Bonus was paid as a short-term variable remuneration component once the following year's Annual General Meeting had approved the actions of the Executive Board (Bonus). The remaining 51% (Multi-year Bonus) depended on the enterprise value performance over the two years following the initial year.

cc) Enterprise Value Component

Executive Board members share in the increase in enterprise value for the Consumer Business Segment. For this purpose, each Executive Board member is allocated a notional share of the enterprise value (Enterprise Value Component or Base Virtual Units) at the start of his period of appointment or reappointment. The Executive Board member will be paid his share of the percentage increase in the Enterprise Value Component during his term of office once his period of appointment or reappointment has ended and following an additional vesting period (together the "bonus period"). The payment is dependent on the Annual General Meeting approving the Executive Board member's actions during and after the expiration of the bonus period.

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. 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 him, with the amount being prorated by the ratio of his term of office to the bonus period. EBIT, which is taken into account alongside sales, 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 entitled to make adjustments following due assessment of the circumstances, for instance by adjusting for special factors or for inflation (where this exceeds 10% in the reference period), 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 member providing collateral (e.g. by pledging assets of a suitable value), 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 receives a further Enterprise Value Component in the same amount (Matching Virtual Unit), corresponding to the Base Virtual Units. The Supervisory Board has resolved that from the 2016 fiscal year, payment from Matching Virtual Units will no longer be linked to specific market shares in the core skin care categories for the key European markets being reached or exceeded.

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 period of appointment, the Supervisory Board should reduce his Enterprise Value Component pro rata. There is no legal entitlement to payment of the corresponding increase in value 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.

dd) Other

As in previous years, the remuneration of the Executive Board for fiscal year 2016 did not contain any stock option program or comparable securities-based incentives. Equally, the members of the Executive Board did 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 were no ongoing pension commitments for the Executive Board members active in fiscal year 2016.

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). Each member of the Executive Board receives a lump-sum payment of their Variable Bonus (with the amount depending on what they are entitled to) on premature termination of his office other than for good cause for which the Executive Board member is responsible; in this case, the Enterprise Value Component is calculated up until the date of departure and paid on a pro rata basis. No other commitments exist in relation to the premature termination of membership of the Executive Board. 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.

* Annually: Jesper Andersen €30 thousand; Ralph Gusko €150 thousand; Thomas Ingelfinger €60 thousand; Zhengrong Liu €75 thousand; Stefan De Loecker €50 thousand; Dr. Ulrich Schmidt €60 thousand.

ee) Overviews of Individual Executive Board Remuneration

TOTAL REMUNERATION OF THE EXECUTIVE BOARD FOR ACTIVITIES IN FISCAL YEAR 2016 (IN € THOUSAND)

		Stefan F. Heidenreich (Chairman)	Jesper Andersen	Ralph Gusko	Thomas Ingelfinger	Zhengrong Liu	Stefan De Loecker	Dr. Ulrich Schmidt (until March 31, 2016)	**Total**
Fixed basic remuneration	2015	1,250	299	500	450	475	500[1]	500	**3,974**
	2016	1,250	480	500	450	475	500	125	**3,780**
Variable Bonus[2]	2015	1,750	244	500	385	390	560	520	**4,349**
	2016	1,563	360	460	389	360	488	119	**3,739**
Other remuneration[3]	2015	321	201	117	49	12	517	15	**1,232**
	2016	509	16	120	11	40	193	4	**893**
Sum	2015	3,321	744	1,117	884	877	1,577	1,035	**9,555**
	2016	3,322	856	1,080	850	875	1,181	248	**8,412**
Additions to provisions for	2015	4,727	192	1,469	458	663	886	936	**9,331**
Enterprise Value Component	2016	6,299	389	838	421	655	746	37	**9,385**
Total[4]	**2015**	**8,048**	**936**	**2,586**	**1,342**	**1,540**	**2,463[1]**	**1,971**	**18,886[1]**
	2016	**9,621**	**1,245**	**1,918**	**1,271**	**1,530**	**1,927[5]**	**285**	**17,797**

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)

	2015				**2016**			
	Base Virtual Unit	Covered Virtual Unit[6]	Matching Virtual Unit	Total amount set aside in fiscal year 2015	**Base Virtual Unit**	**Covered Virtual Unit[6]**	**Matching Virtual Unit**	**Total amount set aside in fiscal year 2016**
Stefan F. Heidenreich (Chairman of the Executive Board)	10,000	10,000	40,000	12,720	10,000	10,000	40,000	19,019[7]
Jesper Andersen	5,000	30	30	192	5,000	549	549	581
Ralph Gusko	10,000	1,350	1,350	3,286[8]	10,000	1,600	1,600	4,124[8]
Thomas Ingelfinger	5,500	620	620	640	5,500	1,150	1,150	1,061
Zhengrong Liu	9,000	150	–	935	9,000	250	–	1,590
Stefan De Loecker	10,000	1,100	1,100	1,096	10,000	1,125	1,125	1,842
Dr. Ulrich Schmidt (until March 31, 2016)	20,000	2,300	2,300	3,599[8]	10,000	1,135	1,135	1,302[8]
Total	**69,500**	**15,550**	**45,400**	**22,468**	**59,500**	**15,809**	**45,559**	**29,519**

[1] The amount of €540 thousand indicated in the previous year included an additional amount of €40 thousand granted in fiscal year 2015 as fixed basic remuneration for fiscal year 2014. The prior-year figure and the total amounts were adjusted to allow for a better comparability between the reporting year and the previous year.
[2] Starting with the 2016 fiscal year, the Variable Bonus will be awarded as a one-year variable bonus. For presentation reasons, the Bonus and Multi-year Bonus reported separately in 2015 have been combined in the prior-year figure. Without this combination, the short-term benefits amounted to €7,378 thousand and the long-term benefits amounted to €11,548 thousand. As in the previous years, the pro rata Variable Bonus awarded to Dr. Ulrich Schmidt for 2016 was granted as a Bonus and Multi-year Bonus and is shown as a combined figure for presentation reasons only.
[3] 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. In 2016, other remuneration for Stefan F. Heidenreich included a once-only payment of €500 thousand (see the Declaration of Compliance of December 2016 in the Corporate Governance Report on page 9), which is to be paid out following the Annual General Meeting in 2017. In 2015, the other remuneration of Stefan F. Heidenreich included a bonus of €313 thousand following his reappointment, and the other remuneration of Stefan De Loecker a bonus of €350 thousand following his appointment.
[4] 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 page 14, section cc)).
[5] €1,303 thousand of this amount (previous year: €1,754 thousand) was granted to Stefan De Loecker as remuneration for his activities at Group companies.
[6] This figure includes both the Covered Virtual Units acquired by way of personal investment and the Covered Virtual Units granted by way of allocation (see page 14, section cc)).
[7] This figure includes a guaranteed base amount which has been awarded to the Chairman of the Executive Board. It is below the current amount set aside for the Enterprise Value Components granted to him (see the Declaration of Compliance of December 2016 in the Corporate Governance Report on page 9).
[8] This figure includes the personal investments made in the form of retained bonus payments due under the Variable Bonus.

The following tables show the benefits granted and allocations for each member of the Executive Board in fiscal year 2016 in accordance with the recommendations of section 4.2.5 (3) and (4) of the German Corporate Governance Code.

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

Stefan F. Heidenreich
Chairman of the Executive Board
Date joined: January 1, 2012 (Chairman since April 26, 2012)

	Benefits granted				Allocation[9]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	1,250	1,250	1,250	1,250	1,250	1,250
Fringe benefits / ancillary benefits[10]	321	509	509	509	321	509
Total	**1,571**	**1,759**	**1,759**	**1,759**	**1,571**	**1,759**
Variable Bonus starting from 2016	–	1,250	–	2,500	–	1,563
One-year variable remuneration (49% Variable Bonus) until 2015	613	–	–	–	858	–
Multi-year variable remuneration						
Multi-year-Bonus 2013 (term January 1, 2014–December 31, 2015)	–	–	–	–	465	–
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	352	438
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	637	–	–	–	–	431
LTP – Base Virtual Unit[11]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[11/12]	500	500	–	1,000	–	–
LTP – Matching Virtual Unit[11]	2,000	2,000	–	4,000	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**5,821**	**6,009**	**1,759**	**10,259**	**3,246**	**4,191**
Service cost	–	–	–	–	–	–
Total remuneration	**5,821**	**6,009**	**1,759**	**10,259**	**3,246**	**4,191**

Jesper Andersen
Member of the Executive Board/CFO
Date joined: May 18, 2015

	Benefits granted				Allocation[9]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	299	480	480	480	299	480
Fringe benefits / ancillary benefits[10]	201	16	16	16	201	16
Total	**500**	**496**	**496**	**496**	**500**	**496**
Variable Bonus starting from 2016	–	300	–	600	–	360
One-year variable remuneration (49% Variable Bonus) until 2015	92	–	–	–	120	–
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	96	–	–	–	–	57
LTP – Base Virtual Unit[11]	250	250	–	500	–	–
LTP – Covered Virtual Unit[11/12]	31	57	–	85	–	–
LTP – Matching Virtual Unit[11]	1	27	–	55	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**970**	**1,130**	**496**	**1,736**	**620**	**913**
Service cost	–	–	–	–	–	–
Total remuneration	**970**	**1,130**	**496**	**1,736**	**620**	**913**

[9] The allocations indicated for the reporting year 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 (which were awarded for fiscal years up to and including 2015) 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.
[10] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).
[11] The planned terms of the LTP are as follows: for Stefan F. Heidenreich from 2012 to after the 2021 Annual General Meeting; for Jesper Andersen from 2015 to after the 2020 Annual General Meeting.
[12] 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%.

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

Ralph Gusko
Member of the Executive Board
Date joined: July 1, 2011

	Benefits granted				Allocation[13]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	500	500	500	500	500	500
Fringe benefits / ancillary benefits[14]	117	120	120	120	217	120
Total	**617**	**620**	**620**	**620**	**717**	**620**
Variable Bonus starting from 2016	–	400	–	800	–	460
One-year variable remuneration (49% Variable Bonus) until 2015	196	–	–	–	245	–
Multi-year variable remuneration						
Multi-year-Bonus 2013 (term January 1, 2014–December 31, 2015)	–	–	–	–	183	–
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	135	168
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	204	–	–	–	–	123
LTP – Base Virtual Unit[15]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[15/16]	118	230	–	310	–	–
LTP – Matching Virtual Unit[15]	68	80	–	160	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**1,703**	**1,830**	**620**	**2,890**	**1,280**	**1,371**
Service cost	–	–	–	–	–	–
Total remuneration	**1,703**	**1,830**	**620**	**2,890**	**1,280**	**1,371**

Thomas Ingelfinger
Member of the Executive Board
Date joined: July 1, 2014

	Benefits granted				Allocation[13]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	450	450	450	450	450	450
Fringe benefits / ancillary benefits[14]	49	11	11	11	49	11
Total	**499**	**461**	**461**	**461**	**499**	**461**
Variable Bonus starting from 2016	–	350	–	700	–	389
One-year variable remuneration (49% Variable Bonus) until 2015	172	–	–	–	189	–
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	59	74
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	178	–	–	–	–	93
LTP – Base Virtual Unit[15]	275	275	–	550	–	–
LTP – Covered Virtual Unit[15/16]	91	118	–	175	–	–
LTP – Matching Virtual Unit[15]	31	58	–	115	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**1,246**	**1,262**	**461**	**2,001**	**747**	**1,017**
Service cost	–	–	–	–	–	–
Total remuneration	**1,246**	**1,262**	**461**	**2,001**	**747**	**1,017**

[13] See footnote 9 on the reporting of remuneration components as "allocation."
[14] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).
[15] The planned terms of the LTP are as follows: for Ralph Gusko from 2011 to after the 2019 Annual General Meeting; for Thomas Ingelfinger from 2014 to after the 2019 Annual General Meeting.
[16] See footnote 12 on the reporting of the Covered Virtual Units.

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

Zhengrong Liu
Member of the Executive Board/Labor Relations Director
Date joined: July 1, 2014

	Benefits granted				Allocation[17]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	475	475	475	475	475	475
Fringe benefits / ancillary benefits[18]	12	40	40	40	12	40
Total	**487**	**515**	**515**	**515**	**487**	**515**
Variable Bonus starting from 2016	–	300	–	600	–	360
One-year variable remuneration (49% Variable Bonus) until 2015	147	–	–	–	191	–
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	50	62
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	153	–	–	–	–	94
LTP – Base Virtual Unit[19]	450	450	–	900	–	–
LTP – Covered Virtual Unit[19/20]	79	88	–	100	–	–
LTP – Matching Virtual Unit[19]	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**1,316**	**1,353**	**515**	**2,115**	**728**	**1,031**
Service cost	–	–	–	–	–	–
Total remuneration	**1,316**	**1,353**	**515**	**2,115**	**728**	**1,031**

Stefan De Loecker
Member of the Executive Board
Date joined: July 1, 2014

	Benefits granted				Allocation[17]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	500	500	500	500	540	500
Fringe benefits / ancillary benefits[18]	517	193	193	193	517	193
Total	**1,017**	**693**	**693**	**693**	**1,057**	**693**
Variable Bonus starting from 2016	–	400	–	800	–	488
One-year variable remuneration (49% Variable Bonus) until 2015	196	–	–	–	274	–
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	62	77
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	204	–	–	–	–	108
LTP – Base Virtual Unit[19]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[19/20]	105	106	–	163	–	–
LTP – Matching Virtual Unit[19]	55	56	–	113	–	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**2,077**	**1,755**	**693**	**2,769**	**1,393**	**1,366**
Service cost	–	–	–	–	–	–
Total remuneration[21]	**2,077**	**1,755**	**693**	**2,769**	**1,393**	**1,366**

[17] See footnote 9 on the reporting of remuneration components as “allocation.” The fixed remuneration reported as allocation for Stefan De Loecker in 2015 included an additional amount of €40 thousand granted in fiscal year 2015 for fiscal year 2014 but paid out in fiscal year 2015.
[18] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).
[19] The planned terms of the LTP are as follows: for Zhengrong Liu from 2014 to after the 2021 Annual General Meeting; for Stefan De Loecker from 2014 to after the 2020 Annual General Meeting.
[20] See footnote 12 on the reporting of the Covered Virtual Units.
[21] Of these total amounts, €1,199 thousand/target amount (previous year: €1,522 thousand), €562 thousand/min. p.a. (previous year: €886 thousand), and €1,808 thousand/max. p.a. (previous year: €2,128 thousand) were granted and €966 thousand/allocation (previous year: €1,087 thousand) paid to Stefan De Loecker as remuneration for his activities at Group companies.

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

Dr. Ulrich Schmidt
Member of the Executive Board/CFO (until March 31, 2016)
Date joined: January 1, 2011

	Benefits granted				Allocation[22]	
	2015 Target amount	**2016 Target amount**	**2016 (min. p.a.)**	**2016 (max. p.a.)**	2015	**2016**
Fixed remuneration	500	125	125	125	500	125
Fringe benefits / ancillary benefits[23]	15	4	4	4	15	4
Total	**515**	**129**	**129**	**129**	**515**	**129**
One-year variable remuneration (49% Variable Bonus)	196	100	–	200	255	58
Multi-year variable remuneration						
Multi-year-Bonus 2013 (term January 1, 2014–December 31, 2015)	–	–	–	–	184	–
Multi-year-Bonus 2014 (term January 1, 2015–December 31, 2016)	–	–	–	–	134	166
Multi-year-Bonus 2015 (term January 1, 2016–December 31, 2017)	204	–	–	–	–	128
LTP – Base Virtual Unit[24]	1,000	125	–	250	1,390	–
LTP – Covered Virtual Unit[24/25]	175	29	–	43	816[26]	–
LTP – Matching Virtual Unit[24]	115	14	–	28	136	–
Other	–	–	–	–	–	–
Total fixed and variable remuneration	**2,205**	**397**	**129**	**650**	**3,430**	**481**
Service cost	–	–	–	–	–	–
Total remuneration	**2,205**	**397**	**129**	**650**	**3,430**	**481**

[22] See footnote 9 on the reporting of remuneration components as "allocation."
[23] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).
[24] The planned terms of the LTP are as follows: for Dr. Ulrich Schmidt from 2011 to after the Annual General Meetings in 2016 and 2018.
[25] See footnote 12 on the reporting of the Covered Virtual Units.
[26] This figure includes payments totaling €500 thousand under the Variable Bonus for the years 2011 and 2012 that were retained as the personal investment for the Covered Virtual Units.

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

Payments to former members of the Executive Board and their surviving dependents totaled €2,500 thousand (previous year: €2,283 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €43,568 thousand (previous year: €40,381 thousand).

2. REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN FISCAL YEAR 2016 (IN €)[1/2]

	Fixed[3]		Total Variable		Long-term Variable (60%)		Total	
	2015	**2016**	2015[4]	**2016[5]**	2015	**2016**	2015	**2016**
Dr. Andreas Albrod	69,000	71,000	45,000	45,000	27,000	27,000	114,000	116,000
Beatrice Dreyfus (since January 29, 2016)	–	42,049	–	41,680	–	25,008	–	83,729
Frank Ganschow	45,000	44,000	45,000	45,000	27,000	27,000	90,000	89,000
Michael Herz	67,000	68,500	45,000	45,000	27,000	27,000	112,000	113,500
Thorsten Irtz (Deputy Chairman)	67,500	69,000	67,500	67,500	40,500	40,500	135,000	136,500
Matthias Locher	45,000	45,000	45,000	45,000	27,000	27,000	90,000	90,000
Dr. Dr. Christine Martel	88,000	88,500	45,000	45,000	27,000	27,000	133,000	133,500
Tomas Nieber	69,000	71,000	45,000	45,000	27,000	27,000	114,000	116,000
Isabelle Parize (until January 28, 2016)	42,500	2,951	45,000	3,320	27,000	1,992	87,500	6,271
Frédéric Pflanz (Deputy Chairman)	24,055	75,000	22,562	67,500	13,537	40,500	46,617	142,500
Prof. Dr. Reinhard Pöllath (Chairman)	110,500	112,500	112,500	112,500	67,500	67,500	223,000	225,000
Prof. Manuela Rousseau	45,000	45,000	45,000	45,000	27,000	27,000	90,000	90,000
Poul Weihrauch	41,000	44,000	45,000	45,000	27,000	27,000	86,000	89,000
Total	**761,500[6]**	**778,500**	**652,500[6]**	**652,500**	**391,500[6]**	**391,500**	**1,414,000[6]**	**1,431,000**

[1] Subject to the resolution of the Annual General Meeting on April 20, 2017, concerning the dividend to be distributed for 2016 in accordance with the proposal for a dividend of €0.70 per share.
[2] Presented exclusive of value added tax.
[3] Fixed remuneration component and remuneration for membership of Supervisory Board committees (including attendance fees).
[4] The figure contains the long-term portion (60% – see separate column) of the variable Supervisory Board remuneration that will be paid out after the 2019 Annual General Meeting if the preconditions for payment are met (plus interest in accordance with § 15 (1) of the Articles of Association, if applicable).
[5] The figure contains the long-term portion (60% – see separate column) of the variable Supervisory Board remuneration that will be paid out after the 2020 Annual General Meeting if the preconditions for payment are met (plus interest in accordance with § 15 (1) of the Articles of Association, if applicable).
[6] These totals additionally include the following payments made to Thomas Holzgreve, who left the Supervisory Board in 2015, for his activities in fiscal year 2015: fixed: €47,945, variable: €44,938 (long-term variable: €26,963), total €92,883.

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

3. GROUP MANAGEMENT REPORT

Beiersdorf's Brands

Every day, millions of people worldwide trust Beiersdorf's innovative, high-quality skin and body care products. Our successful international brand portfolio is tailored to meet the individual needs and wishes of consumers, as well as local requirements. The consistent development of our strong brands is the basis for our unparalleled closeness to consumers and markets, and hence for Beiersdorf's sustainable success.

tesa provides innovative self-adhesive products and system solutions. The manufacturer is a global market leader in a large number of application areas due to its many years of experience in coating technology and developing adhesive masses.

Our Brand Portfolio

Business and Strategy

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

- The Consumer Business Segment, whose strong brands focus on the international skin and body care markets, is the main business.
- The tesa Business Segment is a pioneering manufacturer of self-adhesive products and solutions for industry, craft businesses, and consumers.

Consumer Business Segment

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

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

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

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

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

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

BRANDS

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

INNOVATIONS

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

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

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

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

MARKETS

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

* Reader's Digest, Trusted Brands Study, 2016

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

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

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

PEOPLE

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

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

For the fourth year in a row, the company carried out a global survey on employees' motivation and level of satisfaction. In 2016, 94% (previous year: 93%) of Beiersdorf staff took part. The results show that team cohesion and employee engagement – two particularly important factors for business success – increased further during the year under review. The feedback generated by the survey serves as the basis for planning and implementing measures in the day-to-day working environment. The aim is to further promote our open culture of dialog, thereby achieving a lasting improvement in employees' engagement and identification with Beiersdorf.

tesa Business Segment

The tesa Business Segment is an independent part of the Beiersdorf Group that develops, produces, and markets self-adhesive products and system solutions for industry, craft businesses, and consumers. Consistently high quality, exceptionally innovative thinking, and the use of state-of-the-art technology are core elements of its brand philosophy and strategy. tesa's priorities lie in finding effective solutions and high-quality products with a focus on the following customer groups:

- tesa primarily provides system solutions for the automotive, electronics, printing and paper, and construction industries. In the electronics industry, tesa's adhesive systems are used in mobile devices such as smartphones, tablet PCs, and MP3 players.

- tesa's affiliate tesa Labtec GmbH develops and produces transdermal therapeutic systems, also called pharmaceutical plasters, for the pharmaceutical industry. It also focuses on medicated oral films that dissolve in the mouth without the need for additional fluids.

- tesa offers specialist dealers a broad and constantly expanding product range that is continuously optimized and adapted to meet the changing needs of customers in crafts businesses, including construction.

- The tesa umbrella brand provides consumers in Europe and Latin America with a comprehensive range of innovative products for use in the home, office, and garden. In addition to the classic tesafilm adhesive tape, these include innovative solutions for insulation, painting and masking, repairing, packaging, and mounting, as well as household insect-protection products.

- In the Craftsmen business area, tesa focuses on customized product ranges for professional craftsmen, such as painters and varnishers.

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

Management and Control

The Executive Board manages the company and is dedicated to sustainably increasing its value. In addition to the functional areas of responsibility within the Executive Board, there are regional areas of responsibility. The Executive Board is closely involved in the company's operational business in particular through the allocation of responsibilities for the regions and markets. A breakdown of the Executive Board's areas of responsibility can be found in the chapter "Beiersdorf AG Boards" of the notes to the consolidated financial statements. The tesa Business Segment is managed as an independent subgroup.

Information on the remuneration of the Executive and Supervisory Boards as well as on incentive and bonus systems is provided in the remuneration report, which forms part of the Group Management Report. The Corporate Governance Statement of Beiersdorf AG and the Group in accordance with §§ 289a and 315 (5) *Handelsgesetzbuch* (German Commercial Code, *HGB*) has been made publicly available on the company's website at WWW.BEIERSDORF.COM/CORPORATE_GOVERNANCE_STATEMENT. Additional information regarding management and control, the general management structure, and the Declaration of Compliance in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*) is also provided in the Corporate Governance Report.

Value Management and Performance Management System

The goal of Beiersdorf's business activities is to sustainably increase the company's market share by achieving qualitative growth and, at the same time, to expand its earnings base. The long-term key performance indicators – organic sales growth in conjunction with market share development, EBIT, and the EBIT margin before special factors (the ratio of EBIT to sales) – are derived from this. The aim is to generate internationally competitive returns through systematic cost management and the highly efficient use of resources.

The company has created an efficient management system in order to meet these strategic goals. Corporate management derives business performance targets for the individual units in the Group for the coming year from the Group's strategic business goals. This planning covers all segments and affiliates. Formal adoption by the Executive Board and Supervisory Board of the Group's planning for the following year is generally in the fall.

Actual key performance indicators are compared with target values and with the current forecast for the year as a whole at regular intervals during the fiscal year. These comparisons are used to manage the business in line with the objectives.

The tesa Business Segment forms a separate, independent unit within the Group. It is also managed on the basis of sales growth, the operating result (EBIT), and the EBIT margin.

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

Economic Environment

General Economic Situation

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

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

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

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

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

The picture in the **emerging markets** was mixed. After a poor start to the year, which led to turbulence on international stock markets and general uncertainty, the economy in **China** gradually stabilized. Economic growth was slightly down on the previous year's level but remained within the government's target range. Expansionary monetary policy, high infrastructure investment, and booming demand in the real estate sector underpinned growth. However, the sharp rise in lending and high indebtedness of state-owned companies continue to harbor considerable risks. In **India**, reforms had a positive impact on economic performance. Private and public sector consumption remained the key drivers of growth. Meanwhile, continued weakness in exports and investment negatively impacted the growth rate. **Brazil** remained in recession. This was primarily a result of the difficult labor market situation, weak domestic demand, and declining commodity prices. In **Russia**, the first signs of stabilization were evident in 2016. This was due to the stabilization of the ruble, an inflation slowdown, a loosening of monetary policy, and a strong revival in oil production. However, ongoing international sanctions, weak income growth, and only modest consumer spending continued to put a damper on economic performance.

Sales Market Trends

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

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

Procurement Market Trends

Average raw material and packaging prices in 2016 were slightly lower than in the previous year. The commodity environment was generally favorable, especially concerning the oil price development. However, as the prices of the refined materials and plastic resins are most strongly affected by supply and demand in their respective markets, only a limited positive effect on procurement costs emerged.

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

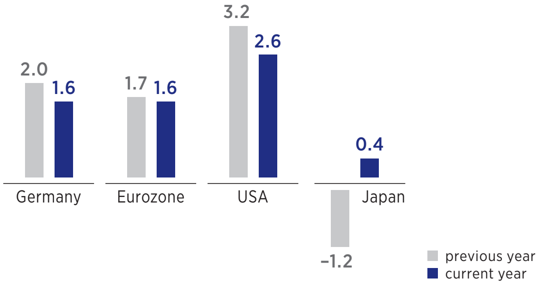
Overall Assessment of the Economic Environment

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

The tesa Business Segment further increased its sales in 2016. While the market for consumer electronics stagnated, the automotive industry performed well. The US market also saw a positive trend and drove growth along with Europe. At the same time, market conditions in China worsened as a result of the general economic situation. The consumer market in Europe has seen further improvement year-on-year.

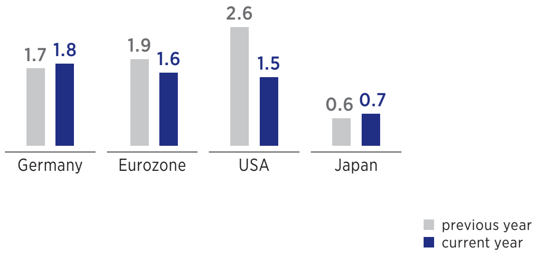
CONSUMER SPENDING (IN %)*

Change versus previous year



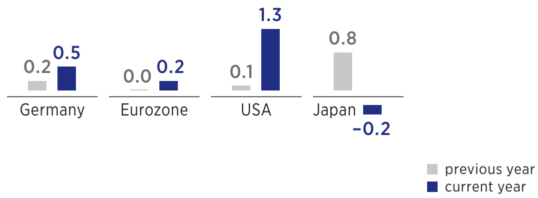
GROSS DOMESTIC PRODUCT (IN %)*

Change versus previous year



INFLATION RATE (IN %)*

Change versus previous year



* Commerzbank Research

Results of Operations, Net Assets, and Financial Position

Results of Operations – Group

INCOME STATEMENT (IN € MILLION)

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

* Percentage changes are calculated based on thousands of euros.

SALES

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

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

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

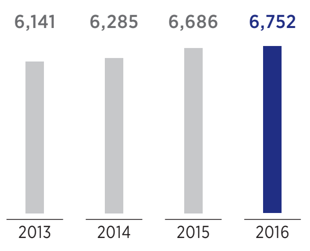
The **Africa/Asia/Australia** region reported organic growth of 3.7%. In nominal terms, growth of 2.2% to €2,039 million was recorded (previous year: €1,996 million).

EXPENSES / OTHER OPERATING RESULT

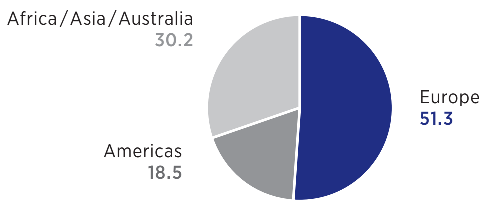
Despite the increase in sales, the **cost of goods sold** declined by 0.4%. Especially in the Consumer Business Segment, initiatives were successfully implemented to enhance efficiency. Alongside reviews of the product range, these included purchasing and logistics measures, and enabled significant cost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

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

GROUP SALES (IN € MILLION)



GROUP SALES BY REGION (IN %)



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

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

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

OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

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

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

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

SPECIAL FACTORS

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

OPERATING RESULT (EBIT)

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

FINANCIAL RESULT

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

INCOME TAXES

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

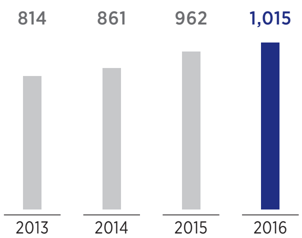
PROFIT AFTER TAX

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

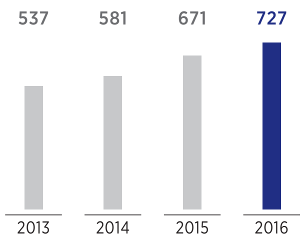
EARNINGS PER SHARE – DIVIDENDS

Earnings per share were €3.13 (previous year: €2.91). These figures were calculated on the basis of the weighted number of shares bearing dividend rights (226,818,984). The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par value share bearing dividend rights to the Annual General Meeting (previous year: €0.70). For further information on the number, type, and notional value of the shares, please refer to Note 17 "Share Capital" in the notes to the consolidated financial statements.

GROUP EBIT (IN € MILLION)
Excluding special factors



GROUP PROFIT AFTER TAX (IN € MILLION)
Excluding special factors



Results of Operations – Business Segments
CONSUMER

SALES – CONSUMER BUSINESS SEGMENT

		Europe	Americas	Africa / Asia / Australia	Total
Sales 2016	(in € million)	2,801	1,078	1,727	5,606
Sales 2015	(in € million)	2,816	1,076	1,654	5,546
Change (organic)	(in %)	2.0	2.9	5.7	3.3
Change (nominal)	(in %)	−0.6	0.2	4.4	1.1

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

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

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

Overall, NIVEA maintained its strong position despite a difficult market environment, and expanded its share in many markets and categories. In the NIVEA Deo category, we extended our market share particularly in Germany, Australia, and South Africa. In our NIVEA MEN category, growth in Germany, Poland, and Japan had a significant positive impact on our market share. In the NIVEA Face category, we saw negative market share trends particularly in Germany, Italy, and France. At the country level, especially good growth in market share was achieved in South Africa, Australia, and Japan. A negative trend was seen particularly in Italy and the United Kingdom.

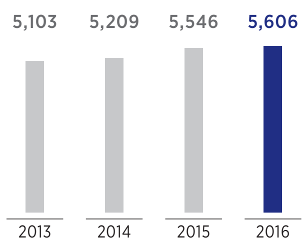
Our **Eucerin** brand generated organic growth of 1.5%. The Eucerin Sun category made a particularly strong contribution to this positive performance. Sales performance was especially encouraging in Germany, Italy, and Korea.

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

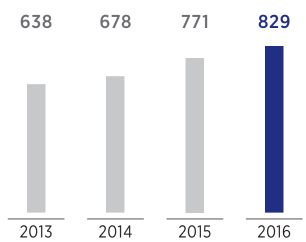
Strong earnings in the markets of Western Europe and North America enjoyed a further boost. Results in the emerging markets also improved considerably. Increased investments led the company to losses in just a small number of countries.

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

CONSUMER SALES (IN € MILLION)



CONSUMER EBIT (IN € MILLION)
Excluding special factors



EUROPE

CONSUMER SALES IN EUROPE

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

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

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

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

AMERICAS

CONSUMER SALES IN THE AMERICAS

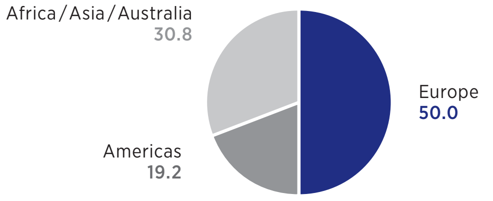
		North America	Latin America	**Total**
Sales 2016	(in € million)	432	646	1,078
Sales 2015	(in € million)	426	650	1,076
Change (organic)	(in %)	1.6	3.7	2.9
Change (nominal)	(in %)	1.4	–0.7	0.2

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

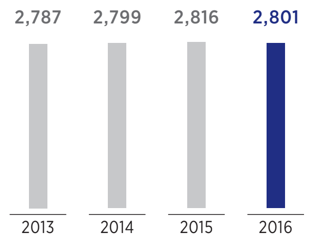
Sales in **North America** were up 1.6% on the previous year. NIVEA All-Purpose Creams and NIVEA MEN performed very well. Aquaphor also saw very good growth in the region. Eucerin and La Prairie virtually repeated their prior-year performance.

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

CONSUMER SALES BY REGION (IN %)



CONSUMER SALES IN EUROPE (IN € MILLION)



AFRICA / ASIA / AUSTRALIA

CONSUMER SALES IN AFRICA / ASIA / AUSTRALIA

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

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

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

tesa

SALES – tesa BUSINESS SEGMENT

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

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

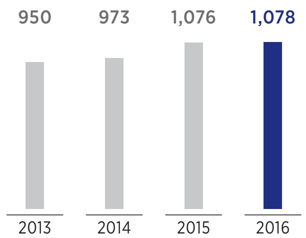
tesa INDUSTRIAL BUSINESS

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

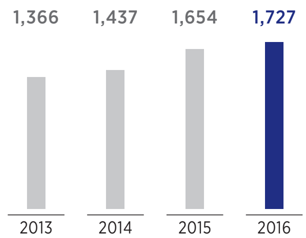
tesa developed and introduced many new products for applications in the electronics industry. These included tesa® 757xx reinforced Ac Foam Tape, a high-performance adhesive tape with viscoelastic material properties, which make it particularly effective at absorbing shocks. Despite continuous product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

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

CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



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

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

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

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

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

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

tesa CONSUMER BUSINESS

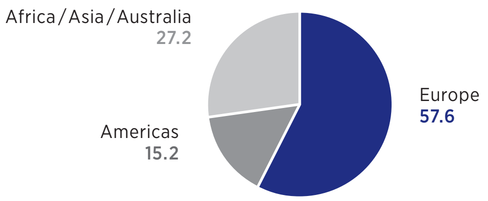
The consumer products and professional craftsmen business, which is focused on Europe and Latin America, performed well, with organic sales growth of 5.4%. In nominal terms, sales improved by 4.4% to €275 million (previous year: €264 million). As a result, the consumer business contributed 24.1% (previous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

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

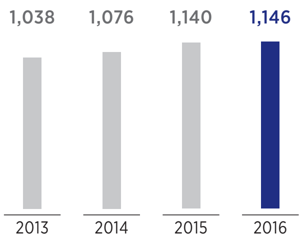
The Powerstrips and Powerbond double-sided mounting solutions were particularly effective at generating growth. In Germany, the new range comprises 48 innovative products such as adhesive, adjustable nails and screws for various surfaces and applications, and new Powerstrips for wallpaper. tesa has developed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

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

tesa SALES BY REGION (IN %)

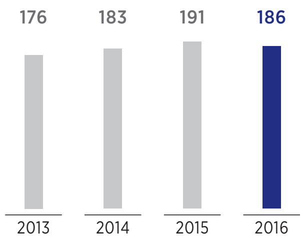


tesa SALES (IN € MILLION)



tesa EBIT (IN € MILLION)

Excluding special factors



Net Assets – Group

NET ASSETS (IN € MILLION)

Assets	Dec. 31, 2015	**Dec. 31, 2016**
Non-current assets	2,685	3,297
Inventories	772	739
Other current assets	2,498	2,665
Cash and cash equivalents	918	872
	6,873	**7,573**

Equity and liabilities	Dec. 31, 2015	**Dec. 31, 2016**
Equity	4,201	4,677
Non-current provisions	655	802
Non-current liabilities	91	58
Current provisions	419	440
Current liabilities	1,507	1,596
	6,873	**7,573**

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

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

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

FINANCING STRUCTURE (IN %)

Financial Position – Group

CASH FLOW STATEMENT – GROUP (IN € MILLION)

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

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

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

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

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

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

FINANCING AND LIQUIDITY PROVISION

The primary goal of financial management at Beiersdorf is to safeguard liquidity. Hedging currency, interest rate and default risks, and investing liquid assets are also at the heart of financial management activities. The type and volume of transactions are in line with the Group’s basic operating and financial business. Scenarios and rolling 12-month cash flow planning are used to establish liquidity requirements. Details on financial risk management can be found in the notes to the balance sheet, Note 27.

Overall Assessment of the Group’s Economic Position

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

The **Consumer** Business Segment made successful progress thanks to the systematic implementation of the business strategy, which is based on the Blue Agenda. This strategic compass aims to make Beiersdorf more competitive and to enhance its economic success. Its success can be seen particularly in the performance recorded by the emerging markets and the launch of new, high-selling products.

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

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

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

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

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

Judgments by Management

No accounting policies were applied and no related options were exercised in the consolidated financial statements that differ from those in prior years and that, if applied or exercised differently, would have had a material effect on the results of operations, net assets, and financial position. Information on the effects of the use of estimates, assumptions, and judgments by management can be found in the notes to the consolidated financial statements.

Research and Development

Beiersdorf's expertise in the area of research and development has been driving the company's success for more than 130 years.

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

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

Consumer

LEADING SKIN CARE EXPERTISE

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

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

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

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

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

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

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

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

WE OPEN INNOVATION

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

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

EXCHANGE OF MEDICAL KNOWLEDGE

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

CLOSE TO CONSUMERS AND MARKETS

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

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

- In Latin America, Beiersdorf developed the high-quality NIVEA Creme Care Soap with a caring formula customized for the Brazilian market. The launch strengthened NIVEA as a caring brand in the locally important shower soap segment. Beiersdorf also launched a body lotion with sun protection factor (SPF) 15. This body lotion was developed in our laboratory in Silao (Mexico) and targets the demand by the Mexican market for body products with SPF due to high sun exposure in daily life.

- For the Middle East and North Africa (MENA) region, we introduced the body lotion range NIVEA Skin Delight, which has formulas with rose and lavender scent. The body lotions address the regional consumer wish for rich and caring formulas with delicate fragrances.

- Our development laboratory in Wuhan (China) developed the NIVEA MEN Oil Control series that responds to the specific skin needs of Asian men. Also for the Chinese market, we developed the efficacious NIVEA Make Up Clear, which is specially adapted to remove long-lasting and waterproof make-up.

INNOVATIONS

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

- **NIVEA Deo Protect & Care** encompasses a new range of products in the deodorants and antiperspirants segment. The innovative products combine effective 48-hour protection with the ingredients of NIVEA Creme. They are characterized by the unique NIVEA scent and are mild and well-tolerated by the delicate underarm skin.

- **NIVEA Cellular Anti-Age Volume Filling Pearls** actively counteracts signs of aging skin. The patented pearls formula is based on the highest concentration of hyaluronic acid within the NIVEA Face Care range, plus creatine and a "collagen booster" (in vitro evidence). The new product actively improves the regeneration processes of the skin for more firmness and elasticity.

- With **NIVEA Creme Care Facial Cleansing,** Beiersdorf has introduced cleansing products that combine mild and caring, but thorough cleansing. The cleansing products come in three different application formats: milk, cream, and wipes. They contain selected ingredients as well as the scent of the NIVEA Creme and are suitable for all skin types.

- For effective sun protection, Beiersdorf introduced a new application: **NIVEA Sun Protection Roll-On**. The roll-on is easy to handle and offers a quick application of sun protection on the skin. The product has a fast-absorbing, non-sticky formula, which works immediately and ensures reliable, highly effective UVA and UVB protection.

- In Europe, Beiersdorf relaunched the NIVEA MEN Active Energy series and extended it with additional products. One of them is **NIVEA MEN Active Energy Morning Fix Face Gel**, which relies on an innovative micropigment technology to reduce the effects of tiredness and delivers a fresh skin feeling.

- The **NIVEA Professional** product series was strengthened with a relaunch of existing products and new line extensions. The product line offers premium products to counteract signs of skin aging. Consisting of four sublines, the products include optimally dosed ingredients such as vitamins E and C, hyaluronic acid and Bioxilift®.

- With **NIVEA Care Shower Silk Mousse**, Beiersdorf entered a new sub-segment in the shower category. Three variants of the shower mousses are offered based on an extra-mild formula with silk extracts. The creamy foam of the mousses delivers a silky skin feeling.

- **NIVEA Hairmilk Care Shampoo** and **Conditioner** are designed for dry hair and stand for mild, rich hair care. They contain milk proteins, macadamia oil and Eucerit®, which is also used in NIVEA Creme. The products enrich the hair without weighing it down.

- The **Eucerin Elasticity+Filler range** is developed for mature skin that suffers from deep wrinkles and decreasing elasticity. The formulas with ingredients like silymarin, hyaluronic acid and argan oil nourish and strengthen fragile skin and plump up wrinkles.

- **ABC Heat Plaster 4.8 mg** contains capsaicin from natural chili, is extra thin and has a backing of 100% viscose. The plaster offers long-lasting pain relief while ensuring high wearing comfort so that the user can actively move and thereby supports the healing process.

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

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

tesa

STRUCTURAL ADHESIVES

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

ROBUST MOUNTING OF BATTERIES

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

BARRIER TAPES FOR FLEXIBLE DISPLAYS

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

ADHESIVE MASSES FOR TECHNOLOGICAL PROGRESS

tesa also achieved successes in 2016 in the development of new adhesive masses to meet changing requirements. One example of such a requirement is the need for even greater adhesive strength on problematic surfaces, such as dirt-repellant car finishes or the very non-polar plastics used in the electronics industry. Targeted composition of polymer chains for acrylate-based adhesive masses plays an important role here. To this end, tesa enhanced existing polymerization processes and combined them with new technologies. A new pilot facility for this process successfully entered operation in Norderstedt in 2016.

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

Sustainability

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

Consumer

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

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

We regularly review our progress using environmental and social performance indicators to ensure that our commitment is far-reaching, has a long-term impact, and supports the objectives of our business strategy, the Blue Agenda.

We have already exceeded one of our long-term sustainability goals of 2011: CO_2 emissions per product sold have been cut sharply. As a result, we have reached our objective well before the target date of 2020. We are therefore currently formulating a new, ambitious climate target for the "Planet" area based on the recommendations of the UN Climate Change Conference in Paris in 2015 (COP21) with the assistance of WWF Germany. Our 2020 targets for the "Products" and "People" areas are:

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

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

PRODUCTS

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

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

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

Beiersdorf has also made progress in transitioning to sustainable palm (kernel) oil. Our aim is to use only ingredients from proven sustainable sources (Certified Sustainable Palm Kernel Oil). By 2020, we intend to switch the respective ingredients to segregated or at least mass-balanced palm (kernel) oil and corresponding derivatives. Until the transition is complete, we will offset the share of raw materials that have not yet been converted with "GreenPalm" certificates. We have already sourced nine mass-balanced palm-oil-based raw materials in the year under review, meaning that already over 25% of our palm-oil-based raw materials now come from certified sources. In 2016, Beiersdorf also achieved multisite certification in accordance with the supply chain certification standard defined by the "Roundtable on Sustainable Palm Oil" (RSPO). We also remain a member of the "Forum Nachhaltiges Palmöl" (Forum for Sustainable Palm Oil, FONAP).

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

PLANET

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

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

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

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

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

PEOPLE

Our social commitment has a long tradition and is deeply rooted in Beiersdorf’s Core Values as well as in those of our brands, especially NIVEA. NIVEA supports families all over the world with locally relevant, long-term projects through its global “NIVEA cares for family” program. It focuses on three fields of activity:

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

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

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

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

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

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

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

tesa

RESPONSIBILITY

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

As an environmentally aware business, tesa is constantly examining whether there are more environmentally friendly alternatives for certain raw materials used in the production process. This includes performing life cycle assessments. tesa production locations around the world have more than halved their emissions of volatile organic compounds (VOC) since 2001, and have significantly reduced the amount of waste produced, CO_2 emissions, and solvent usage.

tesa’s environmental management activities in the year under review again focused on improving energy management and reducing CO_2 emissions. All tesa’s production facilities are certified in accordance with ISO 14001, the international environmental standard. The new tesa headquarters in Norderstedt was also awarded ISO 50001 certification in 2016. tesa has installed a new combined heat and power plant at the Hamburg location in order to further reduce CO_2 emissions and raise energy efficiency. Since 2016, tesa has also been exclusively using electricity from renewable sources at five European locations, including the two largest production plants worldwide. Continual investment to modernize tesa’s production facilities is also improving environmental protection. Construction of a new coating plant in Sparta (USA), which is using an environmentally friendly, solvent-free coating technology, began in 2016.

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

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

- "tesa donates" supports the work of a number of institutions with product donations and financial contributions. For example, staff can donate a small amount from their monthly salary. tesa then doubles this contribution. More than €6,000 went to support social projects in Hamburg in 2016.

- As a technology-based company, tesa understands the importance of education. That is why we cooperate with the "Initiative Naturwissenschaft und Technik" (Science and Technology Initiative, NAT) under "tesa supports." In 2016, tesa offered 15 female students from a Hamburg secondary school an insight into the everyday working life of scientists as part of the "mint:pink" program.

- The "tesa protects" initiative is part of a long-term partnership supporting the UNESCO biosphere reserve Niedersächsische Elbtalaue. The most important aspect of this is the voluntary commitment of tesa employees. Their practical work includes planting vegetation to maintain this biodiverse and environmentally sensitive floodplain landscape.

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

People at Beiersdorf

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

Consumer

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

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

- Employee engagement: Our independent, global employee survey took place for the fourth year in a row. Employee satisfaction and emotional engagement have once again increased significantly worldwide.

- Employee retention: Stability at our affiliates is above the local industry average in most markets. In Europe, employee turnover stood at 4.5% in 2016, and at less than 3% in Germany.

- Lean structures: The Group management hierarchy has been reduced from nine management groups to five.

- Internal promotions: 74% of the posts newly filled in 2016 in the top two management groups went to internal candidates, of whom 23% are women.

- Internationalization: 65% of managers at the first management level below the Executive Board have completed at least one foreign assignment that lasted several years. At the end of 2016, 21% of employees in the first three management groups were on an international assignment lasting several years.

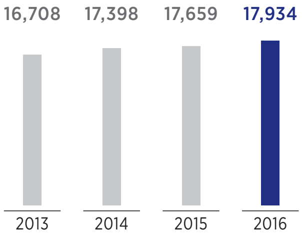
- Vocational training in Germany: 90% of apprentices who expressed their interest in a position received an employment offer.

A RESPONSIBLE EMPLOYER

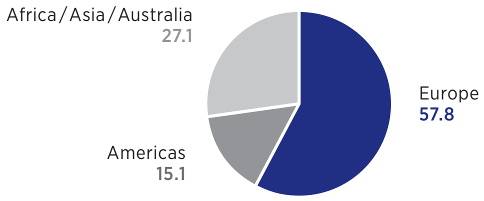
Everyone counts. That is our philosophy toward our employees at Beiersdorf. A committed workforce is indispensable to a company's efficiency and ability to innovate.

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

GROUP EMPLOYEES
as of Dec. 31



EMPLOYEES BY REGION (IN %)
as of Dec. 31; total 17,934 employees



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

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

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

CORE VALUES

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

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

CULTURE OF LEARNING AND SOCIAL COLLABORATION

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

Our digital collaboration platform “blueplanet,” which we introduced worldwide in 2013, also encourages our employees to share knowledge and experience among one another, thus facilitating cooperation across functions and countries. During the year under review, we optimized a range of functions to further improve the opportunities for communication and collaboration via the platform. Usage of this in-house social network was significantly up on the previous year. The average number of unique users each day rose by 62% compared with 2015, reaching more than 2,500. Measured by month, the average number of unique users grew by 40% to approximately 8,400.

LEADERSHIP CULTURE

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

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

- Authenticity: Self-awareness and self-reflection are essential traits for leaders at Beiersdorf. Only those who are truthful to themselves and who actively request and accept feedback can develop trust and act as role models in their day-to-day management activities.

- Inspiration: Managers who take colleagues seriously, practice what they preach, and take responsibility for their own mistakes earn the trust of their employees. By acting as a role model, working in trustful partnership, and providing great freedom to act and individual support, managers increase the willingness of all employees to contribute actively, give their best, and learn from others.

- Enablement: Managers lead with a clear vision and embody the values for which Beiersdorf stands. They enable their team to deal with uncertainty, solve conflicts and make the right decisions for the long-term success of Beiersdorf.

PERSONNEL DEVELOPMENT AND GUIDING CAREER GROWTH

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

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

HIGH EMPLOYEE ENGAGEMENT

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

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

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

PROMOTING NEW TALENTS

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

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

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

JOB SHARING

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

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

DIVERSITY

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

Further progress was made regarding diversity in 2016, including:

- Gender diversity: New targets for the share of women at the first two management levels below the Executive Board have applied to Beiersdorf AG since March 2015 in accordance with statutory provisions. At the end of 2016, 24% of managers at the first management level below the Executive Board of Beiersdorf AG were women (previous year: 26%). Despite the slight drop in ratio, our aim remains to raise this figure to 30% by the end of June 2017. At the second management level below the Executive Board of Beiersdorf AG, 43% of managers were women at the end of 2016 (previous year: 38%). Our target of maintaining a stable 38% by the end of June 2017 has therefore already been exceeded in the year under review.

- International diversity: We increased the number of international employees* at our Hamburg headquarters to 15% in the reporting year (previous year: 14%).

- Generational dialog: We foster dialog and collaboration between the different generations employed at Beiersdorf AG. One such measure has enabled our apprentices to become "buddies" to senior employees and support them in areas including IT and social media.

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

* Employees covered by collective pay agreements not included.

tesa

SUCCESSFUL RELOCATION OF tesa HEADQUARTERS

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

COMMITTED EMPLOYEES

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

IMPLEMENTING THE NEW tesa COMPETENCY MODEL

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

TRAINING FOR THE tesa SUPPLY NETWORK

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

EXTENSION OF COMPENSATION AND BENEFIT GUIDELINE

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

Risk Report

Integrated Risk and Opportunity Management

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

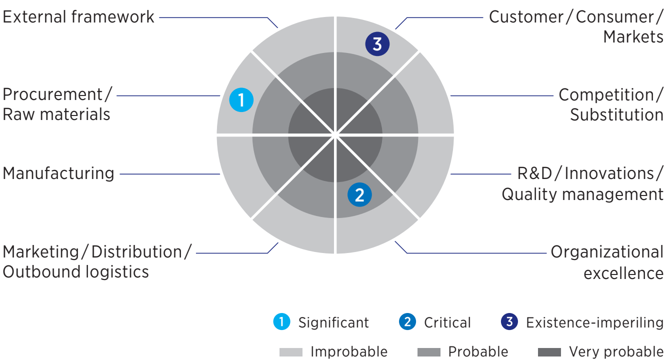
Risk management is an integral part of central and local planning, management, and control processes, and conforms to consistent standards across the Group. Our open communications policy, the risk inventory carried out at regular intervals, and the planning and management system ensure that our risk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

Transparent Presentation of Risks

Relevant risks are identified and captured in a structured manner. They are classified based on the estimated probability of occurrence and the potential financial impact if they were to occur. In the Group's internal risk reporting, risks are uniformly presented based on the position of individual points plotted on a risk radar. The basic structure of the risk radar can be illustrated as follows in connection with strategic risks.

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

BEIERSDORF RISK RADAR
Schematic diagram



Accounting-related Internal Control System

An accounting-related internal control system is used to ensure the correctness of the bookkeeping and accounting as well as the reliability of the financial reporting in the consolidated financial statements and the Group Management Report. This integral element of the consolidated accounting process comprises preventive, monitoring, and detective measures designed to ensure security and control in accounting and the operational functions. The security measures and controls reduce the probability of errors occurring and uncover any that are made at an early stage. Among other things, the measures include the separation of functions, manual and IT-based approval processes using the dual control principle, IT checks, access restrictions and authorization concepts for the IT system, and systems-based processes for handling Group accounting data. Procedural instructions, standardized reporting formats, and IT-based reporting and consolidation processes support Group accounting and financial reporting for the companies included in the consolidated financial statements.

Shared service centers provide uniform processing of the core accounting processes at Beiersdorf AG and virtually all of its affiliates. The basic principles and processes and the reporting structure for Group accounting are documented in an accounting and financial control manual. Legislation, accounting standards, and pronouncements are analyzed for their relevance and impact and taken into account as necessary.

Independent Monitoring

Our Internal Audit department – which serves as the Executive Board's financial control function – monitors risk management and the internal control system by means of systematic and regular audits. The department is independent of the Group's operating activities. It uses a risk-based approach to reviewing the business processes and the systems and controls that have been put in place as well as the financial accounting of transactions. The audit findings are used for ongoing enhancement of the company's management and of its preventive and detective controls. In addition, the external auditors audit the risk early-warning and monitoring system. Both the Internal Audit department and external auditors regularly report their audit findings to the Supervisory Board and, in particular, to its Audit Committee.

Our Risk Profile

STRATEGIC AND SECTOR-SPECIFIC RISKS

Maintaining and increasing the value of our major consumer brands with their broad appeal is of central importance for Beiersdorf's business development. We have geared our risk management system towards protecting the value of our brands. Our compliance with high standards of product quality and safety is the basis for our consumers' continued trust in our brands. We therefore perform in-depth safety assessments, which also take into account consumer feedback on earlier products, when developing new products. Our products are subject to the strict criteria of our quality management system throughout the entire procurement, production, and distribution process.

Innovations based on strong research and development are a precondition for consumer acceptance of our products and for the latter's appeal. Prudent brand management captures consumer trends as well as the results of in-depth market and competitive analyses, and at the same time ensures that the brand's core remains intact and is carefully enhanced.

Strong brands that balance innovation and continuity are our response to fierce global competition on price, quality, and innovation. We have laid the groundwork for identifying consumer wishes and reflecting them in the products we develop promptly by developing and implementing the Consumer Insights process. Direct communication with consumers via digital social media is becoming an increasingly important aspect of this. These efforts also counteract the growing retail concentration and the emergence of rival brands at regional level.

Since expertise-based brands require a high degree of upfront investment in innovation and marketing, the continuous expansion of our trademark and patent portfolio plays a key role. We protect our intellectual property proactively and comprehensively. By closely dovetailing the Group functions involved in this with the operational business, we identify commercial opportunities from our research and development leadership at an early stage and safeguard them using industrial property rights. Of course, we also acknowledge and respect existing third-party rights when developing our new products.

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

SUPPLY CHAIN AND IT RISKS

We counter procurement risks relating to the delivery reliability and price of raw materials and commodities as well as use of services by continuously monitoring our markets and suppliers and by appropriate contract management. Procurement strategies are reviewed regularly and adjusted to reflect internal and external requirements. Strategic partnerships are an important element of actively managing our supplier portfolio. We counter compliance risks by providing clear management structures and through efficient organizational measures. Occupational safety and environmental and business interruption risks in our production and logistics activities are minimized by process control checks and location-specific audits. We minimize risks relating to the availability, reliability, and efficiency of our IT systems through continuous monitoring and improvements as well as through the establishment of a continuity management system that is an integrated part of our IT operations. Aided by internal training and control measures, we seek to prevent unauthorized internal and external access to our internal company information and also to ensure compliance with the legal regulations on data protection. We counter selected risks by transferring them to insurance companies.

Cooperation and contacts with universities enable us to build early links to qualified new employees, for whom we have special trainee programs to prepare them for a career at Beiersdorf. Our uniform global talent management process identifies and develops talented specialists and management personnel at all levels and supports the appointment of qualified staff in key positions throughout the company as these become vacant.

FINANCIAL RISKS

We counter the risk of bad debts through detailed monitoring of our customer relationships, active receivables management, and the selective use of trade credit insurance.

Currency, interest rate, and liquidity risks are subject to active treasury management based on global guidelines. They are managed and hedged centrally to a very large extent, whereby the specific requirements for the organizational separation of the trading, settlement, and controlling functions are taken into account. Derivative financial instruments serve primarily to hedge operational activities and financial transactions essential to the business. They do not expose the Group to any additional material risks.

We limit currency risks from intragroup deliveries of goods and services using currency forwards. Generally, 75% of forecasted annual net cash flows are hedged (cash flow hedges on forecasted transactions). Currency risks from cross-border intragroup financing are generally hedged in the market by the central treasury department using currency forwards.

Potential default risks relating to the investment of the Group's liquid funds are limited by only making investments with defined, reliable counterparties. Counterparty risk is monitored on the basis of ratings and the counterparties' liable capital as well as continuously updated risk indicators. These parameters are used to determine maximum amounts for investments with partner banks and securities issuers (counterparty limits), which are compared regularly with the investments actually made throughout the Group. We have invested the majority of our liquidity in low-risk investments (such as government/corporate bonds and *Pfandbriefe*).

We use liquidity concentration methods and tools at our affiliates in order to optimally manage our investments. Appropriate systems ensure we have transparency concerning our affiliates' remaining funds. Positive balances are registered with central counterparty risk management. Our financial risk management is characterized by the clear allocation of responsibilities, central rules for limiting financial risks as a matter of principle, and the conscious alignment of the instruments deployed with the requirements of our business activities.

Further information on the extent of the currency, interest rate, default, and liquidity risks described above can be found in Note 27 of the notes to the consolidated financial statements, "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments."

LEGAL RISKS

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

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

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

External tax audits can result in additional tax payments at individual companies, potentially with financial penalties and interest payments. Further information on the extent of the legal risks described above can be found in Note 28 of the notes to the consolidated financial statements, "Contingent Liabilities, Other Financial Obligations, and Legal Risks."

Overall Assessment of the Group's Risk Situation

Our assessment of the risk situation is the result of our examination of all material individual risks listed above. There have been no structural changes in the risk situation compared with the previous year. Based on our current assessment, the Beiersdorf Group is not exposed to any risks that could endanger its continued existence.

Report by the Executive Board on Dealings among Group Companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG),* the Executive Board has issued a report on dealings among Group companies which contains the following concluding declaration: "According to the circumstances known to us at the time the transactions were executed or measures were taken or not taken, Beiersdorf Aktiengesellschaft received appropriate consideration for every transaction and has not been disadvantaged by the fact that measures were taken or not taken."

Report on Post-Balance Sheet Date Events

No significant events occurred after the end of the fiscal year.

Disclosures Required by Takeover Law

The disclosures required under § 315 (4) *Handelsgesetzbuch* (German Commercial Code, *HGB*) are presented below.

Please refer to the notes to the consolidated financial statements for the disclosures on the composition of the subscribed capital and the disclosures on direct or indirect interests in the share capital exceeding 10% of the voting rights. In addition to this, Michael Herz, Germany, has informed the Executive Board that at the end of the reporting period further shares in Beiersdorf Aktiengesellschaft are attributable to him and that he directly holds shares in Beiersdorf Aktiengesellschaft. In total, the share of voting rights held by Michael Herz in Beiersdorf Aktiengesellschaft amounts to approximately 51.02%.

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *Aktiengesetz* (German Stock Corporation Act, *AktG*), § 31 *Mitbestimmungsgesetz* (German Co-determination Act, *MitbestG*), and § 7 of the Articles of Association. In accordance with § 7 (1) of the Articles of Association, the Executive Board consists of at least three persons; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 *AktG* and with § 16 of the Articles of Association. Under § 16 of the Articles of Association, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only. Under § 5 (6) of the Articles of Association, the Supervisory Board is authorized in particular to amend and reformulate § 5 of the Articles of Association (Share Capital) following each utilization of authorized or contingent capital.

The Annual General Meeting on March 31, 2015, authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until March 30, 2020, by up to a total of €92 million (Authorized Capital I: €42 million; Authorized Capital II: €25 million; Authorized Capital III: €25 million) by issuing new no-par value bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined by a different method than that set out in § 60 (2) *AktG*.

Shareholders shall be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, rights to subscribe for new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);

3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. If, during the term of the authorized capital, other authorizations to issue or sell shares in the company or to issue rights that enable or oblige the holder to subscribe for shares in the company are exercised while disapplying preemptive rights pursuant to or in accordance with § 186 (3) sentence 4 *AktG*, this must be counted toward the above-mentioned 10% limit (Authorized Capital II);

4. in the case of capital increases against non-cash contributions for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

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

In addition, the Annual General Meeting on March 31, 2015, resolved to contingently increase the share capital by up to a total of €42 million, composed of up to 42 million no-par value bearer shares. The contingent capital increase will be implemented only to the extent that:

1. the holders or creditors of conversion and/or option rights attached to convertible bonds and/or bonds with warrants issued in the period until March 30, 2020, by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, choose to exercise their conversion or option rights, or

2. the holders or creditors of convertible bonds giving rise to a conversion obligation issued in the period until March 30, 2020, by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, comply with such obligation,

and the contingent capital is required for this in accordance with the terms and conditions of the bonds.

The new shares bear dividend rights from the beginning of the fiscal year in which they are created as a result of the exercise of conversion or option rights, or as a result of compliance with a conversion obligation.

The Executive Board was authorized to determine the further details of the implementation of a contingent capital increase.

The Annual General Meeting on March 31, 2015, also authorized the company in accordance with § 71 (1) no. 8 *AktG* to purchase own shares in the total amount of up to 10% of the existing share capital in the period up to March 30, 2020. The shares shall be purchased via the stock exchange or via a public purchase offer addressed to all shareholders, or a public invitation to tender shares. The Annual General Meeting authorized the Executive Board, with the approval of the Supervisory Board, to sell in whole or in part the own shares purchased on the basis of the above-mentioned or a prior authorization while disapplying the shareholders' preemptive rights, including in a way other than via the stock exchange or via a purchase offer to all shareholders, to the extent that these shares are sold for cash at a price that does not fall materially below the market price of the same class of shares of the company at the time of the sale. The Executive Board was also authorized, with the approval of the Supervisory Board, to sell in whole or in part the own shares acquired in accordance with the above-mentioned or a previous authorization against non-cash consideration while disapplying the preemptive rights of shareholders, particularly to utilize them as consideration or partial consideration in the context of a merger or the acquisition of companies, equity interests in companies (including increases in equity interests), or business units of companies. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to utilize these own shares in whole or in part, while disapplying the preemptive rights of shareholders, in order to satisfy the subscription and/or conversion rights from convertible bonds and/or bonds with warrants issued by the company or companies in which it holds a direct or indirect majority interest. The Executive Board is further authorized, in the event that own shares are sold to all shareholders, to disapply the preemptive rights of shareholders where this is necessary to eliminate any fractions that may arise. The Executive Board may only make use of the above authorizations to disapply preemptive rights when utilizing own shares to the extent that the total proportion of shares utilized without preemptive rights does not exceed 20% of the share capital either at the time of the resolution by the Annual General Meeting or at the time these authorizations are exercised. If, during the term of this authorization to utilize own shares, other authorizations to issue or sell shares in the company or to issue rights that enable or oblige the holder to acquire shares in the company are exercised while disapplying preemptive rights, this must be counted toward the above-mentioned limit. Finally, the Executive Board was authorized, with the approval of the Supervisory Board, to retire the own shares acquired in accordance with the above-mentioned or a prior authorization without requiring an additional resolution by the Annual General Meeting.

The creation of the authorized and contingent capital is intended to put the company in the position of being able to react to growth opportunities and capital market situations quickly and flexibly. The authorization to purchase and utilize own shares enables the company in particular to also offer shares of the company to institutional or other investors and/or to expand the shareholder base of the company, as well as to utilize the purchased own shares as consideration for the acquisition of companies or equity interests in companies (including increases in equity interests), or as part of a merger, i.e. against non-cash consideration.

Report on Expected Developments

Expected Macroeconomic Developments

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

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

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

We anticipate that the **US economy** will see growth accelerate in 2017 on the back of a further reduction in unemployment and sustained strong consumer sentiment. The increased confidence of American companies and the favorable economic environment are likely to be reflected in an increase in capital expenditure. However, tapering of bond sales, a planned hike in interest rates, and the impact of the future direction of economic policy are a source of uncertainty for the economy and financial markets.

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

In the **emerging markets**, we continue to predict challenging conditions and a fragile economy. We estimate that the **Chinese** economy will see slightly slower growth than in the previous year, flanked by strong public-sector infrastructure investment as part of the economic stimulus program due to run until 2018. The reduction of surplus capacity in the industrial sector and the incertitude about the United States' future trade policy are generating uncertainty. In **India**, we expect that the cash crackdown implemented at short notice in November 2016 will inhibit growth. We anticipate a slight growth increase in the emerging markets of Southeast Asia. In **Brazil**, we expect the economy to gradually start coming out of recession in 2017. The political uncertainty, high unemployment, and private debt, as well as the still restrictive monetary policy, are counteracting the significant improvement of economic prospects, however. Given the highly protectionist tendencies in many Latin American countries, particularly in Venezuela, Ecuador, and Argentina, developments are difficult to forecast for this area. We believe that the **Russian** economy will reach a turning point and the period of recession will come to an end. The economic recovery will be bolstered by the uptick in oil production and rising oil prices. However, given the still high inflation rate, continuing international sanctions, a lack of structural reforms, and the lack of investor confidence, forecasts expect the rebound to remain moderate.

Procurement Market Trends

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

Sales Market Trends

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

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

Our Market Opportunities

Market performance will remain mixed in 2017 and competition will continue to increase in some markets. The business strategy set out in the Blue Agenda will allow us to meet the challenges of tomorrow and hence to achieve our objectives. We see strong opportunities both in systematically expanding our presence in the emerging markets and in consolidating our position in our European markets. We aim to drive this process by strengthening our brands – especially NIVEA, Eucerin, and La Prairie – and boosting our innovation power. This analysis underpins our planning for 2017.

We will build on our sound financial structure and strong earnings position together with our dedicated and highly qualified employees to continue exploiting future opportunities with our internationally successful brand portfolio. Extensive research and development activities resulting in successful, consumer-driven innovations will be flanked by targeted marketing measures, strengthening our brand core and creating enduring confidence among our consumers.

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

Business Developments

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

In light of the macroeconomic forecasts, Beiersdorf is expecting sales growth in the **Consumer** Business Segment to outperform the market at 3–4% in fiscal year 2017. The EBIT margin from operations is expected to slightly exceed the prior-year figure.

In the **tesa** Business Segment, we are predicting sales growth of 3–4% in 2017. The EBIT margin from operations is expected to be slightly below the prior-year level.

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

We firmly believe we are well positioned for the future thanks to our internationally successful brand portfolio, our innovative and high-quality products, and our dedicated employees.

Hamburg, February 6, 2017
Beiersdorf AG

The Executive Board

4. CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

(IN € MILLION)

	Note	2015	2016
Sales	**01**	**6,686**	**6,752**
Cost of goods sold	02	–2,785	–2,774
Gross profit		**3,901**	**3,978**
Marketing and selling expenses	03	–2,430	–2,407
Research and development expenses		–183	–188
General and administrative expenses	04	–366	–364
Other operating income	05	186	174
Other operating expenses	06	–146	–178
Operating result (EBIT)		**962**	**1,015**
Interest income	07	25	30
Interest expense	07	–14	–4
Net pension result	07	–13	–13
Other financial result	07	8	12
Financial result	**07**	**6**	**25**
Profit before tax		**968**	**1,040**
Income taxes	08	–297	–313
Profit after tax		**671**	**727**
Of which attributable to			
– Equity holders of Beiersdorf AG		660	709
– Non-controlling interests		11	18
Basic/diluted earnings per share (in €)	**09**	**2.91**	**3.13**

Statement of Comprehensive Income

(IN € MILLION)

	2015	2016
Profit after tax	**671**	**727**
Remeasurement gains and losses on cash flow hedges	5	–18
Deferred taxes on remeasurement gains and losses on cash flow hedges	–2	2
Remeasurement gains and losses on cash flow hedges recognized in other comprehensive income	*3*	*–16*
Remeasurement gains and losses on available-for-sale financial assets	2	–21
Deferred taxes on remeasurement gains and losses on available-for-sale financial assets	–1	5
Remeasurement gains and losses on available-for-sale financial assets recognized in other comprehensive income	*1*	*–16*
Exchange differences	14	39
Other comprehensive income that will be reclassified subsequently to profit or loss	**18**	**7**
Remeasurements of defined benefit pension plans	61	–130
Deferred taxes on remeasurements of defined benefit pension plans	–20	41
Remeasurements of defined benefit pension plans recognized in other comprehensive income	*41*	*–89*
Other comprehensive income that will not be reclassified subsequently to profit or loss	**41**	**–89**
Other comprehensive income net of tax	**59**	**–82**
Total comprehensive income	**730**	**645**
Of which attributable to		
– Equity holders of Beiersdorf AG	718	627
– Non-controlling interests	12	18

Balance Sheet

(IN € MILLION)

Assets	Note	Dec. 31, 2015	**Dec. 31, 2016**
Intangible assets	10	119	119
Property, plant, and equipment	11	1,054	1,046
Non-current financial assets/Securities	14	1,318	1,919
Other non-current assets		3	1
Deferred tax assets	08	191	212
Non-current assets		**2,685**	**3,297**
Inventories	12	772	739
Trade receivables	13	1,258	1,293
Other current financial assets		115	143
Income tax receivables		100	108
Other current assets		167	163
Securities	14	858	958
Cash and cash equivalents	15	918	872
Current assets		**4,188**	**4,276**
		6,873	**7,573**

Equity and liabilities	Note	Dec. 31, 2015	**Dec. 31, 2016**
Share capital	17	252	252
Additional paid-in capital	20	47	47
Retained earnings	21	3,955	4,416
Accumulated other comprehensive income	22	–66	–59
Equity attributable to equity holders of Beiersdorf AG		**4,188**	**4,656**
Non-controlling interests		13	21
Equity		**4,201**	**4,677**
Provisions for pensions and other post-employment benefits	24	574	706
Other non-current provisions	25	81	96
Non-current financial liabilities		1	1
Other non-current liabilities		2	2
Deferred tax liabilities	08	88	55
Non-current liabilities		**746**	**860**
Other current provisions	25	419	440
Income tax liabilities		145	146
Trade payables	26	1,152	1,244
Other current financial liabilities	26	109	108
Other current liabilities	26	101	98
Current liabilities		**1,926**	**2,036**
		6,873	**7,573**

Cash Flow Statement

(IN € MILLION)

	2015	2016
Profit after tax	**671**	**727**
Reconciliation of profit after tax to net cash flow from operating activities		
Income taxes	297	313
Financial result	–6	–25
Income taxes paid	–277	–310
Depreciation and amortization	129	148
Change in non-current provisions (excluding interest components and changes recognized in OCI)	1	4
Gain/loss on disposal of property, plant, and equipment, and intangible assets	–45	2
Gross cash flow	**770**	**859**
Change in inventories	14	33
Change in receivables and other assets	–2	–48
Change in liabilities and current provisions	18	98
Net cash flow from operating activities	**800**	**942**
Investments in property, plant, and equipment, and intangible assets	–249	–162
Proceeds from the sale of property, plant, and equipment, and intangible assets	73	8
Payments to acquire securities	–839	–1,380
Proceeds from the sale/final maturity of securities	288	705
Interest received	39	35
Proceeds from dividends and other financing activities	33	30
Net cash flow from investing activities	**–655**	**–764**
Free cash flow	**145**	**178**
Proceeds from loans	44	33
Loan repayments	–59	–58
Interest paid	–13	–3
Other financing expenses paid	–13	–34
Cash dividends paid (Beiersdorf AG)	–159	–159
Cash dividends paid (non-controlling interests)	–10	–12
Net cash flow from financing activities	**–210**	**–233**
Effect of exchange rate fluctuations and other changes on cash held	7	9
Net change in cash and cash equivalents	–58	–46
Cash and cash equivalents as of Jan. 1	**976**	**918**
Cash and cash equivalents as of Dec. 31	**918**	**872**

Statement of Changes in Equity

(IN € MILLION)

				Accumulated other comprehensive income					
	Share capital	Additional paid-in capital	Retained earnings*	Currency translation adjustment	Hedging instruments from cash flow hedges	Available-for-sale financial assets	Total attributable to equity holders	Non-controlling interests	**Total**
Jan. 1, 2015	**252**	**47**	**3,413**	**–93**	**–3**	**13**	**3,629**	**11**	**3,640**
Total comprehensive income for the period	–	–	701	13	3	1	718	12	730
Dividend of Beiersdorf AG for previous year	–	–	–159	–	–	–	–159	–	–159
Change in non-controlling interests (dividend / other)	–	–	–	–	–	–	–	–10	–10
Dec. 31, 2015/Jan. 1, 2016	**252**	**47**	**3,955**	**–80**	**–**	**14**	**4,188**	**13**	**4,201**
Total comprehensive income for the period	–	–	620	39	–16	–16	627	18	645
Dividend of Beiersdorf AG for previous year	–	–	–159	–	–	–	–159	–	–159
Change in non-controlling interests (dividend / other)	–	–	–	–	–	–	–	–10	–10
Dec. 31, 2016	**252**	**47**	**4,416**	**–41**	**–16**	**–2**	**4,656**	**21**	**4,677**

* The cost of treasury shares amounting to €955 million has been deducted from retained earnings.

Segment Reporting

(IN € MILLION)

2015		Consumer	tesa	Group
Net sales		**5,546**	**1,140**	**6,686**
Change (nominal)	(in %)	6.5	5.9	6.4
Change (organic)	(in %)	3.6	0.4	3.0
Share of Group sales	(in %)	**83.0**	**17.0**	**100.0**
EBITDA		**871**	**220**	**1,091**
Operating result (EBIT)		**771**	**191**	**962**
as % of sales		13.9	16.8	14.4
Operating result (EBIT, excluding special factors)*		**771**	**191**	**962**
as % of sales		13.9	16.8	14.4
Gross operating capital*		**2,584**	**810**	**3,394**
Operating liabilities*		**1,528**	**218**	**1,746**
EBIT return on net operating capital*	(in %)	72.9	32.3	58.4
Gross cash flow		**598**	**172**	**770**
Capital expenditure**		**135**	**114**	**249**
Depreciation and amortization		**100**	**29**	**129**
Impairment losses on trademarks and goodwill		**–**	**–**	**–**
Research and development expenses		**132**	**51**	**183**
Employees	(as of Dec. 31)	**13,549**	**4,110**	**17,659**

2016		Consumer	tesa	Group
Net sales		**5,606**	**1,146**	**6,752**
Change (nominal)	(in %)	1.1	0.6	1.0
Change (organic)	(in %)	3.3	2.6	3.2
Share of Group sales	(in %)	**83.0**	**17.0**	**100.0**
EBITDA		**939**	**224**	**1,163**
Operating result (EBIT)		**829**	**186**	**1,015**
as % of sales		14.8	16.2	15.0
Operating result (EBIT, excluding special factors)*		**829**	**186**	**1,015**
as % of sales		14.8	16.2	15.0
Gross operating capital*		**2,542**	**830**	**3,372**
Operating liabilities*		**1,679**	**216**	**1,895**
EBIT return on net operating capital*	(in %)	96.0	30.3	68.7
Gross cash flow		**688**	**171**	**859**
Capital expenditure**		**113**	**49**	**162**
Depreciation and amortization		**110**	**38**	**148**
Impairment losses on trademarks and goodwill		**–**	**–**	**–**
Research and development expenses		**136**	**52**	**188**
Employees	(as of Dec. 31)	**13,776**	**4,158**	**17,934**

* See the disclosures contained in the section entitled "Notes to the Segment Reporting."
** Figures comprise investments in intangible assets and property, plant, and equipment.

Regional Reporting

(IN € MILLION)

2015		Europe	Americas	Africa / Asia / Australia	Group
Net sales		**3,447**	**1,243**	**1,996**	**6,686**
Change (nominal)	(in %)	0.8	11.4	14.1	6.4
Change (organic)	(in %)	1.3	8.1	3.1	3.0
Share of Group sales	(in %)	**51.6**	**18.6**	**29.8**	**100.0**
EBITDA		**707**	**120**	**264**	**1,091**
Operating result (EBIT)		**618**	**104**	**240**	**962**
as % of sales		17.9	8.4	12.0	14.4
Operating result (EBIT, excluding special factors)*		**618**	**104**	**240**	**962**
as % of sales		17.9	8.4	12.0	14.4
Capital expenditure**		**180**	**31**	**38**	**249**
Depreciation and amortization		**89**	**16**	**24**	**129**
Impairment losses on trademarks and goodwill		**–**	**–**	**–**	**–**
Employees	(as of Dec. 31)	**10,255**	**2,770**	**4,634**	**17,659**

2016		Europe	Americas	Africa / Asia / Australia	Group
Net sales		**3,461**	**1,252**	**2,039**	**6,752**
Change (nominal)	(in %)	0.4	0.7	2.2	1.0
Change (organic)	(in %)	2.8	3.4	3.7	3.2
Share of Group sales	(in %)	**51.3**	**18.5**	**30.2**	**100.0**
EBITDA		**709**	**144**	**310**	**1,163**
Operating result (EBIT)		**607**	**127**	**281**	**1,015**
as % of sales		17.5	10.2	13.8	15.0
Operating result (EBIT, excluding special factors)*		**607**	**127**	**281**	**1,015**
as % of sales		17.5	10.2	13.8	15.0
Capital expenditure**		**110**	**26**	**26**	**162**
Depreciation and amortization		**102**	**17**	**29**	**148**
Impairment losses on trademarks and goodwill		**–**	**–**	**–**	**–**
Employees	(as of Dec. 31)	**10,366**	**2,714**	**4,854**	**17,934**

* See the disclosures contained in the section entitled “Notes to the Segment Reporting.”
** Figures comprise investments in intangible assets and property, plant, and equipment.

Significant Accounting Policies

Information on the Company and on the Group

The registered office of Beiersdorf AG is at Unnastrasse 48 in Hamburg (Germany), and the company is registered with the commercial register of the Hamburg Local Court under the number HRB 1787. Beiersdorf AG is included in the consolidated financial statements of maxingvest ag.

The activities of Beiersdorf AG and its affiliates ("Beiersdorf Group") consist primarily of the manufacture and distribution of branded consumer goods in the area of skin and body care, and of the manufacture and distribution of technical adhesive tapes.

The consolidated financial statements of Beiersdorf AG for the fiscal year from January 1 to December 31, 2016, were prepared by the Executive Board on February 6, 2017, and subsequently submitted to the Supervisory Board for examination and approval.

General Principles

The consolidated financial statements of Beiersdorf AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under § 315a (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*). All IFRSs and IFRICs endorsed by the European Commission and required to be applied as of December 31, 2016, were applied.

The consolidated financial statements were prepared using the historical cost convention. Exceptions to this rule relate to financial instruments assigned to the "available for sale" and "at fair value through profit or loss" categories and derivative financial instruments, which are all measured at fair value where such fair value can be reliably determined.

The consolidated income statement was prepared using the cost of sales method. Individual line items have been summarized in the income statement and the balance sheet to aid clarity of presentation. These items are disclosed and explained separately in the notes.

Estimates and Assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. Such estimates and assumptions reflect all currently available information. Significant estimates and assumptions were made in particular in relation to the following accounting policies: impairment testing of goodwill and indefinite-lived intangible assets (Note 10 "Intangible Assets"), write-downs of doubtful receivables (Note 13 "Trade Receivables"), the actuarial assumptions for the defined benefit expense as well as for the present value of pension commitments (Note 24 "Provisions for Pensions and Other Post-employment Benefits"), the determination of the amount of eligible deferred tax assets (Note 08 "Income Taxes"), and the recognition of other provisions (Note 25 "Other Provisions"). Furthermore, estimates and assumptions are made in particular when determining the useful lives of intangible assets and property, plant, and equipment, and when measuring inventories.

Actual amounts may differ from these estimates. Changes to estimates are recognized in profit or loss when more recent knowledge becomes available.

Consolidation Principles

Acquisition accounting uses the purchase method, under which the cost of the business combination is allocated to the identifiable assets acquired and identifiable liabilities and contingent liabilities assumed, measured at their fair values at the acquisition date. The cost of an acquisition is the sum of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interests in the acquiree. For each business combination, the non-controlling interests in the acquiree are measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of the business combination over the acquirer's interest in the net fair values of identifiable assets, liabilities, and contingent liabilities is recognized as goodwill. Costs incurred in the course of the business combination are recognized as an expense.

Profit and equity of subsidiaries attributable to non-controlling interests are presented separately in the consolidated income statement and as a component of equity in the consolidated balance sheet. Losses at a subsidiary are attributed to the non-controlling interests even if this results in a negative balance. In the case of successive purchases of the shares of subsidiaries, the difference between the cost of the new shares and the non-controlling interests previously recognized in the Group for these shares is recognized in other comprehensive income. In a business combination achieved in stages, the effects from acquisition-date fair value remeasurement of previously held equity interests in the acquiree are recognized in the income statement. Subsequent adjustments of contingent consideration are recognized in the income statement.

All intercompany balances, transactions, income, and expenses, and gains and losses on intragroup transactions that are contained in the carrying amounts of assets are eliminated in full.

The consolidated financial statements include Beiersdorf AG and the subsidiaries over which it has control within the meaning of IFRS 10. Control over an investee exists if Beiersdorf AG has direct or indirect power over the investee, is exposed to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Currency Translation

The consolidated financial statements have been prepared in euros. The euro is Beiersdorf AG's functional and presentation currency. Unless otherwise indicated, all amounts are rounded to millions of euros (€ million). Each company in the Group defines its own functional currency. As the foreign subsidiaries operate as financially, economically, and organizationally independent entities, their functional currency is always the local currency. The items contained in the financial statements of the company concerned are measured using this functional currency. Foreign currency transactions are initially translated at the spot rate at the transaction date. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate at the transaction date. Exchange differences from the translation of monetary items are recognized in income. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate.

At the balance sheet date, the assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate. Income and expenses are generally translated at average exchange rates for the fiscal year. Exchange differences arising on this are recognized as a separate component of equity.

The following table shows the changes in the exchange rates for the currencies material to the consolidated financial statements:

EXCHANGE RATE CHANGES (€1 =)

	Average rates		Closing rates	
	2015	**2016**	2015	**2016**
Brazilian real (BRL)	3.7426	3.8212	4.3117	3.4294
Swiss franc (CHF)	1.0646	1.0909	1.0835	1.0735
Chinese yuan (CNY)	6.9471	7.3418	7.0608	7.3181
Pound sterling (GBP)	0.7242	0.8225	0.7340	0.8550
Japanese yen (JPY)	133.6308	120.4275	131.0700	123.3300
Russian ruble (RUB)	68.7681	73.2944	80.6736	64.3205
Thai baht (THB)	38.0033	38.8607	39.2480	37.7208
US dollar (USD)	1.1046	1.1032	1.0887	1.0539

Changes in Accounting Policies

Amendments to IAS 1 "Presentation of Financial Statements" in the context of the Disclosure Initiative, and to a series of other standards and interpretations, were to be applied for the first time from January 1, 2016. The first-time application did not have any effects on the consolidated financial statements.

The remainder of the accounting policies correspond to those applied in the previous year.

The following standards and interpretations relevant for the Beiersdorf Group's business operations have been issued as of December 31, 2016, but are not yet required to be applied for the fiscal year then ended:

- IFRS 9 "Financial Instruments" (on/after January 1, 2018)
  The standard harmonizes guidance on the classification and measurement of financial assets and financial liabilities, and introduces a new impairment model for financial assets. In addition, the new hedge accounting requirements published in November 2013 were included in the final version of IFRS 9. These replace the requirements of IAS 39. Our review concluded that the first-time application of IFRS 9 is not expected to have any material impact on the consolidated financial statements based on the current structure of financial assets and current hedging strategy.

- IFRS 15 "Revenue from Contracts with Customers" (on/after January 1, 2018)
  The standard includes a five-step model that must be applied when recognizing revenue from all contracts with customers. It determines the point in time (or period over time) and amount at which revenue must be recognized. The standard also introduces new, extensive disclosures in the notes. Our review concluded that, given the nature of our customer contracts and our business model, the first-time application of IFRS 15 is not expected to have any material impact on the consolidated financial statements.

- IFRS 16 "Leases" (on/after January 1, 2019)
  The IASB published the final version of IFRS 16 "Leases" in January 2016. The standard applies in principle to all leases and involves recognizing a right of use and associated leasing liability on the lessee's balance sheet, as well as extensive disclosures in the notes. The specific effects of the standard are currently being examined. In light of our analysis so far, we expect the first-time application of IFRS 16 to lead to a slight balance sheet extension as well as a minor change in EBIT, one of our key performance indicators. Information on our current leasing expenditure can be found in Note 28 "Contingent Liabilities, Other Financial Obligations, and Legal Risks."

Where the amendments or changes have already been adopted by the EU, the date of initial application given relates to the date they are required to be applied for the first time in the EU. Otherwise it relates to the date on which they are required to be applied for the first time that has been specified by the IASB. The standards will be applied at the latest in the year in which they are first required to be applied for entities in the EU.

The IASB has also revised or issued further standards and interpretations that must be applied in future. However, these will have no material effects on the consolidated financial statements.

Significant Accounting Policies

Sales are recognized when goods and products are delivered and the significant risks and rewards incidental to ownership have been transferred to the buyer. Discounts, customer bonuses, and rebates are deducted from sales, as is consideration payable to trading partners in those cases in which the consideration is not matched by a distinct product or service supplied whose fair value can be estimated reliably. The probability of returns is reflected in the recognition and measurement of sales.

Cost of goods sold comprises the cost of internally produced goods sold and the purchase price of merchandise sold. The cost of internally produced goods includes directly attributable costs such as the cost of direct materials, direct labor, and energy, as well as production overheads, including depreciation of production facilities. The cost of goods sold also includes write-downs of inventories and operating expenses for distribution centers and freight shipments to customers.

Marketing and selling expenses comprise the costs of sales and marketing departments, expenditure on advertising, retail (point of sale) marketing, and similar items. This item also includes write-downs of trade receivables.

Research costs are recognized in profit or loss for the period. Development costs for new products are capitalized if the recognition criteria laid down in IAS 38 are met. This is normally not the case, as the expected future economic benefits cannot be measured reliably until the products are market ready. **Other development costs** (e.g. for information systems) are capitalized as intangible assets if the recognition criteria laid down in IAS 38 are met. Once capitalized, they are amortized using the straight-line method over their expected useful lives.

Purchased **intangible assets** such as patents, trademarks, and software are measured at cost. The carrying amounts of finite-lived intangible assets are reduced by straight-line amortization over their expected useful lives. The useful lives, residual values, and amortization methods are reviewed regularly. Goodwill and indefinite-lived intangible assets are not amortized.

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually. The following useful lives are generally applied to the depreciation of items of property, plant, and equipment:

USEFUL LIVES OF PROPERTY, PLANT, AND EQUIPMENT

Buildings	10 to 33 years
Technical equipment and machinery	5 to 15 years
Office and other equipment	3 to 15 years

Production costs of internally manufactured items of property, plant, and equipment are calculated on the basis of attributable direct costs plus an appropriate share of production-related overheads. Interest on borrowings is recognized as a current expense where this does not relate to the production of qualifying assets. Repair and maintenance costs for property, plant, and equipment are also expensed as incurred. Substantial renewals or enhancements that materially increase production capacity or significantly extend the economic life of an asset are capitalized. Correspondingly, components that were previously capitalized and have been replaced by new expenditures to be capitalized are accounted for as disposals. Government grants and subsidies reduce historical cost.

Goodwill and indefinite-lived intangible assets are **tested for impairment** at least once a year; such impairment tests are only conducted for finite-lived intangible assets and property, plant, and equipment if there are indications of impairment. An impairment loss is recognized in profit or loss if the recoverable amount of the asset is lower than its carrying amount. Recoverable amount is identified separately for each asset. If an asset does not generate cash inflows that are largely independent from other assets, recoverable amount is identified on the basis of a group of assets designated as the cash-generating unit. Recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Value in use is calculated on the basis of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life, using the discounted cash flow method. Cash flows are derived from the business plans and reflect current developments. They are discounted to the date of the impairment test using capitalization rates for equivalent risks.

If the reasons for an impairment loss recognized in previous years no longer apply, the impairment loss (except for goodwill) is reversed up to a maximum of amortized cost.

Inventories are carried at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is measured using the average cost method. Production cost is calculated as the direct costs plus an appropriate allocation of materials and production overheads, as well as production-related depreciation. It also includes the proportionate costs of company pension arrangements and voluntary social benefits, as well as production-related administrative expenses.

Cash comprises bank balances, cash-on-hand, and checks. **Cash equivalents** are short-term liquid investments that can be converted into a specified amount of cash at any time and are exposed to no more than insignificant fluctuations in value. In accordance with IAS 39, cash and cash equivalents are classified as "loans and receivables."

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. Financial assets and financial liabilities are measured at fair value on initial recognition. In the Beiersdorf Group, financial instruments are allocated to the "loans and receivables" (LaR), "held to maturity" (HtM), "available for sale" (AfS), "other financial liabilities" (OFL), and "at fair value through profit or loss" (FVPL) categories. In accordance with IAS 39, derivative financial instruments used for hedges are not assigned to a separate category; within the Beiersdorf Group, they are subsumed under "derivative financial instruments" (DFI).

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are valued at amortized cost less any impairment losses using the effective interest method.

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. They are carried at amortized cost using the effective interest method.

Financial assets available for sale are those non-derivative financial assets that do not fall under other categories and that were classified as "available for sale." They are measured at fair value. The resulting gains and losses are recognized in other comprehensive income. When these financial assets are sold or written down for impairment, the cumulative gains and losses recognized in other comprehensive income are recognized in the income statement. They are measured on the basis of appropriate market prices or by applying suitable valuation techniques. Financial investments in equity instruments for which there is no active market and whose fair value cannot be reliably determined are measured at historical cost.

Financial assets are **tested for impairment** as of each reporting date. Any impairment established or any reversal of impairment losses in subsequent periods is generally recognized immediately in profit or loss. For financial assets available for sale, an impairment loss is recognized in the case of significant or permanent impairment. Reversals of impairment losses on equity instruments are recognized directly in other comprehensive income. Appropriate valuation allowances are charged for identifiable risks relating to trade receivables and other financial assets that are classified as "loans and receivables." The estimated valuation allowance on receivables is based primarily on the results of previous payment behavior and reflects the age structure, any substantial deterioration in creditworthiness, or a high probability of debtor insolvency, as well as changes in the political and macroeconomic environment.

Other financial liabilities are carried at amortized cost using the effective interest method after their initial recognition. Gains and losses resulting from amortization using the effective interest method and from derecognition of liabilities are recognized in income. Liabilities with remaining contractual maturities of more than one year are classified as non-current.

Financial assets and financial liabilities are derecognized when control of the contractual rights is lost, when the obligation specified in the contract is discharged or canceled, or when it has expired.

The Beiersdorf Group uses **derivative financial instruments** to manage current and future currency risks. The instruments concerned are mainly currency forwards. Derivative financial instruments are recognized at fair value. They are reported in the balance sheet in other financial assets or other financial liabilities.

The recognition of changes in the fair values of derivative financial instruments depends on whether these instruments are used as hedging instruments and meet the criteria for hedge accounting under IAS 39. If the criteria are not met despite the existence of an economic hedge, changes in the fair values of derivative financial instruments are recognized immediately in profit or loss.

Derivatives classified as fair value hedges are measured at their fair value. Any resulting changes in fair value are recognized in profit or loss. The carrying amount of the hedged asset or liability is adjusted for the changes in fair value attributable to the hedged risk. Gains or losses resulting from changes in fair value are recognized in profit or loss for the period.

For derivative financial instruments designated as hedging instruments that qualify for hedging accounting as a cash flow hedge, the effective portion of the change in the fair value is recognized in other comprehensive income, net of the related tax effect. The ineffective portion is recognized in profit or loss. When the hedged item (underlying) is settled, the effective portion is also recognized in the income statement.

The **fair value of financial instruments** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, it is assumed that the underlying transaction on which the price is based takes place in either the principal market or the most advantageous market that the Beiersdorf Group has access to. The price is measured using the assumptions that market participants would base pricing on. All financial instruments recognized at fair value in the financial statements are categorized into the following hierarchy levels in accordance with IFRS 13:

- Level 1: Fair values that are measured using quoted prices in active markets.
- Level 2: Fair values that are measured using valuation techniques whose significant inputs are based on directly or indirectly observable market data.
- Level 3: Fair values that are measured using valuation techniques whose significant inputs are not based on observable market data.

Financial instruments regularly measured at fair value are reassessed at the end of the fiscal year to determine whether reclassifications have to be made between the levels of the hierarchy. The fair value of financial instruments carried at amortized cost is determined on the basis of the expected future cash flows, using the benchmark interest rates for matching risks and maturities at the balance sheet date.

Provisions for pensions and other post-employment benefits comprise the provisions for defined benefit plans within the Group. Obligations are measured using the projected unit credit method. The expected benefits are spread over the entire length of service of the employees. The actuarial computation of the pension provisions is based on market rates of interest as well as projected wage/salary and pension increases, and staff turnover trends. Measurement is performed using the relevant local inputs. In Germany, the mortality rate was based on Heubeck's 2005 mortality tables, while international rates were based on locally recognized mortality tables. The various discount rates used are based on the yields of high-quality corporate bonds with appropriate maturities and currencies and a minimum of an AA rating. Actuarial reports are prepared annually. All assumptions are reviewed for appropriateness at each reporting date.

The amount recognized as a provision comprises the total present value of the defined benefit obligation less the fair value of plan assets available for immediate settlement of obligations. If the fair value of plan assets exceeds the present value of the defined benefit obligation, net assets are only recognized up to the amount of the asset ceiling.

Past service cost is recognized as a component of EBIT in line with the principle of functional allocation, while net interest income is recognized in the financial result. Actuarial gains and losses resulting from changes in actuarial assumptions and deviations between earlier actuarial assumptions and actual developments, as well as from changes in the return on plan assets, are recognized immediately and in full under retained earnings in consolidated equity. They are not recognized in profit or loss later on, but rather remain in consolidated equity.

In the case of defined contribution plans, contributions are made on a statutory, contractual, or voluntary basis to public or private pension insurance plans. The Group does not have any other payment obligations above and beyond the contributions. The contributions are recognized in profit or loss as a component of EBIT.

Other provisions take account of all identifiable future payment obligations, risks, and uncertain obligations of the Group resulting from current legal or constructive obligations arising from past events where the amount of the obligation can be measured reliably. Such other provisions are mainly due within one year. Non-current provisions expected to be settled after more than one year are discounted as far as the interest effect is material.

Provisions are recognized for restructurings if there is a detailed, formal restructuring plan and there is a valid expectation on the part of those affected that the restructurings will be implemented. Measurement of restructuring provisions only includes expenses that are necessarily entailed by the restructuring and are not associated with the ongoing activities of the entity.

Current **income tax** assets and liabilities for current and future periods are recognized at the expected amount. The tax rates and tax legislation enacted at the reporting date are used to calculate the amount.

Deferred taxes result from temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS balance sheet, and from tax loss carryforwards. Deferred taxes are measured using the balance sheet liability method on the basis of the tax rates expected to be enacted in the individual countries when the temporary differences reverse. These rates are based on the legislation in force at the balance sheet date. No deferred taxes are recognized for differences arising on the initial recognition of assets and liabilities that are not the result of business combinations and do not affect either accounting or taxable profit.

Deferred tax assets in respect of temporary differences, tax loss carryforwards, and tax credits are recognized where it is probable that sufficient taxable profit will be available in future periods against which they can be utilized. Recognized deferred taxes are tested for recoverability every year. Income taxes relating to items recognized in other comprehensive income are not recognized in the income statement but in other comprehensive income.

Current tax assets and liabilities, and deferred tax assets and liabilities, are offset against each other if the Group has a legally enforceable right to offset the current tax assets against current tax liabilities and these relate to income taxes levied on the same taxable entity by the same taxation authority.

Substantially all the risks and rewards incidental to ownership of the assets for which leases have been entered into and the Group is the **lessee** remain with the lessor. The leases are therefore classed as operating leases. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease as expenses for the period in the consolidated income statement.

SUMMARY OF SELECTED MEASUREMENT POLICIES

Balance sheet item	Measurement policy
Assets	
Goodwill	Lower of cost or recoverable amount
Other intangible assets	
indefinite-lived	Lower of cost or recoverable amount
finite-lived	(Amortized) cost
Property, plant, and equipment	(Amortized) cost
Financial assets	
“Loans and receivables” (LaR)	(Amortized) cost
“Held to maturity” (HtM)	(Amortized) cost
“Available for sale” (AfS)	At fair value in other comprehensive income
“At fair value through profit or loss” (FVPL)	At fair value through profit or loss
Inventories	Lower of cost or net realizable value
Trade receivables	(Amortized) cost
Cash and cash equivalents	Nominal amount
Non-current assets and disposal groups held for sale	Lower of (amortized) cost or net realizable value
Equity and liabilities	
Provisions	
Provisions for pensions and other post-employment benefits	Projected unit credit method
Other provisions	Settlement amount (best estimate)
Financial liabilities	(Amortized) cost
Trade payables	(Amortized) cost
Other liabilities	Settlement amount

Notes to the Cash Flow Statement

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing, and financing activities.

Net cash flow from operating activities is determined using the indirect method, while net cash flows from investing and financing activities are determined using the direct method.

Cash funds are composed of cash and cash equivalents that can be converted into cash at any time and that are exposed to no more than insignificant fluctuations in value.

Notes to the Segment Reporting

Segment reporting in the Beiersdorf Group is based on the management of business operations. The breakdown of the Group into the Consumer and tesa Business Segments reflects the internal organizational structure and the reporting to the Executive Board and the Supervisory Board.

The Beiersdorf Group measures the success of its segments on the basis of sales growth and the operating result (EBIT, excluding special factors) in conjunction with the EBIT margin.

In order to show the global breakdown of business activities in the Beiersdorf Group, information on the geographic regions is presented in addition to the operating segments. The external sales shown for the regions are based on the domiciles of the respective companies.

Group companies domiciled in Germany generated sales of €1,381 million in 2016 (previous year: €1,338 million) and reported non-current assets (not including financial instruments, deferred taxes, and plan assets) of €761 million (previous year: €752 million).

Organic sales growth is the nominal sales growth adjusted for exchange rate effects and structural effects from acquisitions and divestments.

EBIT excluding special factors represents the operating result (EBIT), adjusted for non-operating one-off business transactions. Where special factors exist, a reconciliation of the operating result to EBIT excluding special factors is given in the section of the Group Management Report entitled "Results of Operations, Net Assets, and Financial Position."

EBITDA represents the operating result (EBIT) before depreciation, amortization, and impairment losses.

The **EBIT return on net operating capital** is the ratio of the operating result (EBIT) to net operating capital.

Gross cash flow is the excess of operating income over operating expenses before any further appropriation of funds.

Net operating capital of €1,477 million (previous year: €1,648 million) consists of gross operating capital less operating liabilities. The following table shows the reconciliation of net operating capital to the balance sheet items:

RECONCILIATION OF NET OPERATING CAPITAL TO BALANCE SHEET ITEMS (IN € MILLION)

Assets	Dec. 31, 2015	Dec. 31, 2016
Intangible assets	119	119
Property, plant, and equipment	1,054	1,046
Inventories	772	739
Trade receivables	1,258	1,293
Other receivables and other assets (not including tax receivables)	191	175
Gross operating capital	**3,394**	**3,372**
Gross non-operating assets	3,479	4,201
Total balance sheet assets	**6,873**	**7,573**

Equity and liabilities	Dec. 31, 2015	Dec. 31, 2016
Other provisions (not including tax provisions)	500	536
Trade payables	1,152	1,244
Other liabilities (not including tax liabilities)	94	115
Operating liabilities	**1,746**	**1,895**
Equity	4,201	4,677
Non-operating liabilities	926	1,001
Total balance sheet equity and liabilities	**6,873**	**7,573**

Consolidated Group, Acquisitions, and Divestments

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 18 (previous year: 18) German and 146 (previous year: 145) international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly, and from whose activities it can derive economic benefits.

In the year under review, two companies that are included in the consolidated financial statements were newly established. In addition, one company was wound up.

Beiersdorf AG's Shareholdings

Disclosures of Beiersdorf AG's shareholdings are made in the section entitled "Additional Information." The list shows those companies / equity interests in which Beiersdorf AG holds 5% or more of the shares and / or voting rights.

Significant Acquisitions

The Beiersdorf Group did not make any significant acquisitions during the year under review or in the previous year.

Significant Divestments

The Beiersdorf Group did not make any significant divestments during the year under review or in the previous year.

Exercise of Exemption Options

The following German affiliates included in the consolidated financial statements of Beiersdorf AG exercised the exemption option under § 264 (3) *HGB* in fiscal year 2016:

- Beiersdorf Manufacturing Hamburg GmbH, Hamburg
- Beiersdorf Manufacturing Berlin GmbH, Berlin
- Beiersdorf Manufacturing Waldheim GmbH, Waldheim
- La Prairie Group Deutschland GmbH, Baden-Baden
- Produits de Beauté Logistik GmbH, Baden-Baden
- Produits de Beauté Produktions GmbH, Baden-Baden
- Beiersdorf Shared Services GmbH, Hamburg
- Phanex Handelsgesellschaft mbH, Hamburg

Notes to the Income Statement

01 Sales
Sales amounted to €6,752 million in fiscal year 2016 (previous year: €6,686 million). A breakdown of sales and their development can be found in the management report, the segment reporting, and regional reporting.

02 Cost of Goods Sold
The cost of goods sold amounted to €2,774 million (previous year: €2,785 million). This item includes inventories expensed in the reporting period as well as direct expenses for distribution logistics.

03 Marketing and Selling Expenses
Marketing and selling expenses were €2,407 million (previous year: €2,430 million). The item includes expenditure on advertising, retail (point of sale) marketing, and similar items amounting to €1,496 million (previous year: €1,529 million).

04 General and Administrative Expenses
General and administrative expenses amounted to €364 million in the past fiscal year (previous year: €366 million). This item comprises personnel expenses and other administration costs, as well as the cost of external services that are not allocated internally to other functions.

05 Other Operating Income

(IN € MILLION)

	2015	**2016**
Gains on disposals of plant and equipment, and other assets	54	3
Income from the reversal of provisions	47	57
Miscellaneous other income	85	114
	186	**174**

Gains on disposals of plant and equipment, and other assets in the previous year were primarily attributable to the sale to TROMA Alters- und Hinterbliebenenstiftung of office buildings held and used by Beiersdorf AG (€34 million). Income from the reversal of provisions was due among other things to personnel risk provisions, litigation risk provisions, and other provisions that are no longer required. Miscellaneous other income includes income from insurance benefits, refunds, reversal of accruals and valuation allowances on receivables no longer required, as well as other out-of-period income.

06 Other Operating Expenses

(IN € MILLION)

	2015	**2016**
Restructuring expenses	28	27
Exchange losses on operating activities	15	7
Amortization and impairment of intangible assets	1	1
Losses on disposal of non-current assets	8	3
Miscellaneous other expenses	94	140
	146	**178**

Restructuring expenses were largely attributable to ongoing restructurings. Exchange losses on operating activities include an effect of €0 million (previous year: a loss of €5 million) representing the net gain or loss on the fair value measurement of derivative financial instruments that was previously recognized in other comprehensive income. Miscellaneous other expenses include additions to provisions for litigation and other risks, as well as miscellaneous other operating expenses.

07 Financial Result

(IN € MILLION)

	2015	**2016**
Interest income	25	30
Interest expense	–14	–4
Net pension result	–13	–13
Other financial result	8	12
	6	**25**

Interest income primarily results from the “cash and cash equivalents,” “securities,” and “non-current financial assets/securities” positions. The net income from held-to-maturity financial assets contained in this item amounted to €15 million (previous year: €10 million). Interest expenditure was primarily attributable to financial liabilities. The prior-year figure contained €7 million in interest expenditure relating to a tax reassessment. The net pension result contains expenses from unwinding the discount on the net pension obligation incurred in previous years. The other financial result contains gains from financial assets, currency gains and losses, and income from investments.

08 Income Taxes
Income tax expense including deferred taxes can be broken down as follows:

(IN € MILLION)

	2015	**2016**
Current income taxes		
Germany	103	105
International	202	212
	305	**317**
Deferred taxes	**–8**	**–4**
	297	**313**

RECONCILIATION TO EFFECTIVE TAX EXPENSE

Given an effective tax rate of 30.1% (previous year: 30.7%), the effective tax expense is €34 million (previous year: €38 million) higher than the expected tax expense. The expected tax rate is calculated as the weighted average of the tax rates of the individual Group companies and amounts to 26.8% (previous year: 26.8%).

The following table shows the reconciliation of expected to effective tax expense:

EFFECTIVE TAX EXPENSE (IN € MILLION)

	2015	**2016**
Expected tax expense given a tax rate of 26.8% (previous year: 26.8%)	259	279
Prior-year taxes	2	5
Tax deductions due to tax-free income	–5	–7
Tax increases due to other non-deductible expenses	28	23
Tax decreases due to the utilization/recognition of previously unrecognized tax loss carryforwards	–5	–4
Tax increases due to non-recognition of tax loss carryforwards	8	8
Other tax effects	10	9
Effective tax expense	**297**	**313**

No deferred tax assets have been recognized for tax loss carryforwards and unused tax credits of €177 million (previous year: €208 million), whose expiration dates are given below.

EXPIRATION DATES OF TAX LOSS CARRYFORWARDS AND UNUSED TAX CREDITS (IN € MILLION)

	Dec. 31, 2015	**Dec. 31, 2016**
Expiration date within		
1 year	48	16
2 years	17	9
3 years	9	46
more than 3 years	107	75
Unlimited carryforward period	27	31
	208	**177**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. Given the positive assessments of future business development, it is assumed there is a reasonable probability that future taxable income will be sufficient to allow utilization of the deferred tax assets.

Deferred taxes relate to the following balance sheet items and matters:

ALLOCATION OF DEFERRED TAXES (IN € MILLION)

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**
Non-current assets	8	10	43	39
Inventories	20	21	–	–
Receivables and other current assets	17	11	22	19
Provisions for pensions and other post-employment benefits	60	75	27	1
Other provisions	47	49	34	34
Liabilities	61	70	2	1
Retained earnings	–	–	16	13
Loss carryforwards	34	28	–	–
	247	**264**	**144**	**107**
Offset deferred taxes	–56	–52	–56	–52
Deferred taxes recognized in the balance sheet	**191**	**212**	**88**	**55**

Total net deferred tax assets amounted to €157 million for the year under review (previous year: €103 million). Of the year-on-year increase of €54 million (previous year: decrease of €23 million), €48 million was recognized directly in other comprehensive income (previous year: decrease in equity of €23 million). €4 million (previous year: €8 million) was recognized in profit or loss. €2 million of the increase was attributable to currency effects. In the previous year, currency effects had reduced this item by €8 million.

Deferred taxes are not recognized for retained earnings at foreign affiliates, as these profits are intended to be reinvested indefinitely in those operations from today's perspective. Where distributions are planned, their tax consequences are deferred. The liability is calculated based on the withholding tax rates applicable in each case, taking into account the German tax rate applicable to distributed corporate dividends, where appropriate. Deferred tax liabilities of €13 million (previous year: €16 million) were recognized for this in the reporting period.

09 Basic/Diluted Earnings per Share

Earnings per share for 2016 amounted to €3.13 (previous year: €2.91). The basis for the calculation is the profit after tax excluding profit attributable to non-controlling interests. Beiersdorf AG holds 25,181,016 treasury shares (unchanged). These were deducted from the total of 252,000,000 shares when calculating earnings per share, which resulted in earnings being calculated on the unchanged basis of 226,818,984 shares. As there are no outstanding financial instruments that can be exchanged for shares, there is no difference between diluted and basic earnings per share.

Notes to the Balance Sheet

10 Intangible Assets

COST (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Jan. 1, 2015	**392**	**151**	**79**	**622**
Currency translation adjustment	–	–	2	2
Additions	8	–	–	8
Disposals	–6	–	–	–6
Transfers	1	–	–	1
Dec. 31, 2015/Jan. 1, 2016	**395**	**151**	**81**	**627**
Currency translation adjustment	1	–	–3	–2
Additions	9	–	–	9
Disposals	–10	–	–	–10
Transfers	2	–	–	2
Dec. 31, 2016	**397**	**151**	**78**	**626**

AMORTIZATION / IMPAIRMENT LOSSES (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Jan. 1, 2015	**355**	**130**	**18**	**503**
Currency translation adjustment	1	–	–2	–1
Additions	11	–	–	11
Disposals	–5	–	–	–5
Transfers	–	–	–	–
Dec. 31, 2015/Jan. 1, 2016	**362**	**130**	**16**	**508**
Currency translation adjustment	–2	–	–1	–3
Additions	12	–	–	12
Disposals	–10	–	–	–10
Transfers	–	–	–	–
Dec. 31, 2016	**362**	**130**	**15**	**507**

CARRYING AMOUNTS (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Dec. 31, 2015	**33**	**21**	**65**	**119**
Dec. 31, 2016	**35**	**21**	**63**	**119**

INDEFINITE-LIVED INTANGIBLE ASSETS

The indefinite-lived intangible assets include the Chinese hair care brands that were acquired when the shares of the Beiersdorf Hair Care China Group were purchased. These have been recognized with an indefinite useful life since it is planned to continue using them for an unlimited period.

The annual impairment test did not result in any adjustment to the carrying amount of these trademarks. The carrying amount was €21 million (previous year: €21 million).

The value of the Beiersdorf Hair Care China's trademarks was calculated on the basis of fair value less costs to sell derived from the relief from royalty method, which was higher than the corresponding value in use. Costs to sell were assumed to be 1.0% of the brand value (previous year: 1.0%). The calculation is based on a discount rate after tax of 8.0% (previous year: 7.9%), a royalty rate of 1.5% (previous year: 1.5%) of sales, and a growth rate outside the planning horizon (growth discount) of 1.0% (previous year: 1.0%). The asset has been allocated to the Consumer Business Segment.

If the actual performance of the Chinese hair care business is lower or higher than the assumptions used in the calculation, it may be necessary to charge impairment losses or reversals of impairment losses on Beiersdorf Hair Care China's trademarks in the future.

GOODWILL

The carrying amounts of goodwill decreased by €2 million compared with the previous year to €63 million (previous year: €65 million) as a result of exchange rate effects.

Goodwill comprises the goodwill of €54 million (previous year: €54 million) attributable to Beiersdorf AG (Switzerland) and the goodwill of €9 million (previous year: €11 million) attributable to NIVEA Beiersdorf Turkey (Turkey). The goodwill is attributable in full to the Consumer Business Segment.

For the purpose of impairment testing, goodwill resulting from business combinations is allocated to the cash-generating units of the Group that are to profit from the synergy effects of the business combination, starting at the acquisition date. The cash-generating units for the items of goodwill mentioned above correspond to the respective legal units.

The recoverable amounts of the cash-generating units were determined using cash flow projections based on the calculation of the value in use for Beiersdorf AG (Switzerland) and the fair value less costs to sell of NIVEA Beiersdorf Turkey (Turkey). Expected costs to sell were assumed to be 1.0% of the fair value (previous year: 1.0%). The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of three years being used in the case of Beiersdorf AG (Switzerland) and of six years for NIVEA Beiersdorf Turkey (Turkey). Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account. The growth rate outside the planning horizon (growth discount) for Beiersdorf AG (Switzerland) was 1.0% (previous year: 1.0%). The weighted average discount rate before tax used to discount the estimated cash flows was 6.9% (previous year: 6.7%). In the case of NIVEA Beiersdorf Turkey (Turkey), a growth rate outside the planning horizon (growth discount) of 2.0% (previous year: 2.0%) and a discount rate after tax of 14.0% (previous year: 13.5%) were assumed. Based on the inputs to the valuation techniques used, the fair value measurement was classified as a Level 3 fair value in accordance with IFRS 13.

Planning for the cash-generating units is based on assumptions regarding the significant estimation parameters. The latter included gross margins, discount rates, commodity price trends, market share, and growth rates.

The impairment tests performed on the goodwill allocated to Beiersdorf AG (Switzerland) and NIVEA Beiersdorf Turkey (Turkey) did not reveal any evidence of impairment. In the case of both cash-generating units, the Group assumes that, although changes in these parameters are possible in principle in line with reasonable estimates, the recoverable amount will exceed the carrying amount of the goodwill.

As in the previous year, no internally generated intangible assets were recognized in the fiscal year under review, since the conditions for recognition set out in IAS 38 “Intangible Assets” were not met for the development projects.

11 Property, Plant, and Equipment

COST (IN € MILLION)

	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Jan. 1, 2015	**714**	**815**	**558**	**231**	**2,318**
Currency translation adjustment	2	7	2	–1	10
Additions	74	57	48	62	241
Disposals	–58	–60	–51	–4	–173
Transfers	72	70	28	–174	–4
Dec. 31, 2015/Jan. 1, 2016	**804**	**889**	**585**	**114**	**2,392**
Currency translation adjustment	–8	–1	1	1	–7
Additions	5	33	50	65	153
Disposals	–4	–14	–27	–5	–50
Transfers	11	16	12	–48	–9
Dec. 31, 2016	**808**	**923**	**621**	**127**	**2,479**

DEPRECIATION / IMPAIRMENT LOSS (IN € MILLION)

	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Jan. 1, 2015	**369**	**587**	**398**	**–**	**1,354**
Currency translation adjustment	3	7	1	–	11
Additions	21	45	52	–	118
Disposals	–45	–54	–46	–	–145
Transfers	–	1	–1	–	–
Dec. 31, 2015/Jan. 1, 2016	**348**	**586**	**404**	**–**	**1,338**
Currency translation adjustment	–	2	2	–	4
Additions	22	56	58	–	136
Disposals	–1	–12	–25	–	–38
Transfers	–	–7	–	–	–7
Dec. 31, 2016	**369**	**625**	**439**	**–**	**1,433**

CARRYING AMOUNTS (IN € MILLION)

	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Dec. 31, 2015	**456**	**303**	**181**	**114**	**1,054**
Dec. 31, 2016	**439**	**298**	**182**	**127**	**1,046**

The carrying amounts of property, plant, and equipment amounted to €1,046 million (previous year: €1,054 million). Investments in property, plant, and equipment totaled €153 million (previous year: €241 million). Following the completion of major investment projects in the previous year (new Consumer and tesa plants and the new tesa headquarters), investment in 2016 primarily related to replacement and rationalization. Depreciation and impairment losses amounted to €136 million (previous year: €118 million).

12 Inventories

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Raw materials, consumables, and supplies	160	165
Work in progress	49	53
Finished goods and merchandise	556	517
Advance payments	7	4
	772	**739**

Inventories decreased by €33 million compared with the previous year to €739 million, €136 million of which (previous year: €94 million) was carried at net realizable value. Write-downs of inventories amounted to €60 million as of the reporting date (previous year: €56 million).

13 Trade Receivables

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Carrying amount	**1,258**	**1,293**
Of which neither individually impaired nor past due	1,083	1,207
Of which past due but not individually impaired	158	82
1 to 30 days	117	67
31 to 60 days	17	3
more than 60 days	24	12

The trade receivables are classified as "loans and receivables" in accordance with IAS 39. Write-downs of doubtful receivables entail estimates and assessments of individual receivables, which are based on the credit quality of the individual customers, current economic developments, and analyses of historical defaults. The following changes in specific valuation allowances on trade receivables were recorded:

SPECIFIC VALUATION ALLOWANCES (IN € MILLION)

	2015	2016
Jan. 1	**20**	**15**
Currency translation adjustment	–1	–
Additions	2	7
Utilized	–1	–2
Reversals	–5	–2
Dec. 31	**15**	**18**

14 Securities

In total, the Beiersdorf Group holds €2,849 million (previous year: €2,155 million) in listed government and corporate bonds, commercial paper, near-money market retail funds, equities, and equity funds. Securities with a carrying amount of €958 million (previous year: €858 million) are expected to be realized within 12 months after the reporting date; securities with a carrying amount of €1,891 million (previous year: €1,297 million) are expected to be realized more than 12 months after the reporting date. At the balance sheet date, bonds lent to banks in short-term securities lending transactions amounted to €148 million (previous year: €0 million). These transactions do not meet the IFRS derecognition criteria. The bonds loaned therefore continue to be reported as securities. The fees received in return are recognized over time in profit and loss. The total fees received are not material. The majority of the government and corporate bonds and commercial paper are assigned to the "held to maturity" (HtM) category, while the near-money market retail funds, the equities and equity funds, and certain government bonds are assigned to the "available for sale" (AfS) category. Please refer to Note 27 "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments."

15 Cash and Cash Equivalents

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Cash	898	861
Cash equivalents	20	11
	918	**872**

Cash comprises bank balances, cash-on-hand, and checks. Cash equivalents are short-term liquid investments, such as money market funds, that can be converted into cash at any time and are exposed to no more than insignificant fluctuations in value.

16 Capital Management Disclosures

The Beiersdorf Group aims to sustainably secure its capital base and generate an appropriate return on its invested capital. As of December 31, 2016, the equity ratio was 62% (previous year: 61%), while the EBIT return on net operating capital was 69% (previous year: 58%). The total dividends distributed in fiscal year 2016 amounted to €171 million (previous year: €169 million). In the case of the dividend of €159 million (previous year: €159 million) paid by Beiersdorf AG, this corresponds to a distribution of €0.70 per no-par value share bearing dividend rights (previous year: €0.70).

17 Share Capital

The share capital amounts to €252 million (previous year: €252 million) and is composed of 252 million no-par value bearer shares, each with an equal share of the company's share capital. Since the settlement of the share buyback program on February 3, 2004, and following implementation of the share split in 2006, Beiersdorf Aktiengesellschaft has held 25,181,016 no-par value shares, corresponding to 9.99% of the company's share capital.

18 Authorized Capital

The Annual General Meeting on March 31, 2015, authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until March 30, 2020, by up to a total of €92 million (Authorized Capital I: €42 million; Authorized Capital II: €25 million; Authorized Capital III: €25 million) by issuing new bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined by a different method than that set out in § 60 (2) *AktG*.

Shareholders shall be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, rights to subscribe for new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);

3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. 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, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

19 Contingent Capital

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. In accordance with the resolution by the Annual General Meeting, the contingent capital increase will be implemented only if:

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.

20 Additional Paid-in Capital

Additional paid-in capital comprises the premium arising from the issue of shares by Beiersdorf AG.

21 Retained Earnings

Retained earnings comprise the net profit for the fiscal year and undistributed profits generated in prior periods by companies included in the consolidated financial statements. In addition, this item contains the actuarial gains and losses on remeasurements of defined benefit pension plans in previous years. The retained earnings are reduced by the cost of the 25,181,016 treasury shares held by Beiersdorf AG amounting to €955 million.

22 Accumulated Other Comprehensive Income

CURRENCY TRANSLATION ADJUSTMENT

The currency translation adjustment equity account serves to recognize differences resulting from the translation of the financial statements of affiliates that do not have the euro as their functional currency.

DIFFERENCE FROM THE FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The equity account for the fair value measurement of financial instruments contains the changes in the fair value of financial derivatives designated as hedging instruments of €–16 million (previous year: €0 million), and changes in the fair value of available-for-sale financial instruments in the amount of €–2 million (previous year: €14 million), which are recognized in other comprehensive income after deduction of deferred taxes.

23 Dividends

In accordance with the German Stock Corporation Act, dividends are distributed from net retained profits reported in the *HGB* single-entity financial statements of Beiersdorf AG. 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. The proposed distribution must be approved by the shareholders at the Annual General Meeting and therefore is not reported as a liability in the consolidated financial statements.

In accordance with the resolution by the Annual General Meeting on March 31, 2016, a dividend of €0.70 per no-par value share bearing dividend rights was distributed in 2016 from the net retained profits for fiscal year 2015.

24 Provisions for Pensions and Other Post-employment Benefits

Group companies provide retirement benefits under both defined contribution and defined benefit plans. With the exception of net interest, the defined benefit and defined contribution expenses are included in the costs of the respective functions. Net pension interest is reported in the financial result.

Defined contribution expenses also contain contributions to statutory or state pension insurance funds. There was no material income or expense from the termination of pension plans or the curtailment and transfer of pension benefits in the year under review.

PENSION BENEFIT EXPENSES (IN € MILLION)

	2015			**2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Current service cost	31	9	40	30	7	37
Past service cost	–	–1	–1	–	–	–
Defined benefit expense (EBIT)	**31**	**8**	**39**	**30**	**7**	**37**
Net interest result attributable to defined benefit plans (pension expense (+)/pension income (–))	**13**	**–**	**13**	**12**	**1**	**13**
Total expenses for defined benefit plans	**44**	**8**	**52**	**42**	**8**	**50**
Defined contribution expense (EBIT)	33	20	53	35	23	58
Total pension expense	**77**	**28**	**105**	**77**	**31**	**108**

DEFINED BENEFIT PENSION PLANS

The structure of the plans varies depending on the legal, economic, and tax situation in the country in question, and the plans are generally based on the employees' length of service, salary, and status, as well as their own contributions. The largest plans are to be found at the German companies.

International defined benefit plans are largely spread across the following countries: the United Kingdom, Switzerland, and the United States. The present value of the defined benefit obligations and the balance sheet provisions were attributable to Germany and the other countries as follows as of the reporting date:

PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (IN € MILLION)

	Dec. 31, 2015			**Dec. 31, 2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Present value of defined benefit obligations	1,256	195	1,451	1,389	217	1,606
Fair value of plan assets	–710	–179	–889	–718	–192	–910
Net obligation	**546**	**16**	**562**	**671**	**25**	**696**
Amounts not recognized due to asset ceiling	–	2	2	–	1	1
Other recognized amounts	–	10	10	–	9	9
Provisions for pensions and other post-employment benefits	**546**	**28**	**574**	**671**	**35**	**706**

A majority of the defined benefit obligations within the Beiersdorf Group relate to employees in Germany. These are primarily obligations in relation to retirement pensions, disability pensions, and surviving dependents' pensions granted as a supplement to the statutory pension insurance. Pension commitments in Germany largely consist of direct and indirect commitments by Beiersdorf AG and direct commitments by tesa SE. The benefits depend on the employees' length of service and their average salary over the three years immediately preceding the date on which the pension becomes payable. The pension payments to the beneficiaries are adjusted for inflation by at least 1% per annum; this is performed annually in some cases or at the latest every three years.

Defined benefit obligations are funded exclusively by employer payments. Although there is no minimum funding requirement in Germany, both Beiersdorf AG and tesa SE have transferred plan assets to a separate entity. In addition, the benefit plans are protected against the consequences of insolvency in accordance with the *Gesetz zur Verbesserung der betrieblichen Altersversorgung* (German Occupational Pensions Improvement Act, BetrAVG); annual contributions are made to the *Pensions-Sicherungs-Verein* (German Pension Protection Fund) for this.

Beiersdorf AG has transferred plan assets to an entity with the legal form of a foundation (TROMA Alters- und Hinterbliebenenstiftung, Hamburg). The board of trustees of the foundation is composed of representatives of the company and of the Works Council. The board of trustees delegates the setting and implementation of the investment strategy to an investment committee and reviews it at regular intervals. The investment committee also consists of company representatives and members of the Works Council.

Plan assets of tesa SE are invested and managed by an independent trustee via a contractual trust agreement (CTA). An investment committee consisting of representatives of the company and of the Works Council sets the investment strategy. Portfolio performance and the current situation are analyzed at regular intervals and, where necessary, the investment strategy is amended to reflect changed conditions.

To mitigate the risk of changes in capital market conditions and demographic developments, the old pension plans were closed to tesa employees in 2005 and to Beiersdorf employees in 2008. Employees joining the companies after this date can join employee-financed benefit plans. Under these plans, they can save part of their pensionable pay and also receive an employer contribution. The plan assets are invested and managed by independent trustees via a CTA. The employer guarantees a minimum return on contributions of 3.25% per annum until retirement. The pension can be paid in the form of an annuity or as a lump sum.

The expenses for defined benefit plans and the present value of pension commitments are determined on the basis of actuarial calculations.

Measurement is based on the following assumptions:

ACTUARIAL ASSUMPTIONS (IN %)

	2015		**2016**	
	Germany	Other countries	**Germany**	**Other countries**
Discount rates	2.25	2.79	1.75	2.18
Projected wage and salary growth	3.49	2.75	3.49	2.80
Projected pension growth	1.75	2.10	1.75	2.17
Projected staff turnover	2.13	6.93	2.13	8.12

The figures given are averages. The local parameters were weighted using the present values of the relevant defined benefit obligations.

During the period under review, the present value of the defined benefit obligations changed as follows:

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (IN € MILLION)

	2015			**2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Jan. 1	**1,278**	**276**	**1,554**	**1,256**	**195**	**1,451**
Current service cost	31	9	40	30	7	37
Net interest expense	28	7	35	28	5	33
Actuarial gains (–) and losses (+)	–46	–9	–55	113	26	139
of which experience adjustments	–22	–5	–27	–3	1	–2
of which due to changes in financial assumptions	–24	–2	–26	115	26	141
of which due to changes in demographic assumptions	–	–2	–2	1	–1	–
Contributions by plan participants	7	2	9	6	2	8
Pension benefits paid	–42	–12	–54	–43	–7	–50
Currency translation adjustment	–	12	12	–	–9	–9
Settlement and other changes	–	–90	–90	–1	–2	–3
Dec. 31	**1,256**	**195**	**1,451**	**1,389**	**217**	**1,606**

“Settlement and other changes” for the previous year relates largely to a change in plan in the Netherlands, in which the defined benefit plans were settled (€89 million) and replaced by defined contribution plans.

The funded status of the present value of the Group's defined benefit obligations as of the reporting date was as follows:

FUNDED STATUS OF PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (IN € MILLION)

	Dec. 31, 2015			**Dec. 31, 2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Partly or wholly funded defined benefit obligations	1,248	181	1,429	1,381	202	1,583
Unfunded defined benefit obligations	8	14	22	8	15	23
Present value of defined benefit obligations	**1,256**	**195**	**1,451**	**1,389**	**217**	**1,606**

The change in plan assets during the period under review was as follows:

FAIR VALUE OF PLAN ASSETS (IN € MILLION)

	2015			**2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Jan. 1	**681**	**256**	**937**	**710**	**179**	**889**
Return on plan assets	15	7	22	16	4	20
Actuarial gains (+) and losses (–)	12	–3	9	–12	17	5
Actual return on plan assets	**27**	**4**	**31**	**4**	**21**	**25**
Employer contributions	4	7	11	7	6	13
Contributions by plan participants	6	2	8	5	2	7
Pension benefits paid	–8	–11	–19	–8	–6	–14
Currency translation adjustment	–	12	12	–	–9	–9
Settlement and other changes	–	–91	–91	–	–1	–1
Dec. 31	**710**	**179**	**889**	**718**	**192**	**910**

"Settlement and other changes" for the previous year includes €90 million from the plan settlement in the Netherlands.

In fiscal year 2017, employer contributions to plan assets are expected to amount to €13 million. The breakdown of the plan assets as of the reporting date was as follows:

COMPOSITION OF PLAN ASSETS (IN € MILLION)

	Dec. 31, 2015			**Dec. 31, 2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Equity instruments	128	57	185	136	72	208
Debt instruments	364	92	456	350	77	427
Real estate	154	20	174	171	20	191
Cash and cash equivalents	57	8	65	49	8	57
Other	7	2	9	12	15	27
Total plan assets	**710**	**179**	**889**	**718**	**192**	**910**

The plan assets serve exclusively to meet the benefit obligations. The funding provided for these benefit obligations represents a provision for future cash outflows. The overarching investment policy and investment strategy are based on the goal of generating a return on plan assets in the medium term which, taken together with the contributions, is sufficient to meet the pension obligations. The plan assets are invested in a variety of different asset classes so as to avoid risk clusters.

The equity instruments comprise investments in equity funds and direct investments. In general, these have quoted market prices in a liquid market. Passive index tracker equities funds may contain a limited number of Beiersdorf shares. No Beiersdorf shares are held directly. Of the equity instruments in Germany, 100% are attributable to the mature markets.

Debt instruments may comprise investments in funds and direct investments in bonds. In general, these have quoted market prices in a liquid market. In Germany, 44% are attributable to corporate bonds and 56% to government bonds.

The real estate consists of residential and commercial properties. Investments can take the form of both investments in listed real estate funds and directly held properties. The portfolio included buildings held and used in the amount of €44 million as of the reporting date.

Cash and cash equivalents comprise both cash at banks and units in money market funds.

The following overview provides a breakdown of the weighted average duration of the present values of the defined benefit obligations and a maturity analysis of expected pension payments:

DURATION AND MATURITY ANALYSIS

	Dec. 31, 2015			**Dec. 31, 2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Duration of the present value of the pension obligations (in years)	**18**	**18**	**18**	**18**	**18**	**18**
Maturity analysis of the expected pension payments (in € million)						
up to 1 year	43	4	47	43	5	48
more than 1 and up to 2 years	44	5	49	44	6	50
more than 2 and up to 5 years	138	18	156	141	18	159
more than 5 and up to 10 years	248	39	287	256	40	296

The following sensitivity analysis shows the effect of individual changes in assumptions on the present value of the defined benefit obligations:

SENSITIVITY OF THE DEFINED BENEFIT OBLIGATIONS (IN € MILLION)

Change in present value of defined benefit obligations

	Dec. 31, 2015			**Dec. 31, 2016**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Discount rate						
+0.50%	–101	–13	–114	–115	–16	–131
–0.50%	115	16	131	133	18	151
Projected wage and salary growth						
+0.25%	6	1	7	6	2	8
–0.25%	–5	–1	–6	–6	–2	–8
Projected pension growth						
+0.25%	30	4	34	34	5	39
–0.25%	–28	–3	–31	–32	–4	–36
Projected staff turnover						
+0.25%	–1	–	–1	–	–	–
–0.25%	1	–	1	–	–	–
Life expectancy						
Increase of one year	50	4	54	58	5	63
Decrease of one year	–48	–4	–52	–55	–5	–60

The sensitivity analysis is based on realistic potential changes as of the end of the reporting period. It was performed using a methodology that extrapolates the effect of realistic changes in the key assumptions at the end of the reporting period on the defined benefit obligation. Each change in the key actuarial assumptions was analyzed separately. No interdependencies were taken into account.

25 Other Provisions

(IN € MILLION)

	Personnel expenses	Marketing and selling expenses	Restructuring	Miscellaneous	Total
Jan. 1, 2016	**222**	**55**	**13**	**210**	**500**
Of which non-current	*53*	*1*	–	*27*	*81*
Currency translation adjustment	2	1	–	4	7
Additions	148	59	7	109	323
Utilized	120	40	8	69	237
Reversals	16	6	2	33	57
Dec. 31, 2016	**236**	**69**	**10**	**221**	**536**
Of which non-current	*60*	–	–	*36*	*96*

Provisions for personnel expenses primarily comprise provisions for annual bonuses, vacation pay, anniversary payments, and severance agreements. The provisions for marketing and selling expenses relate in particular to cooperative advertising allowances. The miscellaneous other provisions include provisions for patent risks amounting to €27 million (previous year: €18 million) and for risks relating to other legal disputes of €91 million (previous year: €68 million); these mainly relate to disputes with other authorities.

26 Liabilities

The following table gives a breakdown of current liabilities:

CURRENT LIABILITIES (IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Trade payables (OFL)	**1,152**	**1,244**
Other current financial liabilities	**109**	**108**
Other financial liabilities (OFL)	95	58
Negative fair value of derivatives (DFI)	14	50
Other current liabilities	**101**	**98**
Other tax liabilities	83	81
Social security liabilities	11	10
Other miscellaneous liabilities	7	7
	1,362	**1,450**

Other financial liabilities primarily relate to short-term bank loans amounting to €13 million (previous year: €37 million) as well as other financial obligations in the amount of €45 million (previous year: €58 million). As the current liabilities have remaining contractual maturities of less than 12 months as of the reporting date, their carrying amounts at the balance sheet date correspond approximately to their fair value.

27 Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments:

(IN € MILLION)

		Measurement category under IAS 39			
2015	Carrying amount Dec. 31	Amortized cost	Fair value recognized in OCI	Fair value through profit or loss	**Fair value Dec. 31**
Assets					
Loans and receivables (LaR)	*2,283*	*2,283*	–	–	*2,283*
Non-current financial assets	12	12	–	–	12
Trade receivables	1,258	1,258	–	–	1,258
Other current financial assets	95	95	–	–	95
Cash and cash equivalents	918	918	–	–	918
Available-for-sale financial assets (AfS)	*552*	*10*	*542*	–	*552*
Non-current financial assets	10	10	–	–	10
Securities	542	–	542	–	542
Held-to-maturity financial investments (HtM)	*1,612*	–	*1,612*	–	*1,622*
Securities	1,612	–	1,612	–	1,622
Derivative financial instruments used for hedges (DFI)	*18*	–	*13*	*5*	*18*
Derivative financial instruments not included in a hedging relationship (FVPL)	*2*	–	–	*2*	*2*
Liabilities					
Other financial liabilities (OFL)	*1,247*	*1,247*	–	–	*1,247*
Non-current financial liabilities	–	–	–	–	–
Trade payables	1,152	1,152	–	–	1,152
Other current financial liabilities	95	95	–	–	95
Derivative financial instruments used for hedges (DFI)	*14*	–	*13*	*1*	*14*
Derivative financial instruments not included in a hedging relationship (FVPL)	*1*	–	–	*1*	*1*
2016					
Assets					
Loans and receivables (LaR)	*2,300*	*2,300*	–	–	*2,300*
Non-current financial assets	16	16	–	–	16
Trade receivables	1,293	1,293	–	–	1,293
Other current financial assets	119	119	–	–	119
Cash and cash equivalents	872	872	–	–	872
Available-for-sale financial assets (AfS)	*497*	*12*	*485*	–	*497*
Non-current financial assets	12	12	–	–	12
Securities	485	–	485	–	485
Held-to-maturity financial investments (HtM)	*2,364*	*2,364*	–	–	*2,386*
Securities	2,364	2,364	–	–	2,386
Derivative financial instruments used for hedges (DFI)	*24*	–	*19*	*5*	*24*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–	–
Liabilities					
Other financial liabilities (OFL)	*1,303*	*1,303*	–	–	*1,303*
Non-current financial liabilities	1	1	–	–	1
Trade payables	1,244	1,244	–	–	1,244
Other current financial liabilities	58	58	–	–	58
Derivative financial instruments used for hedges (DFI)	*50*	–	*37*	*13*	*50*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–	–

The following overview shows the IFRS 13 fair value hierarchy levels used to classify financial instruments that are measured at fair value on a recurring basis:

(IN € MILLION)

	Fair value hierarchy under IFRS 13			
Dec. 31, 2015	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets (AfS)	*542*	–	–	*542*
Securities	542	–	–	542
Derivative financial instruments used for hedges (DFI)	–	*18*	–	*18*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	*2*	–	*2*
Liabilities				
Derivative financial instruments used for hedges (DFI)	–	*14*	–	*14*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	*1*	–	*1*
Dec. 31, 2016				
Assets				
Available-for-sale financial assets (AfS)	*485*	–	–	*485*
Securities	485	–	–	485
Derivative financial instruments used for hedges (DFI)	–	*24*	–	*24*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–
Liabilities				
Derivative financial instruments used for hedges (DFI)	–	*50*	–	*50*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–

In the Beiersdorf Group, securities carried at fair value are allocated to fair value hierarchy Level 1 and are measured at quoted prices on the balance sheet date.

Derivative financial instruments are assigned to fair value hierarchy Level 2. The fair values of currency forwards are calculated using the exchange rate as of the reporting date and discounted to the reporting date on the basis of their respective yield curves.

No transfers between hierarchy levels took place in the fiscal year.

Financial instruments that are not measured at fair value predominantly have remaining contractual maturities of less than 12 months as of the reporting date. Therefore, their carrying amounts at the balance sheet date correspond approximately to their fair value. Securities classified as “held to maturity (HtM)” are an exception. The fair values for this item have been assigned to fair value hierarchy Level 1.

RISK MANAGEMENT PRINCIPLES

As a result of its operations, the Beiersdorf Group is exposed to various risks such as currency risk, interest rate risk, and default risk.

Derivative financial instruments are used to hedge the operational business and material financial transactions. The transactions are conducted exclusively with marketable instruments. IFRS 7 requires sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Beiersdorf Group, this mainly relates to currency risk. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments as of the balance sheet date. It is assumed that the portfolio at the reporting date is representative for the year as a whole.

CURRENCY RISK

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in exchange rates.

Currency risk within the meaning of IFRS 7 arises through monetary financial instruments that are reported in a currency other than the functional currency. Exchange rate differences arising from the translation of financial statements of affiliates into the Group currency are not included. Relevant risk variables are therefore basically all non-functional currencies in which financial instruments are held by the Beiersdorf Group. As a result of the Beiersdorf Group's international orientation with an emphasis on the eurozone, the euro serves as the key currency. Consequently, the Beiersdorf Group is exposed to risks through financing measures and operational activities when other currencies fluctuate against the euro.

As a matter of principle, currency risks relating to cross-border intragroup financing are hedged centrally in full and at matching maturities using currency forwards (fair value hedges). Owing to these hedging activities, the Beiersdorf Group is not exposed to any significant currency risks in its financing activities as of the balance sheet date. Gains and losses on these currency forwards are offset in full by gains and losses on the hedged items.

With regard to operations, a majority of cash flows in non-functional currencies in the Beiersdorf Group are generally hedged up to 36 months in advance using standard currency forwards. These transactions are recorded, measured, and managed centrally in the treasury management system. As a result, the Beiersdorf Group is not exposed to any significant currency risks in its operations as of the balance sheet date.

Since material non-derivative financial instruments are either denominated directly in the functional currency or transformed into the functional currency through the use of derivatives, changes in the exchange rate do not have any material effects on profit and loss or equity. Consequently, the Beiersdorf Group is primarily only exposed to risks arising from currency forwards which are designated as hedging instruments and which meet the criteria for recognition as cash flow hedges on forecasted transactions. Changes in market prices largely affect the hedging reserve in equity and the fair values of the hedging transactions.

The fair value of the currency forwards at the balance sheet date was €–26 million (previous year: €5 million), and their notional value was €1,922 million (previous year: €1,422 million). €1,902 million (previous year: €1,414 million) of the forward contracts have a remaining maturity of up to one year, and €20 million (previous year: €8 million) have a remaining maturity of between one and two years. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not netted.

If the euro had appreciated by 10% against all currencies as of December 31, 2016, the fair values of the currency forwards recognized directly within the hedging reserves in equity would have increased by €60 million (previous year: €29 million) and the fair values of the currency forwards recognized in profit or loss would have decreased by €0 million (previous year: €8 million). If the euro had depreciated by 10%, the fair values of the currency forwards recognized directly within the hedging reserves in equity would have decreased by €74 million (previous year: €38 million) and the fair values of the currency forwards recognized in profit or loss would have increased by €0 million (previous year: €10 million).

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates.

Because of the small volume of non-current financial instruments and the absence of derivative interest rate contracts, changes in fair values are of no more than minor significance for the Beiersdorf Group. At present, financial instruments with maturities of up to eight years are held. These are subject to interest rate risk within the meaning of IFRS 7 for the entire fiscal year.

If the interest rates at the quarter-ends of the fiscal year had been 100 basis points higher (lower) in each case than the yield curve, the financial result would have been €9 million (previous year: €9 million) and accumulated other comprehensive income would have been €0 million (previous year: €0 million) higher (lower).

DEFAULT RISK

The Beiersdorf Group is exposed to default risk within the scope of its financing activities and in its operations. In order to minimize this risk as much as possible, financing transactions are only entered into with counterparties with prime credit ratings. Receivables relating to operating activities are monitored continuously; potential defaults are accounted for using specific and collective valuation allowances. The maximum default risk can be seen from the carrying amount of each financial asset recognized in the balance sheet. The total carrying amount of the financial assets was €5,185 million as of December 31, 2016 (previous year: €4,467 million). In the area of trade receivables, default risks are partly covered by corresponding insurance policies.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulties in meeting the obligations associated with its financial liabilities. As a result of the large amount of cash and cash equivalents as well as securities held as of the balance sheet date, the Beiersdorf Group is not currently exposed to any liquidity risk. Additionally, in order to ensure the liquidity and financial flexibility of the Beiersdorf Group at all times, liquidity reserves are maintained in the form of credit lines.

Other Disclosures

28 Contingent Liabilities, Other Financial Obligations, and Legal Risks

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Contingent liabilities		
Liabilities under guarantees	73	154
Other financial obligations		
Obligations under rental and lease agreements:	138	141
– due within the next year	37	46
– due in 1 to 5 years	89	90
– due after more than 5 years	12	5
Obligations under purchase commitments:	241	286
– due within the next year	124	126
– due in 1 to 5 years	117	160

OTHER FINANCIAL OBLIGATIONS

The aggregate nominal amount of the other financial obligations was €427 million (previous year: €378 million).

Rental and lease agreements at the Group primarily relate to the leasing of real estate, company cars, and IT equipment. Expenditure in connection with these operating leases totaled €77 million in fiscal year 2016.

LEGAL RISKS

In October 2016, Beiersdorf AG was served with a claim for damages from the liquidator of Anton Schlecker e.K. in connection with German antitrust proceedings already concluded. Claims have been made against six other companies in addition to Beiersdorf. The claim, which involves joint and several liability of all defendants, totals approximately €180 million plus interest. In December 2016 and January 2017, further retailers filed claims for damages or announced claims out of court against Beiersdorf AG and European affiliates of the company in connection with these and other antitrust proceedings already concluded in Europe. Beiersdorf contests these claims.

The state of São Paulo is demanding retroactive tax payments of approximately €134 million (previous year: €100 million) from our Consumer Business Segment's Brazilian affiliates for the years 2005 to 2009. The amount exceeds the prior-year figure due to exchange rate effects and additional interest. State tax authorities allege that VAT on imports should have been paid in São Paulo state instead of the Brazilian state of landing. All cases are in financial court proceedings. Further retroactive tax payment notices of at least a similar amount may be issued for the years 2012 to 2016. Potential claims for back taxes for the years 2010 and 2011 are now time-barred. The Brazilian courts are not expected to reach a final decision for a number of years.

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

Some of our affiliates are currently undergoing tax audits. This may lead to expenses in the future. Precise information as to their amount is not yet available.

29 Employees and Personnel Expenses

The breakdown of employees by function is as follows:

EMPLOYEES (AS OF DEC. 31)

	2015	2016
Production	5,380	5,288
Marketing and sales	7,904	8,048
Other functions	4,375	4,598
	17,659	**17,934**

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2015	2016
Production	5,381	5,273
Marketing and sales	7,937	8,004
Other functions	4,391	4,569
	17,709	**17,846**

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting. Personnel expenses amounted to €1,184 million (previous year: €1,170 million).

30 Auditor's Fees

The Annual General Meeting on March 31, 2016, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2016.

The following table gives an overview of the total fee charged by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft:

FEES PAID TO THE GROUP AUDITORS (IN € THOUSAND)

	2015	2016
Audit services	1,309	1,533
Other assurance services	25	25
Tax advisory services	187	109
Other services	495	44
	2,016	**1,711**

31 Declaration of Compliance with the German Corporate Governance Code

In December 2016, Beiersdorf AG's Executive Board and Supervisory Board issued their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code for fiscal year 2016 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). The Declaration of Compliance was made permanently accessible to shareholders on the company's website at WWW.BEIERSDORF.COM/DECLARATION_OF_COMPLIANCE.

32 Shareholdings of the Executive Board and Supervisory Board

For the disclosures required by section 6.2 of the German Corporate Governance Code, please see subsection 2 of the "Directors' Dealings and Shareholdings of the Executive and Supervisory Boards" section of the Corporate Governance Report.

33 Related Party Disclosures – Individuals

The requirements of IAS 24 apply to key management personnel of the company, their immediate family members, as well as the companies they control. In the Beiersdorf Group, this concerns the members of the Executive and Supervisory Boards.

For fiscal year 2016, the members of the Supervisory Board received remuneration totaling €1,431 thousand (previous year: €1,414 thousand) and the members of the Executive Board received remuneration totaling €17,797 thousand (previous year: €18,926 thousand). €9,385 thousand (previous year: €11,548 thousand) of the Executive Board's total remuneration relates to long-term benefits (additions to the provisions for Enterprise Value Components). The short-term benefits (fixed basic remuneration and Variable Bonus) including ancillary benefits amounted to €8,412 thousand (previous year: €7,378 thousand). For information on the principles of the system governing Executive and Supervisory Board remuneration and the amount of members' individual remuneration, please refer to the remuneration report in the section entitled "Corporate Governance." The remuneration report forms part of the consolidated financial statements and the Group management report. Payments to former members of the Executive Board and their surviving dependents totaled €2,500 thousand (previous year: €2,283 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €43,568 thousand (previous year: €40,381 thousand).

With the exception of the remuneration disclosed in the remuneration report, there were no material transactions between the members of Beiersdorf AG's Executive Board or Supervisory Board and the companies of the Beiersdorf Group in the fiscal year. The same applies to the immediate family members of these persons.

34 Related Party Disclosures – Entities

Since March 30, 2004, maxingvest ag has held more than 50% of Beiersdorf AG's share capital. Accordingly, Beiersdorf AG is a dependent company within the meaning of § 312 (1) sentence 1 in conjunction with § 17 (2) *AktG*. Since no control agreement exists between Beiersdorf AG and maxingvest ag, the Executive Board of Beiersdorf AG prepares a report on dealings among Group companies in accordance with § 312 (1) sentence 1 *AktG*. In fiscal year 2016, as in the previous year, Beiersdorf AG and its affiliated companies as well as maxingvest ag and its affiliated companies pooled purchase volumes to achieve cost benefits, as well as sourcing products from each other at standard market terms to an extent that is not material. There was also limited collaboration in particular with respect to marketing campaigns and in the area of quality control.

35 Shareholdings in Beiersdorf AG

Beiersdorf AG received the following notifications in accordance with the provisions of the *Wertpapierhandelsgesetz* (German Securities Trading Act, *WpHG*), by the preparation date of the balance sheet (February 6, 2017).* In each case, the disclosures represent the disclosers' most recent notification to the company, to the extent that additional notifications are not required to be provided for reasons of transparency.

1.

a) Voting right notifications in accordance with § 21 (1) *WpHG* (former version) dated April 2, 2004; April 14, 2004; and April 16, 2004. The persons subject to the disclosure requirement (the "disclosers") listed in the table below notified Beiersdorf Aktiengesellschaft on April 2, 2004, April 14, 2004, and April 16, 2004, in accordance with § 21 (1) *WpHG* (former version) that they had, for the first time, exceeded the 50% threshold and held 50.46% (42,386,400 voting rights) of Beiersdorf Aktiengesellschaft as of March 30, 2004.

   After adjustment for Beiersdorf Aktiengesellschaft's share buyback program, which was implemented on February 3, 2004, and the resulting attribution of the 9.99% (8,393,672 own shares) held by Beiersdorf Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version), the disclosers in accordance with § 21 (1) *WpHG* (former version) each exceeded the 50% threshold for the first time as of February 3, 2004, and each held a 59.95% share (50,360,072 voting rights) in Beiersdorf Aktiengesellschaft as of this date. This increase was solely the result of the attribution of the own shares held by Beiersdorf Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version).**

   The disclosers' total share of voting rights as of March 30, 2004, amounted to 60.45% (50,780,072 voting rights) in each case instead of 50.46% (42,386,400 voting rights).**

   All shares of voting rights were attributable to the disclosers, with the exception of Tchibo Holding AG, in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version). 30.36% (25,500,805 voting rights) was attributable to Tchibo Holding AG (which now trades under the name of maxingvest ag) in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version); at the time, it directly held 20.10% (16,884,000 voting rights).

To clarify: The own shares held by Beiersdorf Aktiengesellschaft do not bear voting or dividend rights in accordance with § 71b *AktG*.

*The following disclosures do not reflect the 1:3 share split resolved by the company's Annual General Meeting on May 17, 2006, because they were received before this date. As a result of this share split, each no-par value share of the company with a notional interest in the share capital of €2.56 was split into three no-par value shares with a notional interest in the share capital of €1.00 each (following the increase of the share capital without the issue of new shares).

**Due to a change in the administrative practice of the *Bundesanstalt für Finanzdienstleistungsaufsicht* (*BaFin* – the Federal Financial Supervisory Authority) in December 2014 concerning the attribution of own shares, own shares held by the issuer are no longer counted towards a shareholder's share of voting rights.

The chains of controlled companies are as follows:

Discloser*	Discloser's domicile and country of residence or of domicile	Disclosures in accordance with § 17 (2) *Verordnung zur Konkretisierung von Anzeige-, Mitteilungs- und Veröffentlichungspflichten sowie der Pflicht zur Führung von Insiderverzeichnissen nach dem Wertpapierhandelsgesetz* (Regulation setting out in detail the disclosure, notification, and announcement duties as well as the duty to maintain a list of insiders in accordance with the *WpHG*, *WpAIV*) (former version) (controlled companies via which the voting rights are effectively held and whose attributed share of the voting rights amounts to 3% or more) at the time of § 17 (1) no. 6 *WpAIV* (former version)
SPM Beteiligungs- und Verwaltungs GmbH (now trading under the name of S.P.M. Beteiligungs- und Verwaltungs GmbH)	Norderstedt, Germany (now with registered office in Hamburg, Germany)	Trivium Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
EH Real Grundstücksverwaltungs-gesellschaft mbH (now trading under the name of E. H. Real Vermögens-verwaltungs GmbH)	Norderstedt, Germany (now with registered office in Hamburg, Germany)	Scintia Vermögensverwaltungs GmbH, EH Real Grundstücksgesellschaft mbH & Co. KG, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Scintia Vermögensverwaltungs GmbH	Norderstedt, Germany (now with registered office in Hamburg, Germany)	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Trivium Vermögensverwaltungs GmbH	Norderstedt, Germany (now with registered office in Hamburg, Germany)	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Michael Herz	Germany	SPM Beteiligungs- und Verwaltungs GmbH, Trivium Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Wolfgang Herz	Germany	EH Real Grundstücksverwaltungsgesellschaft mbH, EH Real Grundstücksgesellschaft mbH & Co. KG, Scintia Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Max und Ingeburg Herz Stiftung	Norderstedt, Germany (now with registered office in Hamburg, Germany)	Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
maxingvest ag (up to September 12, 2007, trading under the name of Tchibo Holding AG)	Hamburg, Germany	Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft

*The following parties have since disclosed that they hold 0% (0 voting rights): EH Real Grundstücksgesellschaft mbH & Co. KG (Norderstedt, Germany); Agneta Peleback-Herz (Germany); Joachim Herz, represented by the Joachim Herz Stiftung as his legal successor (Hamburg, Germany); Coro Vermögensverwaltungsgesellschaft mbH (Hamburg, Germany); Ingeburg Herz GbR (Norderstedt, Germany). Ingeburg Herz passed away during financial year 2015.

b) Voting right notification in accordance with § 21 (1) *WpHG* (former version) dated December 29, 2004. The voting right notification issued on December 29, 2004, by Tchibo Holding AG (which now trades under the name of maxingvest ag) in accordance with § 21 (1) *WpHG* (former version) disclosed that Tchibo Beteiligungsgesellschaft mbH (which now trades under the name of BBG Beteiligungsgesellschaft mbH) exceeded the 50% threshold for the first time when it acquired 20.10% of the voting rights in Beiersdorf Aktiengesellschaft from Tchibo Holding AG, and that it held 50.46% (42,386,400 voting rights) of Beiersdorf Aktiengesellschaft as of December 22, 2004.

After adjustment for Beiersdorf Aktiengesellschaft's share buyback program, which was implemented on February 3, 2004, and the now performed attribution in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version) of the 9.99% (8,393,672 own shares) acquired as part of the buyback program, Tchibo Beteiligungsgesellschaft mbH exceeded the 50% threshold in accordance with § 21 (1) *WpHG* (former version) for the first time as of December 22, 2004, and held 60.45% of the voting rights in Beiersdorf Aktiengesellschaft (50,780,072 voting rights) as of this date.** A total of 40.35% (33,894,477 voting rights) was attributable to Tchibo Beteiligungsgesellschaft mbH. The chain of controlled companies was as follows: Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft. This increase was solely the result of the attribution of the own shares held by Beiersdorf Aktiengesellschaft in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version).**

c) Voting right notification in accordance with § 21 (1) *WpHG* (former version) dated March 11, 2008. EH Real Grundstücksverwaltungsgesellschaft mbH's voting right notification dated March 11, 2008, has been hereby revoked. EH Real Grundstücksverwaltungsgesellschaft mbH's share of voting rights also exceeded the 3, 5, 10, 15, 20, 25, 30, and 50% thresholds as of January 15, 2007, and continued to do so thereafter and, including the 9.99% held by Beiersdorf Aktiengesellschaft (25,181,016 own shares) after adjustment for the increase of the share capital from retained earnings without the issue of new shares and the 1:3 reclassification of the share capital (share split) in 2006, continued to amount to 60.45% in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 *WpHG* (former version) (152,340,216 voting rights after the adjustment for the increase of the share capital from retained earnings without the issue of new shares and the 1:3 reclassification of the share capital (share split) in 2006).**

2.
In accordance with § 25 (1) sentence 3 in conjunction with § 21 (1) sentence 1 *WpHG* (former version), Beiersdorf Aktiengesellschaft also announced that it had exceeded the threshold of 5% of the voting rights in its own company on February 3, 2004, and that a share of 9.99% has been attributable to it since then. The own shares held by the company do not bear voting or dividend rights in accordance with § 71b *AktG*.

**Due to a change in the administrative practice of the *Bundesanstalt für Finanzdienstleistungsaufsicht* (*BaFin* – the Federal Financial Supervisory Authority) in December 2014 concerning the attribution of own shares, own shares held by the issuer are no longer counted towards a shareholder's share of voting rights.

Beiersdorf AG Boards

SUPERVISORY BOARD

Name	Profession	Memberships
Dr. Andreas Albrod	Senior Manager Regulatory Affairs Pharmaceuticals, Beiersdorf AG	
Beatrice Dreyfus (since January 29, 2016)	Investment Manager, Novum Capital Beratungsgesellschaft mbH	Member of the Supervisory Board: – Stylepark AG
Frank Ganschow	Chairman of the Works Council of tesa SE	Member of the Supervisory Board: – tesa SE (intragroup)
Michael Herz	Member of the Executive Board of maxingvest ag	Chairman of the Supervisory Board: – Tchibo GmbH Member of the Supervisory Board: – tesa SE (intragroup)
Thorsten Irtz Deputy Chairman	Commercial Employee, Beiersdorf AG	
Matthias Locher	Supplier Developer, tesa Werk Offenburg GmbH	Member of the Supervisory Board: – tesa SE (intragroup)
Dr. Dr. Christine Martel*	Business Manager, Nescafé Dolce Gusto Nordics, Nestlé Danmark A/S, Denmark	
Tomas Nieber	Head of Department – Economic and Industry Policy, Executive Board Division 1, Overall Management of Industriegewerkschaft Bergbau, Chemie, Energie	Member of the Supervisory Board: – maxingvest ag Member of the Advisory Board: – Qualifizierungsförderwerk Chemie GmbH
Isabelle Parize (until January 28, 2016)	Chief Executive Officer of Nocibé SAS, France Managing Director, Parfümerie Douglas GmbH, Southern Europe and Private Labels	Member of the Conseil d'Administration: – Air France-KLM Group S.A., France
Frédéric Pflanz Deputy Chairman	Member of the Executive Board of maxingvest ag	
Prof. Dr. Reinhard Pöllath Chairman	Lawyer, P+P Pöllath + Partners, Munich	Chairman of the Supervisory Board: – maxingvest ag Member of the Supervisory Board: – Tchibo GmbH – Wanzl GmbH & Co. Holding KG
Prof. Manuela Rousseau*	Head of Corporate Social Responsibility at Beiersdorf AG Headquarters Professor at the Academy of Music and Theater, Hamburg	Member of the Supervisory Board: – maxingvest ag
Poul Weihrauch	Member of the Management, Mars, Inc., USA, Global President Petcare	

* The Supervisory Board's diversity officers.

SUPERVISORY BOARD COMMITTEES

Members of the Presiding Committee	Members of the Audit Committee	Members of the Finance Committee	Members of the Nomination Committee	Members of the Mediation Committee
– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Michael Herz** – **Thorsten Irtz** – **Frédéric Pflanz**	– **Dr. Dr. Christine Martel** (Chairwoman) – **Dr. Andreas Albrod** – **Tomas Nieber** – **Frédéric Pflanz** – **Prof. Dr. Reinhard Pöllath**	– **Frédéric Pflanz** (Chairman) – **Dr. Andreas Albrod** – **Dr. Dr. Christine Martel** – **Tomas Nieber** – **Prof. Dr. Reinhard Pöllath**	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Beatrice Dreyfus** (since February 11, 2016) – **Dr. Dr. Christine Martel** – **Isabelle Parize** (until January 28, 2016) – **Frédéric Pflanz**	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Dr. Andreas Albrod** – **Thorsten Irtz** – **Frédéric Pflanz**

EXECUTIVE BOARD*

Name	Function/Responsibilities		Memberships
Stefan F. Heidenreich	Chairman	Corporate Development, Internal Audit, Pharmacy, Supply Chain (Purchasing / Production / Logistics) Germany / Switzerland, La Prairie Group, Japan	
Jesper Andersen	Finance & Quality	Finance / Controlling / Legal / Compliance / IT Quality Assurance	
Stefan De Loecker	Americas & Near East	North and Latin America Africa, Near East, Middle East, India, Turkey, Russia / Ukraine / CIS	
Ralph Gusko	Brands & Far East	Brand Management / Research & Development Northeast and Southeast Asia (excluding Japan), Australia	
Thomas Ingelfinger	Europe	Europe (excluding Germany / Switzerland)	Member of the consiglio di amministrazione: – Davide Campari-Milano S.p.A., Italy
Zhengrong Liu	Human Resources & Corporate Communications	Human Resources, Corporate Communication / Sustainability, General Services – Labor Relations Director –	
Dr. Ulrich Schmidt (until March 31, 2016)	Finance	Finance / Controlling / Legal / Compliance / IT Latin America (acting)	**

* In connection with their Group management and supervisory duties, the members of the Executive Board of Beiersdorf AG also hold offices in comparable supervisory bodies at Group companies and investees.
** Chairman of the Supervisory Board: tesa SE, Hamburg (intragroup).

Hamburg, February 6, 2017
Beiersdorf AG

The Executive Board

5.
AUDITORS' REPORT AND RESPONSIBILITY STATEMENT

Auditors' Report

We have issued the following audit opinion for the consolidated financial statements and the Group Management Report:

"We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, Hamburg, comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and notes to the consolidated financial statements, together with the Group Management Report for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the Group Management Report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law under § 315a (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*) are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 *HGB* and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany, *IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law under § 315a (1) *HGB*, and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position, and suitably presents the opportunities and risks of future development."

Hamburg, February 7, 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

GRUMMER
German Public Auditor

LUDWIG
German Public Auditor

Responsibility Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Hamburg, February 6, 2017
The Executive Board

STEFAN F. HEIDENREICH
Chairman of the
Executive Board

JESPER ANDERSEN
Member of the
Executive Board

STEFAN DE LOECKER
Member of the
Executive Board

RALPH GUSKO
Member of the
Executive Board

THOMAS INGELFINGER
Member of the
Executive Board

ZHENGRONG LIU
Member of the
Executive Board

6. ADDITIONAL INFORMATION

Annual Financial Statements of Beiersdorf AG in Accordance with the *HGB* (Condensed)*

INCOME STATEMENT – BEIERSDORF AG (IN € MILLION)

	2015	2016
Sales	**1,161**	**1,190**
Other operating income	127	41
Cost of materials	–273	–269
Personnel expenses	–273	–252
Depreciation and amortization of property, plant, and equipment, and intangible assets	–19	–19
Other operating expenses	–574	–545
Operating result	**149**	**146**
Financial result	**262**	**207**
Profit before tax	**411**	**353**
Income taxes	–74	–84
Profit after tax	**337**	**269**

BALANCE SHEET – BEIERSDORF AG (IN € MILLION)

Assets	Dec. 31, 2015	Dec. 31, 2016
Intangible assets	12	2
Property, plant, and equipment	96	96
Financial assets	1,623	2,436
Fixed assets	**1,731**	**2,534**
Inventories	5	5
Receivables and other assets	645	615
Securities	2,127	2,033
Cash and cash equivalents	155	133
Current assets	**2,932**	**2,786**
Prepaid expenses	**6**	**5**
Deferred tax assets	**19**	**16**
Excess of plan assets over post-employment benefit liability	**–**	**1**
	4,688	**5,342**

Equity and liabilities	Dec. 31, 2015	Dec. 31, 2016
Equity	**2,435**	**2,545**
Provisions for pensions and other post-employment benefits	475	469
Other provisions	235	236
Provisions	**710**	**705**
Liabilities to banks	–	–
Trade payables	61	55
Other liabilities	1,482	2,037
Liabilities	**1,543**	**2,092**
Deferred tax liabilities	**–**	**–**
	4,688	**5,342**

* The full version of Beiersdorf AG's annual financial statements and management report, together with the unqualified audit opinion by the auditors, is published in the *Bundesanzeiger* (Federal Gazette) and is filed with the companies register. The annual financial statements and the management report of Beiersdorf AG are also available online at WWW.BEIERSDORF.COM.

Ten-year Overview

(IN € MILLION)
(unless otherwise stated)

		2007[1]	2008[1]	2009[1]	2010[1/2]	2011[1]	2012[1]	2013[1]	2014[1]	2015	2016
Sales		**5,507**	**5,971**	**5,748**	**5,571**	**5,633**	**6,040**	**6,141**	**6,285**	**6,686**	**6,752**
Change against prior year (nominal)	(in %)	7.6	8.4	–3.7	7.8	1.1	7.2	1.7	2.3	6.4	1.0
Consumer		4,661	5,125	5,011	4,698	4,696	5,048	5,103	5,209	5,546	5,606
tesa		846	846	737	873	937	992	1,038	1,076	1,140	1,146
Europe[4]		3,909	4,090	3,767	3,450	3,414	3,417	3,390	3,421	3,447	3,461
Americas		782	832	851	932	993	1,149	1,092	1,116	1,243	1,252
Africa / Asia / Australia[4]		816	1,049	1,130	1,189	1,226	1,474	1,659	1,748	1,996	2,039
EBITDA		**738**	**911**	**722**	**804**	**704**	**850**	**926**	**975**	**1,091**	**1,163**
Operating result (EBIT)		**616**	**797**	**587**	**583**	**431**	**698**	**820**	**796**	**962**	**1,015**
Profit before tax[3]		**644**	**822**	**583**	**553**	**440**	**713**	**815**	**811**	**968**	**1,040**
Profit after tax[3]		**442**	**567**	**380**	**326**	**259**	**454**	**543**	**537**	**671**	**727**
Return on sales after tax	(in %)	8.0	9.5	6.6	5.9	4.6	7.5	8.8	8.5	10.0	10.8
Earnings per share[3]	(in €)	1.93	2.48	1.65	1.40	1.10	1.96	2.35	2.33	2.91	3.13
Total dividend – equity holders		159	204	159	159	159	159	159	159	159	159
Dividend per share	(in €)	0.70	0.90	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Beiersdorf's shares – year-end closing price		**53.00**	**42.00**	**45.93**	**41.53**	**43.82**	**61.88**	**73.64**	**67.42**	**84.16**	**80.60**
Market capitalization as of Dec. 31		13,356	10,584	11,574	10,466	11,043	15,594	18,557	16,990	21,208	20,311
Research and development expenses		**127**	**149**	**149**	**152**	**163**	**159**	**154**	**168**	**183**	**188**
as % of sales		2.3	2.5	2.6	2.7	2.9	2.6	2.5	2.7	2.7	2.8
Employees as of Dec. 31		**21,101**	**21,766**	**20,346**	**19,128**	**17,666**	**16,605**	**16,708**	**17,398**	**17,659**	**17,934**
Intangible assets		357	398	382	306	172	185	176	119	119	119
Property, plant, and equipment		699	727	725	716	635	685	785	964	1,054	1,046
Non-current financial assets		7	11	10	438	686	712	804	1,059	1,318	1,919
Inventories		598	634	561	632	699	734	733	786	772	739
Receivables and other assets[3]		1,123	2,085	2,149	2,030	2,142	2,446	2,316	2,426	2,692	2,878
Cash and cash equivalents		1,117	613	767	973	941	834	984	976	918	872
Equity[3]		**2,070**	**2,460**	**2,636**	**2,920**	**3,016**	**3,143**	**3,405**	**3,640**	**4,201**	**4,677**
Liabilities[3]		**1,831**	**2,008**	**1,958**	**2,175**	**2,259**	**2,453**	**2,393**	**2,690**	**2,672**	**2,896**
Provisions[3]		781	729	750	812	824	977	997	1,166	1,074	1,242
Trade payables		573	690	699	863	946	1,036	973	1,022	1,152	1,244
Other liabilities[3]		477	589	509	500	489	440	423	502	446	410
Total equity and liabilities[3]		**3,901**	**4,468**	**4,594**	**5,095**	**5,275**	**5,596**	**5,798**	**6,330**	**6,873**	**7,573**
Equity ratio[3]	(in %)	53	55	57	57	57	56	59	58	61	62

[1] Figures include special factors.
[2] The figures from fiscal year 2010 onwards reflect an amended definition of sales and are not fully comparable with the previous years.
[3] The figures for fiscal year 2012 have been adjusted due to the retrospective application of IAS 19 (2011).
[4] The figures for fiscal year 2012 have been adjusted due to the reclassification of the Consumer Business Segment's Turkish affiliate from Western Europe to Africa/Asia/Australia.

Beiersdorf AG's Shareholdings

GERMANY

Name of the company	Registered office	Equity interest (in %)
La Prairie Group Deutschland GmbH	Baden-Baden	100.00
Produits de Beauté Logistik GmbH	Baden-Baden	100.00
Produits de Beauté Produktions GmbH	Baden-Baden	100.00
Beiersdorf Manufacturing Berlin GmbH	Berlin	100.00
GUHL IKEBANA GmbH	Darmstadt	10.00
Beiersdorf Beteiligungs GmbH	Gallin	100.00
Tape International GmbH	Gallin	100.00
Beiersdorf Customer Supply GmbH	Hamburg	100.00
Beiersdorf Dermo Medical GmbH	Hamburg	100.00
Beiersdorf Hautpflege GmbH	Hamburg	100.00
Beiersdorf Health Care AG & Co. KG	Hamburg	100.00
Beiersdorf Immo GmbH	Hamburg	100.00
Beiersdorf Immobilienentwicklungs GmbH	Hamburg	100.00
Beiersdorf Manufacturing Hamburg GmbH	Hamburg	100.00
Beiersdorf Shared Services GmbH	Hamburg	100.00
Phanex Handelsgesellschaft mbH	Hamburg	100.00
tesa Converting Center GmbH	Hamburg	100.00
tesa Grundstücksverwaltungsgesellschaft mbH & Co. KG	Hamburg	100.00
tesa Werk Hamburg GmbH	Hamburg	100.00
Ultra Kosmetik GmbH	Hamburg	100.00
W5 Immobilien GmbH & Co. KG	Hamburg	100.00
tesa scribos GmbH	Heidelberg	100.00
tesa Labtec GmbH	Langenfeld	100.00
one tesa Bau GmbH	Norderstedt	100.00
tesa SE	Norderstedt	100.00
tesa Werk Offenburg GmbH	Offenburg	100.00
Beiersdorf Manufacturing Waldheim GmbH	Waldheim	100.00

EUROPE

Name of the company	Registered office	Equity interest (in %)
Beiersdorf CEE Holding GmbH	AT, Vienna	100.00
Beiersdorf Ges mbH	AT, Vienna	100.00
La Prairie Group Austria GmbH	AT, Vienna	100.00
tesa GmbH	AT, Vienna	100.00
SA Beiersdorf NV	BE, Brussels	100.00
tesa sa-nv	BE, Brussels	100.00
Beiersdorf Bulgaria EOOD	BG, Sofia	100.00
tesa tape Schweiz AG	CH, Bergdietikon	100.00
Beiersdorf AG	CH, Reinach	100.00
La Prairie Group AG	CH, Volketswil	100.00
Laboratoires La Prairie SA	CH, Volketswil	100.00
Beiersdorf spol. s.r.o.	CZ, Prague	100.00
tesa tape s.r.o.	CZ, Prague	100.00
tesa A/S	DK, Birkerød	100.00
Beiersdorf A/S	DK, Copenhagen	100.00
Beiersdorf Manufacturing Argentona, S.L.	ES, Argentona	100.00
tesa tape S.A.	ES, Argentona	100.00

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
La Prairie Group Iberia S.A.U.	ES, Madrid	100.00
Beiersdorf Holding S.L.	ES, Tres Cantos	100.00
Beiersdorf Manufacturing Tres Cantos, S.L.	ES, Tres Cantos	100.00
Beiersdorf S.A.	ES, Tres Cantos	100.00
Beiersdorf Oy	FI, Turku	100.00
tesa Oy	FI, Turku	100.00
La Prairie Group France S.A.S.	FR, Boulogne-Billancourt	100.00
Beiersdorf Holding France	FR, Paris	100.00
Beiersdorf s.a.s.	FR, Paris	99.91
tesa s.a.s.	FR, Savigny-le-Temple	100.00
BDF Medical Ltd.	GB, Birmingham	100.00
Beiersdorf UK Ltd.	GB, Birmingham	100.00
La Prairie (UK) Limited	GB, London	100.00
tesa UK Ltd.	GB, Milton Keynes	100.00
Beiersdorf Hellas A.E.	GR, Gerakas	100.00
tesa tape A.E.	GR, Gerakas	100.00
Beiersdorf d.o.o.	HR, Zagreb	100.00
Beiersdorf Kft.	HU, Budapest	100.00
Tartsay Beruházó Kft.	HU, Budapest	100.00
tesa tape Ragasztószalag Termelö és Kereskedelmi Kft.	HU, Budapest	100.00
Beiersdorf ehf	IS, Reykjavík	100.00
Comet SpA	IT, Concagno Solbiate	100.00
Beiersdorf SpA	IT, Milan	100.00
La Prairie SpA	IT, Milan	100.00
tesa SpA	IT, Vimodrone	100.00
Beiersdorf Kazakhstan LLP	KZ, Almaty	100.00
tesa tape UAB	LT, Vilnius	100.00
Guhl Ikebana Cosmetics B.V.	NL, Almere	10.00
Beiersdorf Holding B.V.	NL, Amsterdam	100.00
Beiersdorf NV	NL, Amsterdam	100.00
tesa Western Europe B.V.	NL, Amsterdam	100.00
tesa BV	NL, Hilversum	100.00
Beiersdorf AS	NO, Oslo	100.00
tesa AS	NO, Oslo	100.00
Beiersdorf Manufacturing Poznan Sp. z o.o.	PL, Poznan	100.00
NIVEA Polska Sp. z o.o.	PL, Poznan	100.00
tesa tape Sp. z o.o.	PL, Poznan	100.00
Beiersdorf Portuguesa, Limitada	PT, Queluz	100.00
tesa Portugal – Produtos Adesivos, Lda.	PT, Queluz	100.00
Beiersdorf Romania s.r.l.	RO, Bucharest	100.00
tesa tape s.r.l.	RO, Cluj-Napoca	100.00
Beiersdorf d.o.o.	RS, Belgrade	100.00
Beiersdorf LLC	RU, Moscow	100.00
La Prairie Group (RUS) LLC	RU, Moscow	100.00
tesa tape OOO	RU, Moscow	100.00
Beiersdorf Aktiebolag	SE, Gothenburg	100.00
Beiersdorf Nordic Holding AB	SE, Gothenburg	100.00
tesa AB	SE, Kungsbacka	100.00

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
Beiersdorf d.o.o.	SI, Ljubljana	100.00
tesa tape posrednistvo in trgovina d.o.o.	SI, Ljubljana	100.00
Beiersdorf Slovakia, s.r.o.	SK, Bratislava	100.00
tesa Bant Sanayi ve Ticaret A.S.	TR, Istanbul	100.00
Beiersdorf Ukraine LLC	UA, Kiev	100.00

AMERICAS

Name of the company	Registered office	Equity interest (in %)
Beiersdorf S.A.	AR, Buenos Aires	100.00
tesa tape Argentina S.R.L.	AR, Buenos Aires	100.00
Beiersdorf S.R.L.	BO, Santa Cruz de la Sierra	100.00
tesa Brasil Ltda.	BR, Curitiba	100.00
Beiersdorf Indústria e Comércio Ltda.	BR, Itatiba	100.00
BDF NIVEA LTDA.	BR, São Paulo	100.00
Beiersdorf Canada Inc.	CA, Saint-Laurent	100.00
Beiersdorf Chile S.A.	CL, Santiago de Chile	100.00
Beiersdorf S.A.	CL, Santiago de Chile	100.00
tesa tape Chile S.A.	CL, Santiago de Chile	100.00
Beiersdorf S.A.	CO, Bogotá	100.00
tesa tape Colombia Ltda.	CO, Santiago de Cali	100.00
BDF Costa Rica, S.A.	CR, San José	100.00
Beiersdorf, SRL	DO, Santo Domingo	100.00
Beiersdorf S.A.	EC, Quito	100.00
BDF Centroamérica, S.A.	GT, Guatemala City	100.00
tesa tape Centro América S.A.	GT, Guatemala City	100.00
BDF Corporativo, S.A. de C.V.	MX, Mexico City	100.00
BDF México, S.A. de C.V.	MX, Mexico City	100.00
Technical Tape México S.A. de C.V.	MX, Mexico City	100.00
tesa tape México, SRL de CV	MX, Mexico City	100.00
Beiersdorf Manufacturing México, S.A. de C.V.	MX, Silao	100.00
Beiersdorf Manufacturing México Servicios, S.A. de C.V.	MX, Silao	100.00
BDF Panamá, S.A.	PA, Panama City	100.00
HUB LIMITED S.A.	PA, Panama City	100.00
Beiersdorf S.A.C.	PE, Lima	99.81
Beiersdorf S.A.	PY, Asunción	100.00
BDF El Salvador, S.A. de C.V.	SV, San Salvador	100.00
tesa tape inc.	US, Charlotte, NC	100.00
LaPrairie.com LLC	US, Edison, NJ	100.00
La Prairie, Inc.	US, New York City, NY	100.00
Beiersdorf, Inc.	US, Wilton, CT	100.00
Beiersdorf North America Inc.	US, Wilton, CT	100.00
Beiersdorf S.A.	UY, Montevideo	100.00
Beiersdorf S.A.	VE, Caracas	100.00

AFRICA / ASIA / AUSTRALIA

Name of the company	Registered office	Equity interest (in %)
Beiersdorf Middle East FZCO	AE, Dubai	100.00
Beiersdorf Near East FZ-LLC	AE, Dubai	100.00
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.00
La Prairie Group Australia Pty. Ltd.	AU, Rosebery, NSW	100.00
tesa tape Australia Pty. Ltd.	AU, Sydney, NSW	100.00
Beiersdorf Daily Chemical (Guangzhou) Co., Ltd.	CN, Guangzhou	100.00
Beiersdorf Hong Kong Limited	CN, Hong Kong	100.00
La Prairie Hong Kong Limited	CN, Hong Kong	100.00
tesa tape (Hong Kong) Limited	CN, Hong Kong	100.00
La Prairie (Shanghai) Co. Ltd.	CN, Shanghai	100.00
NIVEA (Shanghai) Company Limited	CN, Shanghai	100.00
tesa tape (Shanghai) Co., Ltd.	CN, Shanghai	100.00
tesa Plant (Suzhou) Co., Ltd.	CN, Suzhou	100.00
Beiersdorf Daily Chemical (Wuhan) Co., Ltd.	CN, Wuhan	100.00
Beiersdorf Personal Care (China) Co., Ltd.	CN, Xiantao	100.00
Beiersdorf Ghana Limited	GH, Accra	100.00
P.T. Beiersdorf Indonesia	ID, Jakarta	80.00
Beiersdorf India Pvt. Limited	IN, Mumbai	51.00
NIVEA India Pvt. Ltd.	IN, Mumbai	100.00
tesa tapes (India) Private Limited	IN, Navi Mumbai	100.00
Beiersdorf Holding Japan Yugen Kaisha	JP, Tokyo	100.00
La Prairie Japan K.K.	JP, Tokyo	100.00
Nivea-Kao Co., Ltd.	JP, Tokyo	60.00
tesa tape K.K.	JP, Tokyo	100.00
Beiersdorf East Africa Limited	KE, Nairobi	100.00
Alkynes Co. Ltd.	KR, Gyeonggi-do	25.01
Beiersdorf Korea Limited	KR, Seoul	100.00
La Prairie Korea Limited	KR, Seoul	100.00
tesa tape Korea Limited	KR, Seoul	100.00
Beiersdorf S.A.	MA, Casablanca	100.00
tesa tape (Malaysia) Sdn. Bhd.	MY, Kajang	100.00
tesa tape Industries (Malaysia) Sdn. Bhd.	MY, Kajang	99.99
Beiersdorf (Malaysia) SDN. BHD.	MY, Petaling Jaya	100.00
Beiersdorf Nivea Consumer Products Nigeria Limited	NG, Lagos	100.00
Beiersdorf Philippines Incorporated	PH, Bonifacio Global City	100.00
Turath Al-Bashara for Trading Limited (Skin Heritage for Trading)	SA, Jeddah	70.00
Beiersdorf Singapore Pte. Ltd.	SG, Singapore	100.00
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100.00
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.00
tesa tape (Thailand) Limited	TH, Bangkok	90.57
Beiersdorf Manufacturing (Thailand) Co., Ltd.	TH, Samutprakarn	100.00
NIVEA Beiersdorf Turkey Kozmetik Sanayi ve Ticaret A.S.	TR, Istanbul	100.00
NIVEA (Taiwan) Ltd.	TW, Taipei	100.00
Beiersdorf Vietnam Limited Liability Company	VN, Ho Chi Minh City	100.00
Beiersdorf Consumer Products (Pty.) Ltd.	ZA, Umhlanga	100.00

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Financial Calendar

2017

April 20	April 25	April 27
Annual General Meeting	**Dividend Payment**	**Quarterly Statement January to March 2017**
August 3	**October 26**	
Half-Year Report 2017	**Quarterly Statement January to September 2017**	

2018

January	March	April
Publication of Preliminary Group Results 2017 (Sales)	**Publication of Annual Report 2017, Annual Accounts Press Conference, Financial Analyst Meeting**	**Annual General Meeting**
May	**August**	**October**
Quarterly Statement January to March 2018	**Half-Year Report 2018**	**Quarterly Statement January to September 2018**

Beiersdorf

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