ANNUAL REPORT

2017

Beiersdorf

Beiersdorf 2017

KEY FIGURES – OVERVIEW

		2016	2017
Group sales	(in € million)	**6,752**	**7,056**
Change (organic)	(in %)	3.2	5.7
Change (nominal)	(in %)	1.0	4.5
Consumer sales	(in € million)	**5,606**	**5,799**
Change (organic)	(in %)	3.3	4.7
Change (nominal)	(in %)	1.1	3.4
tesa sales	(in € million)	**1,146**	**1,257**
Change (organic)	(in %)	2.6	10.6
Change (nominal)	(in %)	0.6	9.8
Operating result (EBIT, excluding special factors)	(in € million)	**1,015**	**1,088**
Operating result (EBIT)	(in € million)	1,015	1,088
Profit after tax	(in € million)	727	689
Return on sales after tax	(in %)	10.8	9.8
Earnings per share	(in €)	3.13	2.96
Total dividend	(in € million)	159	159
Dividend per share	(in €)	0.70	0.70
Gross cash flow	(in € million)	**859**	**930**
Capital expenditure	(in € million)	**162**	**195**
Research and development expenses	(in € million)	**188**	**196**
Employees	(as of Dec. 31)	**17,934**	**18,934**

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1 TO OUR SHAREHOLDERS

Letter from the Chairman

Ladies and Gentlemen,

2017 was another very successful year for Beiersdorf. These positive figures are the result of great efforts from all of our employees over the past few years and the systematic implementation of our business strategy. Furthermore, we have taken significant steps in 2017 in positioning Beiersdorf for continued success in the future.

The last six years have seen a sustained upward trend at our company. In 2017, our growth path continued with a new sales record and further gains in market share. Both business segments, Consumer and tesa, contributed to this dynamic performance throughout the year. Particularly in the second half of 2017, Beiersdorf's sales growth far outperformed the market, defying the general industry trend. Business performance even exceeded the already high expectations we had at the start of the year. As a result, we increased our sales forecast in October.

Our continuous growth path has lasted for several years now – a clear sign of strength also for our investors and the capital markets. In December, Beiersdorf's share price exceeded €100 per share for the first time.

The key pillar of our continued success was and is our highly effective business strategy, which we set out in the BLUE AGENDA in 2012 and have since then implemented systematically. It is our strategic compass that guides all our activities and leads us on our sustainable growth path.

Both our capacity to innovate and particularly our innovation pace further increased in the year under review. One example was the launch of the new NIVEA Sun Protect & Care, whose special formula makes it easier to wash out stains resulting from UV filters. It was very well received by consumers and has rapidly developed into a growth driver.

Furthermore, we have steadily enhanced our position in markets in Europe and beyond, with a primary focus on emerging markets. Targeted investments in local development and production capacity in these countries allow us to meet specific regional consumer needs with our products.

We have also made considerable progress in terms of our efficiency and flexibility allowing us to respond even faster to market changes. This, in turn, is playing a major part in increasing our competitiveness.

With a clear focus on the future, we expanded our business strategy in 2017. With BLUE & BEYOND, we are building a solid foundation for the further future success of our company. We want to leverage the great potential of Eucerin, Hansaplast, and La Prairie, and make these brands just as successful as NIVEA. With that in mind, we combined our Eucerin, Hansaplast, and La Prairie brands within one single board division in 2017. The aim is to constantly increase these brands' impact and leverage synergy effects.

In addition to the strengthening of our core brands, digitalization will play a major role in Beiersdorf's future success. We are determined to be an industry pioneer in this area, and we have already taken promising steps on this path.

Last year's decision to build a new Group headquarters in Eimsbüttel in our home city of Hamburg was another future-oriented move. Construction work began at the end of 2017 and we expect completion in 2021. A modern, attractive new working environment for 3,000 jobs is being created on over 100,000 square meters in urban surroundings.

It is particularly encouraging that tesa has returned to its familiar strength this past year, achieving double-digit sales growth. tesa is globally renowned for its expertise in self-adhesive products and system solutions. Growth in 2017 was fueled by direct business with industry customers and the trade markets segment, which includes the end-customer business.

The figures for 2017 are a strong reflection of the sustainable growth trend in both of Beiersdorf's business segments. Group sales climbed organically by 5.7%. On a nominal basis, sales rose by 4.5%, from €6,752 million in the previous year to €7,056 million. The operating result (EBIT) improved by 7.3% from €1,015 million to €1,088 million. The EBIT margin was 15.4%, compared to 15.0% in the previous year. The Consumer Business Segment generated organic sales growth of 4.7%. Nominal sales were up 3.4% from €5,606 million to €5,799 million. tesa grew organic sales by 10.6%. In nominal terms, tesa's sales rose by 9.8% from €1,146 million to €1,257 million. The EBIT margin improved to 15.2% in the Consumer Business Segment and to 16.5% at tesa.

These positive figures are in large part the result of the dedication and expertise of our employees. All Beiersdorfers have done a tremendous job throughout the year. I would like to thank all of them for their efforts.

The successful continuation of our growth path in the past year gives us every reason to look ahead to 2018 with cautious optimism. We remain confident of our strengths and are determined to continue Beiersdorf's success story.

I would like to take this opportunity to expressly thank all of Beiersdorf's consumers, shareholders, business partners, and friends for their trust and support.

STEFAN F. HEIDENREICH
Chairman of the Executive Board

Beiersdorf’s Shares and Investor Relations

Political uncertainty, normalization of monetary policy, and robust economic data: The defining themes of the year on the stock markets in 2017 had little impact on the development of Beiersdorf’s shares, which ended the year up 21%, considerably outperforming the sector.

Germany’s benchmark index, the DAX, hit new highs early in the year despite continuing political uncertainty in the United States, United Kingdom, and France. Against the backdrop of robust labor market data and slightly rising inflation in the United States, the US Federal Reserve continued its normalization of monetary policy with a total of three hikes in the federal funds rate in 2017 and the announced discontinuation of its bond purchase program. With inflation below the 2% target, the European Central Bank (ECB) extended its own purchase program with a reduced volume and announced that it would not raise its benchmark interest rate for the foreseeable future. Despite this, the European single currency rose by more than 10% against the US dollar over the course of the year and temporarily exceeded USD 1.20 after starting 2017 at little more than parity. Key commodity prices, especially for metals such as aluminum, also experienced a recovery phase with double-digit rises in some cases.

One reason for the parallel upward trends in the euro, in commodities, and in the stock markets was the fact that the capital market saw no threats to healthy economic performance during the year. While the business-friendly candidate Emmanuel Macron won the presidential and parliamentary elections in France, new elections in the United Kingdom produced no clear winner, leading the British pound to fall to its lowest level against the euro for several years. Also on the political agenda were the tense relationship between the United States and North Korea, and Catalonia’s possible separation from Spain. The protracted coalition negotiations following the German elections created uncertainty beyond the country’s borders. Nevertheless, the International Monetary Fund (IMF) and other economic bodies revised their growth forecasts upward several times, prompted by stronger world trade and record employment in major industrialized countries. More than 30 years after Black Monday, the DAX thus ended 2017 at 12,917 points, close to its all-time high.

The Beiersdorf share outperformed its competitors in its benchmark sector, Household and Personal Care (HPC). Takeover speculation drove share prices higher for some competitors, while others saw their shares weighed down by concerns over sales performance. Beiersdorf’s shares escaped this volatility, rising sharply, especially in the first half of the year, before approaching the €100 mark for the first time since the share split in 2006. Following a period of consolidation in the summer and strong business performance in both the Consumer and tesa Business Segments, the company increased its sales forecast for the Group after the first nine months of the year. Sales growth both at Group level and in the Consumer Segment topped the benchmark sector HPC. This paved the way for a share price of over €100 before profit-taking at year-end pushed our shares back slightly below this threshold.

For Investor Relations, the main topic of discussion with investors was the strategic development of the core brands alongside NIVEA. At the Financial Analyst Meeting in March, the Executive Board emphasized that the company plans to leverage further growth potential with the Eucerin (dermocosmetics) and La Prairie (selective cosmetics) brands as well as with the plaster brand Hansaplast.

Beiersdorf’s Annual General Meeting took place on April 20, 2017, at the Hamburg Messehallen for the first time; more than 1,000 shareholders accepted the invitation. 31 financial analysts regularly published research notes on Beiersdorf in 2017, many of which upgraded Beiersdorf’s shares in the course of the year, emphasizing the company’s strong sales performance in the competitive skin and personal care market. The number of buy recommendations for Beiersdorf’s shares rose over the year, reflecting the capital market’s positive view of business performance and the company’s prospects.

Beiersdorf’s shares ended the year 2017 up 21%, outperforming the DAX. The closing price was €97.90, meaning that Beiersdorf has far more than doubled its shareholders’ investment since the launch of the Blue Agenda in 2012.

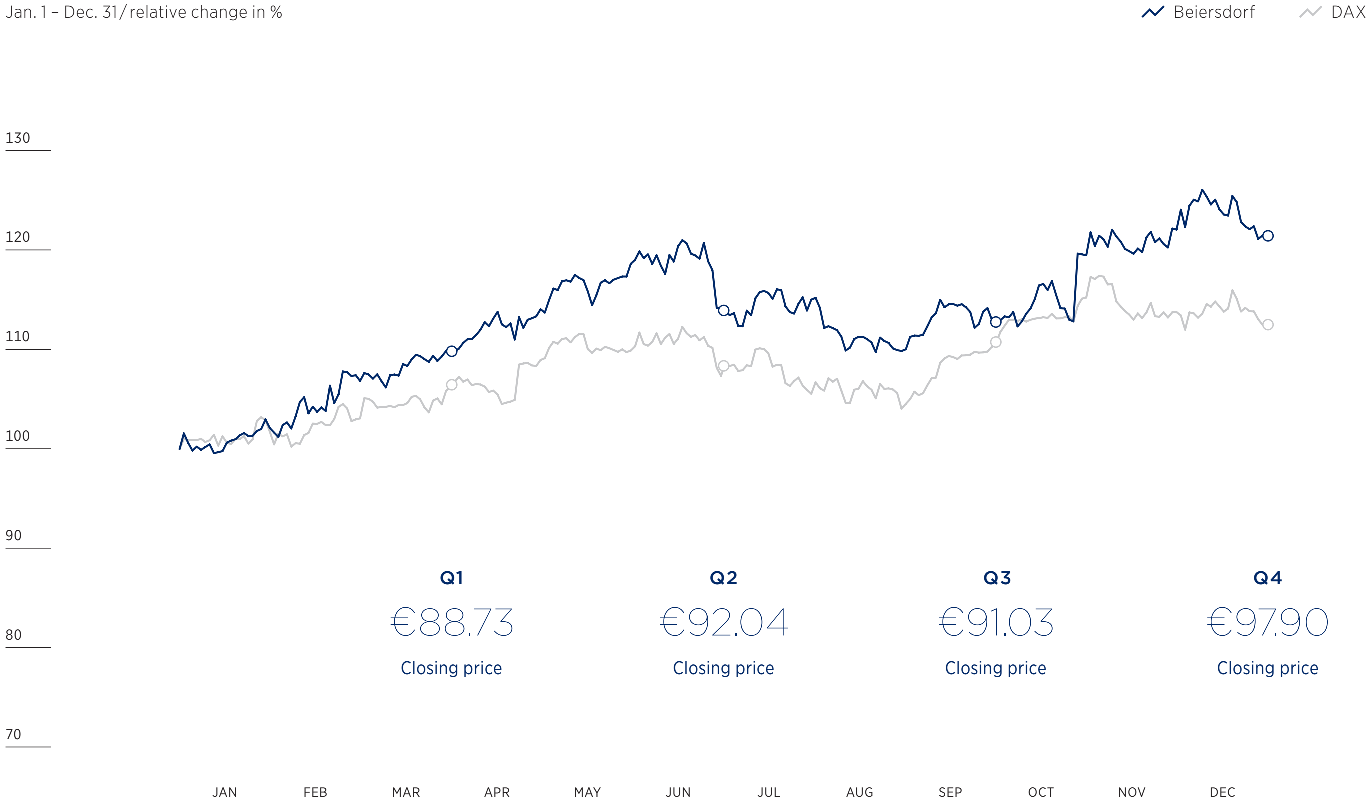
For more information on Beiersdorf’s shares please visit
WWW.BEIERSDORF.COM/SHARES.

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

KEY FIGURES – SHARES

		2016	**2017**
Earnings per share as of Dec. 31	(in €)	3.13	2.96
Market capitalization as of Dec. 31	(in € million)	20,311	24,671
Closing price as of Dec. 31	(in €)	80.60	97.90
Closing high for the year	(in €)	85.56	101.60
Closing low for the year	(in €)	75.55	80.28

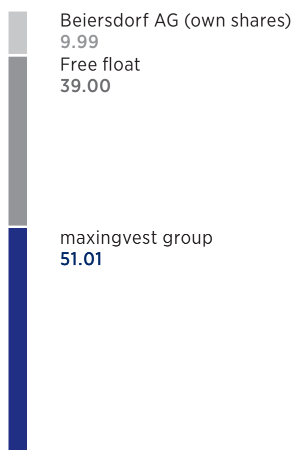
BEIERSDORF'S SHARE PRICE PERFORMANCE 2017
Jan. 1 – Dec. 31 / relative change in %



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, 2017



Report by the Supervisory Board

Dear Shareholders,

In fiscal year 2017, the Supervisory Board performed its duties in accordance with the law, the Articles of Association, the German 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. Beatrice Dreyfus, an alternate member of the Supervisory Board since January 2016, passed on her position to Hong Chow at the 2017 Annual General Meeting as planned. At the same time, Reiner Hansert succeeded Dr. Andreas Albrod. The company provided regular information to the Supervisory Board at or during meetings about the framework for 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%). Absent members submitted their individual votes in writing.

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 the 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 of the Supervisory Board and selected employees is available for drafts, documents, and comments. The Supervisory Board also considered and discussed external views and developments concerning good corporate governance in Germany and other countries and critical appraisals of Supervisory Board activity.

The Executive Board strategy is to achieve swift and lasting healthy growth in the Consumer and tesa Business Segments by delivering tangible consumer benefit. Supporting and encouraging this strategy has been and remains the major focus of the Supervisory Board. The Supervisory Board also supports this 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 in the other brands (plasters, pharmacy, new channels, etc.).

Full Supervisory Board

The Supervisory Board met six times. The meetings regularly addressed the company's strategic orientation, business developments, interim financial statements, compliance, Executive Board matters, 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 2018. The meetings in the middle of the year concentrated on the strategy. In one case, following prior oral discussion and clarification, the Supervisory Board issued a written decision on a measure subject to its approval.

On **February 2, 2017**, the Supervisory Board discussed the achievement of the targets set for the Executive Board for the 2016 fiscal year and determined the Executive Board members' total remuneration. Vincent Warnery was also appointed as an Executive Board member effective February 15, 2017.

On **February 24, 2017**, the Supervisory Board addressed business developments and discussed the corporate planning for 2017 in detail. It approved the annual and consolidated financial statements as well as the associated management reports, including the remuneration report, and adopted the annual financial statements for the 2016 fiscal year. It also discussed the Executive Board reports on dealings among Group companies and on the disclosures required under takeover law as well as the corporate governance statement. It approved the Supervisory Board's report to the Annual General Meeting and the corporate governance report for the 2016 fiscal year. The Supervisory Board approved the agenda and proposals for decision for the Annual General Meeting on April 20, 2017, as well as the candidate proposal prepared by the Nomination Committee for the supplementary elections to the Supervisory Board. It also resolved a change to the schedule of responsibilities on the Executive Board.

On **April 20, 2017**, the Supervisory Board prepared for the upcoming Annual General Meeting. The Executive Board provided information on business performance and an outlook for the year as a whole.

At the meeting following the Annual General Meeting, the Supervisory Board elected Hong Chow and Reiner Hansert as members of various committees. It also confirmed its decision of principle taken in the previous year on the approval of the investment in a new Group headquarters. The profile of skills and expertise for the Supervisory Board was discussed.

On **September 4 and 5, 2017**, the Supervisory Board discussed the Executive Board's strategy for the Consumer Business Segment in depth. For these discussions, the members of the Executive Board gave extensive presentations on strategic issues from their areas of responsibility and on the challenges arising from the accelerating changes in the relevant markets and the advance of digitalization. The Supervisory Board also discussed the reports from the committees. In addition, the meeting covered the Group's interim report as of June 30, 2017, and business developments as of the end of August, and looked ahead to the full year 2017. The Supervisory Board looked at the issue of cyber security as well as the non-financial statement required under new legislation ("CSR Directive"). Lastly, the Supervisory Board resolved on the profile of skills and expertise for the Supervisory Board.

On **December 8, 2017**, the Supervisory Board discussed business developments up to the end of November 2017 and, after intensive discussion, adopted the 2018 corporate planning. It discussed the business strategy, cyber security, the reappointment of a member of the Executive Board, the 2017 target achievement of Executive Board members and the Executive Board targets for fiscal 2018. The Supervisory Board adopted the declaration of compliance with the German Corporate Governance Code.

In **early 2018**, the Supervisory Board resolved the extent to which the Executive Board had achieved its targets in 2017 as well as its remuneration for that year. It also approved the annual statements and consolidated financial statements for 2017 along with the associated reports, and approved the proposals for decision for the Annual General Meeting on April 25, 2018.

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 other Executive Board matters. It prepared meetings of the full Supervisory Board. In one case, following prior oral discussion and clarification, the Presiding Committee issued a written decision on a measure subject to approval.

The **Audit Committee** (ten meetings, including two extraordinary meetings) 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 auditor, looked at compliance issues, and specified the areas of emphasis for the 2017 audit. It made a proposal to the Supervisory Board for the appointment of the auditor by the 2017 Annual General Meeting. The auditor reported to the Audit Committee on the key findings of the audit. The reports and special reports by Internal Audit were a focus of the Audit Committee meetings, as well as the events, impact, and lessons learned from the cyber attack at the end of June 2017. The Committee discussed the content of the non-financial statement ("CSR Directive") that will be required in the future and the auditing responsibilities of the Supervisory Board associated with this. Business developments, quarterly figures, the internal control system, risk management, other 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) addressed, in particular, investments, the investment strategy for the increasing cash holdings, and foreign currency risks. It regularly discussed compliance management and looked in detail at possible risks from legal and tax proceedings. One focus of this was on potential claims for damages against Beiersdorf AG related to concluded antitrust proceedings.

The **Nomination Committee** (one meeting) resolved, taking into account the Supervisory Board's targets for its composition and the requirements of the German Corporate Governance Code, to propose Hong Chow to the Supervisory Board as a member and Beatrice Dreyfus as alternate member as the Board's candidates for proposal to the Annual General Meeting on April 20, 2017.

At the beginning of 2018, the Nomination Committee resolved, taking into account the Supervisory Board's targets for its composition and the requirements of the German Corporate Governance Code, to propose Martin Hansson to the Supervisory Board as a member and Beatrice Dreyfus as alternate member as the Board's candidates for proposal to the Annual General Meeting on April 25, 2018.

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 **auditor** audited the **2017 annual financial statements** and **the combined management report** for Beiersdorf AG and the Group, and issued unqualified audit opinions for them. The Executive Board's report on dealings among Group companies (§ 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*)) required 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." In addition, the auditor was instructed to conduct a voluntary audit of the combined **non-financial report**.

The Supervisory Board received the 2017 annual financial statements, combined management report, and non-financial report for Beiersdorf AG and the Group, the report on dealings among Group companies, and the auditor's reports immediately after their **preparation**. The auditor reported on the key findings of its audit to the Audit Committee and to the full Supervisory Board. The Supervisory Board's examination of the annual financial statements, combined management report, and non-financial report for Beiersdorf AG and the Group, the report on dealings among Group companies, including the concluding declaration by the Executive Board, and the auditor's reports did not raise any objections. The Supervisory Board concurred with the auditor's findings and approved the annual financial statements of Beiersdorf AG and the consolidated financial statements for the year ending December 31, 2017. 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 shareholders, business partners, and, most importantly, consumers for their continued trust in the company, and its achievements and brands.

Hamburg, February 22, 2018
For the Supervisory Board

REINHARD PÖLLATH
Chairman

Corporate Governance Report

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 2017, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2017 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the recommendations made in the Code with one exception, as well as all the suggestions with a small number of exceptions. The 2017 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 2017, 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, and February 7, 2017, with one exception:

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.

Hamburg, December 2017

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 for 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 Codetermination 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; one member of the Supervisory Board has stepped down from his post with effect from the end of the 2018 Annual General Meeting.

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. The Supervisory Board meets without the Executive Board when necessary. Meetings are regularly discussed in advance; where necessary and appropriate by the employee and shareholder representatives separately. The Supervisory Board 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. There is also a thorough onboarding of new members of the Supervisory Board.

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) Composition, Profile of Skills and Expertise, and Implementation Status

The Supervisory Board agreed concrete, company-specific objectives for its composition in December 2015. These 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. In September 2017, the Supervisory Board also further developed its profile of skills and expertise, under which the Supervisory Board members must collectively possess the knowledge, skills, and professional experience required to properly perform the Board's duties. The objectives and profile of skills and expertise form part of the diversity policy for the composition of the Supervisory Board and will be taken into account in future proposals for election as they have been in the past.

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.

Women

The Supervisory Board's goal is to further strengthen the number and position of women on the Supervisory Board and to achieve a target of four female members (30%). 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, taking into account the ownership structure. 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.

Profile of Skills and Expertise

The Supervisory Board ensures that its members collectively have the knowledge, skills, and professional experience needed to properly perform their duties. In addition to the concrete objectives for its composition, the Supervisory Board has prepared a profile of skills and expertise setting out the particular personal and professional skills and expertise required. This is regularly reviewed and updated if necessary. In terms of their expertise, the members must collectively be familiar with the sector in which the company operates; in addition, at least one member must have expertise and experience in each of the following areas: accounting and finance; consumer goods, retail and sales channels; international markets (including emerging markets); beauty and body care; brand development and management; personnel development and support, corporate organization; risk management, internal control systems, compliance and auditing; innovation management and research and development; digital and information technology; sustainability and corporate social responsibility. The Supervisory Board aims for this specialist expertise to be represented among its members in as balanced a way as possible. In addition to this, every Supervisory Board member should meet the necessary general and personal requirements for fulfilling their duties in terms of education, international professional orientation, international diversity, seniority, reliability, diligence, and availability to the required and appropriate extent.

Diversity Officers

Two Supervisory Board members have been appointed as diversity officers in order to advance and promote diversity on the Supervisory Board, Dr. Dr. Christine Martel and Prof. Manuela 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.

Implementation Status of Targets and the Profile of Skills and Expertise

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: as an employee representative, Prof. Manuela Rousseau, and as shareholder representatives, Dr. Dr. Christine Martel (the Chair of the Audit Committee) along with Ms. Beatrice Dreyfus (until April 20, 2017) and Ms. Hong Chow (since April 20, 2017). 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 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. The Supervisory Board therefore assumes that, among the shareholder representatives, at least the following active members are independent: Ms. Hong Chow, Dr. Dr. Christine Martel, and Mr. Poul Weihrauch.

One Supervisory Board member, Mr. Michael Herz, has exceeded the regular age limit set out in the bylaws of the Supervisory Board. Given his knowledge and experience, the Supervisory Board decided in 2015 to make a reasonable exception for him. The regular limit for length of membership and the rules governing potential conflicts of interest were complied with. All members of the Supervisory Board also fulfill the necessary personal competence requirements for their tasks. Moreover, the Supervisory Board members are collectively familiar with the sector in which the company operates. In addition, the fields of required expertise are each represented by at least one member.

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. Christine 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). Regular discussions with the auditors additionally take place outside the meetings on relevant topics. The Audit Committee also monitors the auditor's independence and looks at the 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 before their publication.

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 85 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. For the share of women on the Executive Board, the Supervisory Board has set a target of 10%, to be achieved no later than June 30, 2022.

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 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), including through an appropriate compliance management system tailored to the risk situation, the main features of which are disclosed in the Sustainability Report. 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. The Executive Board has set a target of at least 35% for the share of women at Beiersdorf AG's first management level below the Executive Board, and a target of at least 50% for the second management level, both to be achieved by June 30, 2022.

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

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 the *Bundesanstalt für Finanzdienstleistungsaufsicht* (Federal Financial Supervisory Authority, *BaFin*) 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.

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 6f. 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 April 20, 2017, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditors for Beiersdorf AG and the Beiersdorf Group for fiscal year 2017.

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, the website 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, quarterly statements, and the summarized, separate non-financial report of Beiersdorf AG and the Group), 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 §§ 289f and 315d *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, on the diversity policy for the Executive and Supervisory Boards, and on the statutory requirements for the equal participation of women and men in leadership positions.

Hamburg, February 22, 2018
Beiersdorf Aktiengesellschaft

The Supervisory Board   The Executive Board

2 COMBINED MANAGEMENT REPORT

Foundation of the Group

Our Brands

The Beiersdorf portfolio is characterized by strong, international brands that are chosen by millions of people around the world each day. The success of our brands is based on our innovative strength, outstanding quality, and closeness to consumers. This closeness enables us to tailor our brand portfolio to the individual wishes and regional requirements of our consumers across the globe. Our range is centered on our successful skin and body care brands, each serving different segments: NIVEA is aimed at the mass market, Eucerin at the dermo-cosmetics segment, and La Prairie at the selective cosmetics market. With its brands Hansaplast and Elastoplast, Beiersdorf is globally positioned in the field of plasters and wound care.

Renowned brands such as Labello, Florena, 8x4, Hidrofugal, atrix, Aquaphor, SLEK, and Maestro round off our extensive portfolio in the Consumer Business Segment. Through the tesa brand, which has been managed since 2001 by Beiersdorf's independent tesa subgroup, we also offer innovative self-adhesive system and product solutions for industry, craft businesses, and consumers.

Our Brand Portfolio

NIVEA is one of the world's best-known, largest, and most successful skin care brands and is trusted by consumers around the globe.

Eucerin is Beiersdorf's medicinal skin care brand, trusted by pharmacists, dermatologists, and consumers all around the world.

The **La Prairie** brand stands for high-quality, innovative products that aim to offer consumers the ultimate luxury in skin care.

With **Hansaplast** and its sister brand **Elastoplast**, Beiersdorf is a global provider of plasters and wound care.

The internationally renowned lip balms from **Labello** are among Beiersdorf's classic products.

Under the **Florena** brand, Beiersdorf offers an extensive range of skin and body care products with natural ingredients for consumers in Germany.

8x4 is an internationally renowned deodorant brand.

Beiersdorf's **Hidrofugal** brand offers a range of highly effective antiperspirants.

The hand care brand **atrix** provides immediate care for busy hands.

Aquaphor, a sister brand of Eucerin, offers skin care products to protect and care for extremely dry or irritated skin.

SLEK and **Maestro** are Beiersdorf's hair care and hair styling brands in China. Both brands are part of our global growth strategy.

tesa provides self-adhesive system and product solutions for industry, craft businesses, and consumers. Its philosophy and strategy are built on dependable high quality, exemplary innovative strength, and the use of state-of-the-art technologies.

Business and Strategy

Beiersdorf is a global leader in the consumer goods industry with a total of about 19,000 employees in more than 160 affiliates contributing to the Group's success. The business is divided into two separate, independently operating business segments, each of which holds a market leadership position worldwide:

- The Consumer Business Segment is the core of our business. We focus on the skin and body care markets with strong brands including NIVEA, Eucerin, Hansaplast, and La Prairie.
- Our tesa Business Segment provides self-adhesive system and product solutions for industry, craft businesses, and consumers. Since 2001, tesa SE has been an independently run subsidiary of Beiersdorf AG.

Consumer

OUR STRATEGY

We aim to be the No. 1 skin care company in our key categories and markets, as well as maximize the growth potential of our strong brands. In order to achieve this goal, we align our entrepreneurial activities – in line with our environmental and social responsibility – with our strategic compass, the Blue Agenda. The key strategic priorities of this agenda include:

- Strengthening our brands
- Continuously increasing our innovation power
- Expanding our presence in emerging markets and consolidating our market position in Europe
- Continuously increasing efficiency
- Accelerating digitalization, both in operating activities and throughout the company
- Promoting an inclusive and performance-enhancing corporate culture that puts people first

In the reporting year, we have worked systematically to implement these strategic priorities in order to ensure the sustainable success of our business. Furthermore, we have expanded the Blue Agenda with the new Blue & Beyond strategy. With this initiative, we have set our sights on the future of our company and are doing everything we can to leverage the enormous growth potential of our three Pharmacy and Selective brands Eucerin, Hansaplast, and La Prairie. In these efforts, our focus is on building new business models while leveraging synergies effectively.

The positive performance of the business 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 under challenging conditions, gained market share, and further improved our strong position worldwide.

OUR VALUES

Our conduct is critical for the successful implementation of our strategy. Our Core Values play a leading role in this success. They are the guiding principles that drive the work of each and every one of our employees and shape our corporate culture.

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

BRANDS

With our strong brands, we are close to our consumers and meet their needs across the globe. In doing so, our brand portfolio makes a decisive contribution to the success of our company. Beiersdorf's brands stand for trust, quality, and consistency. By applying disciplined brand management, we have succeeded in consistently increasing our brands' impact during the reporting year. This is especially the case with our brands Eucerin, Hansaplast, and La Prairie, which have increased in strength through our accelerated efforts under the new Blue & Beyond strategy. We have set ourselves the goal of leveraging the growth potential of the brands and making them just as economically successful as our iconic brand NIVEA.

INNOVATIONS

Beiersdorf has built its global reputation on a strong tradition in skin care expertise. Developing innovative products that meet consumers' expectations is key to strengthening our brand position in the skin and body care business. Ensuring product innovation is of vital importance to us. We therefore focus on new products with high potential for sustainable growth. Furthermore, we aim to extend the lifespan and growth of our major innovations to make full use of their potential.

One of the major innovations we introduced to the market during the reporting year was the new NIVEA Sun Protect & Care with an improved formula. The innovative formula not only protects skin from UVA and UVB, but also enables stains from UV filters to be more easily washed out of clothing. This groundbreaking innovation has led to Beiersdorf significantly strengthening its excellent position in the area of sun protection. Information on other innovations can be found in the “Research and Development” section of the Management Report.

MARKETS

We are represented in almost all countries worldwide with our leading brands. Being close to our consumers is critical for us to meet the specific and often very different needs in the regions and to be able to react quickly and flexibly to changing expectations. This close proximity ensures we have sustainable market share, and that we are able to establish and maintain leading positions in our markets.

Beiersdorf is positioned very close to consumers through the global presence of our brands and affiliates. Our global network of research and development sites enables us to anticipate trends and to develop our products for individual needs. The proximity to the target markets of our 17 production sites in twelve countries gives us further advantages over global competition. In the year under review, Beiersdorf continued to make targeted investments in increasing local production capacities in order to further strengthen the company's international activities as well as its presence and impact in key emerging markets. These included the following projects:

- During the first six months of 2017, we further expanded our presence in Lagos (Nigeria). Investment volume for the new production facility was around €13 million. The plant, which started production in April 2017 and produces specific products for the local market, is of strategic importance to Beiersdorf due to the enormous growth potential of the African markets.

- The year under review also saw the kickoff for the expansion of our production center outside of Bangkok (Thailand). Based on an investment volume of around €45 million the construction on approximately 20,000 square meters of new space is designed to meet the criteria of the LEED Gold environmental standard. The plant, which is strategically important for the entire Asia Pacific region, is scheduled to go into operation in the summer of 2019.

- During 2017, we have also decided to invest in the significant expansion of the production lines in Brazil, one of our key growth markets. Groundbreaking took place at the end of the fiscal year and the entire expansion of production and supply capacity is to be completed by the end of 2019. The total investment volume for our first production facility for aerosols outside of Europe will be around €80 million.

EFFICIENCY

Beiersdorf sets itself apart through its high level of efficiency and its ability to adapt to changes in the markets. This has allowed us to continue the sustained growth trend of recent years also in the reporting year. Beiersdorf further increased efficiency in 2017 through strong cost discipline exercised across the company, improved cost structures, focused use of the marketing budget, and streamlining and harmonization of the product range. Another focus was on the further reduction of working capital (= inventories plus trade receivables minus trade payables), which went down to a single-digit percentage in the reporting year.

DIGITALIZATION

In addition to being close to the consumer at the local level, our global digital presence continues to gain in strategic importance. To strengthen our brand position and close relationship with our consumers, we have been forging ahead with digitalization at Beiersdorf for years. During fiscal 2017, we continued to increase direct communication with our consumers and strengthen brand loyalty through a wide range of digital initiatives and targeted online marketing. Thanks to our increased digital activities and successful cooperation with e-commerce platforms, e-commerce sales were up significantly again during the year under review. For example, in 2017 our US mass market business across e-commerce platforms (including e.g. Amazon) grew strongly by more than 40% against the prior year. La Prairie even generated more than 20% of its sales in the US through e-commerce alone in 2017. Investments in China, a key growth market for Beiersdorf, included the cooperation with the two leading e-commerce platforms, Alibaba and JD.com. These online platforms provide us access to around 650 million Chinese consumers. During the reporting year, we achieved strong growth and are now generating more than 25% of our total sales in China in the e-commerce sector.

As Beiersdorf undergoes digital transformation, we always keep the added value for all relevant stakeholders in mind. Our initiatives are directed at where they make the most impact for consumers, employees, partners, and us. Fostering a digital mindset among all employees was a key focus for Beiersdorf during the reporting year. Through inspirational talks and e-learning modules, we intend to further enhance and increase our employees' digital expertise.

PEOPLE

The successes of the past year are first and foremost the achievement of our committed employees. During the year under review, we have worked together and launched successful products, simplified processes, and significantly increased efficiency in the company. Beiersdorf strives to be an attractive employer for all employees across the globe and promotes a culture of open feedback and dialog on an equal footing. Active participation is an integral part of our culture. 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" format in the reporting year, where the Chairman of the Executive Board takes questions from employees on a specific issue in focus.

For the fifth year in a row, the company carried out a global survey on employees' motivation and level of satisfaction. In 2017, over 90% of Beiersdorf staff took part. The results show that team cohesion, satisfaction, and employee engagement increased further during the year under review. The feedback generated by the survey serves as the basis for implementing improvement initiatives in the day-to-day working environment.

With the construction of the new headquarters in Hamburg-Eimsbüttel, Beiersdorf is investing in an ultra-modern, attractive new working environment in urban surroundings. Initial construction work has already begun during the reporting year with completion scheduled for 2021. The investment volume for this project amounts to €230 million. An administrative complex with 3,000 workstations and the expansion of the research center will be built on an area of 100,000 square meters. The operational units that are in part far away from each other at the moment will be able to work together under one roof in the future. With the construction of the new headquarters, Beiersdorf is sending a clear signal of future growth.

tesa

The tesa Business Segment develops, produces, and markets self-adhesive products and system solutions. Reliable quality, excellent service, a strong track record for innovation, and the use of superior technology are core elements of tesa's brand philosophy and success. The basis for this is sustainable employee development and a high level of commitment. The focus of our efforts is on our customers and markets. tesa develops effective and market-based solutions for the following groups:

DIRECT INDUSTRIES

tesa provides specialized system solutions primarily through direct channels to the electronics, printing and paper, building and construction, and automotive industries. These solutions are used to optimize and enhance the efficiency of production processes, as customized protection and packaging systems, and as fastening solutions in construction-related applications.

tesa's affiliate Labtec GmbH develops and produces transdermal therapeutic systems, also called pharmaceutical plasters, as well as oral films (pharmaceutical films that dissolve in the mouth without the need for additional fluids) for the pharmaceutical industry.

tesa scribos GmbH offers innovative solutions to protect against counterfeits and manipulation. A key technology in this area is tesa Priospot®, a specialized self-adhesive label.

By expanding its global structures, tesa is able to offer homogeneous solutions to industrial customers worldwide.

TRADE MARKETS

This area includes those markets that are served by trading partners or similar channels. In the General Industrial Markets business area, tesa offers product ranges for assembly and repair, transport securing tapes, and adhesive solutions for various packaging sectors.

In the Consumer & Craftsmen business area, which concentrates on markets in Europe and Latin America, tesa markets more than 300 innovative product solutions for application in energy saving, renovation, assembly, repair, packaging, and insect protection. The Craftsmen business area focuses on tailor-made product ranges for professional tradesmen as well as on the development and implementation of marketing concepts tailored to target groups.

It is essential for tesa to have comprehensive knowledge of trade partners, end users, and industry trends to continuously optimize its business processes. This enables tesa to react quickly and flexibly to market changes and to design efficient solutions that meet the requirements of all stakeholders with high sales productivity per unit area. By doing so, tesa gains advantages over its competitors and thus ensures sustainable business success.

MANAGEMENT AND CONTROL

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

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

VALUE MANAGEMENT AND PERFORMANCE MANAGEMENT SYSTEM

The goal of Beiersdorf's business activities is to sustainably increase the company's market share by achieving 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 and Supervisory Board of the Group's planning for the following year is generally in the fall.

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

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

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

Research and Development

Beiersdorf's research and development expertise has been driving the company's success for 135 years. The most important resources behind this research and development are the specialist expertise, pioneering spirit, and dedication of our employees, which enable us to reinvent skin care every day and bring outstanding innovations to the global market.

Our research activities and focuses vary by business segment:

- In the Consumer Business Segment, Beiersdorf develops innovative, high-quality skin care products. Our research anticipates future trends and the needs and wishes of consumers for innovative, effective, well-tolerated skin care and delivers products to match these requirements.

- In the tesa Business Segment, the focus is on developing top-quality self-adhesive system and product solutions. Here, our aim is to make our customers' workflows even more efficient and effective, identify needs, and respond flexibly to special requirements and market trends.

At the end of 2017, 1,290 people were employed in Beiersdorf's Research and Development area (previous year: 1,153*). Of this total, 797 (previous year: 677*) worked in the Consumer Business Segment and 493 (previous year: 476) in the tesa Business Segment.

Consumer

RESEARCH AND DEVELOPMENT EXCELLENCE

Beiersdorf has built its global reputation on a strong tradition in skin care expertise. Innovations that meet consumers' expectations are the key to our success and a major growth driver. Our effective, efficient research and development staff work hard to bring innovative products to market and to develop pioneering formulas and technologies. Our research focused on the following areas in 2017:

Together with the "Center for Free-Electron Laser Science" (CFEL) in Hamburg, we researched the reasons why skin's energy metabolism declines with age. Our expert team found that older skin has a significantly more fragmented mitochondrial network, with smaller, more compact clusters of keratinocytes (cells that form the skin barrier). The discovery can help us develop approaches to cosmetic intervention, which stimulate the energy metabolism. Building on coenzyme Q10, this is conceived to help us find well-tolerated solutions to counter the signs of skin aging. A study with the University of Zurich (ETH) focusing on metabolomics (the metabolism of cells) and transcriptomics (research of gene expression) also confirmed lower levels of the coenzyme Q10 in older skin. In addition, a change in the metabolism of key proteins, glycolysis, and glycerolipids was shown, which is highly important for the integrity of the skin barrier and moisture balance.

Another research focus was the skin's moisture content and the effectiveness of moisturizing creams. Over the last few decades, these have been measured with more approximating electrical techniques, particularly involving skin conductance and capacity measurements (e.g. corneometry). After working for several years together with researchers from the "Deutsches Elektronen-Synchrotron", "Walnut Technology Consulting GmbH", and other institutes, Beiersdorf biophysics researchers were able to develop a unique, confocal imaging device capable of recording the depth profile of moisture content in the epidermis, especially the stratum corneum (outermost layer of the epidermis). Even tiny changes in moisture content can be examined in high resolution, without interference from electrolytes. Using this technique, the team disproved the traditional view derived from corneometry that aluminum chlorohydrate (ACH) used in antiperspirants dries the skin. It was shown that ACH has no effect on the skin's moisture content and that therefore even consumers with dry skin can safely use antiperspirants.

As stress not only affects our consumers' general health and wellbeing, but also their skin and hair, Beiersdorf put the topic of "stress" at the center of its research activities in 2017. Together with the Charité University Hospital in Berlin, the University Hospital in Giessen, and the Health Service of the German Federal Foreign Office, researchers found indications of a change in the balance of the immune system and a reduction in hair growth in women exposed to high levels of stress. These results underscore the necessity of developing a holistic approach to skin and hair care.

Creating an immersive experience of skin care and finding exciting, memorable ways to teach people about the skin was another aim of the research and development team in the year under review. Research teams from Beiersdorf worked with Hamburg-based "VR Nerds" and other start-ups from the technology sector to develop a special application in just six months: Beiersdorf VR Skin Exploration. Using VR (virtual reality) goggles, a special type of 3D glasses, the application takes users on a virtual journey through the skin and allows them to witness the impact of different skin care ingredients, magnified 2,500 times. While moving through the three-dimensional space, the user can touch details, playfully interact with the environment, or call up dermatological facts from within the application. Beiersdorf VR Skin Exploration is used to demonstrate the properties of Beiersdorf products in a range of settings such as trade fairs and press events.

GLOBAL OPEN INNOVATION NETWORK

Partnerships have long been part of our innovation strategy. We therefore work as part of a collaborative network with leading research institutes, universities, and suppliers. Since 2016, all Open Innovation activities at Beiersdorf have been gathered under the umbrella "Pearlfinders – We Open Innovation". We systematically expanded our activities and partnerships in this area in the year under review.

The Open Innovation platform "Trusted Network" has been a central component of our innovation strategy since 2011. The online network based on trust, fairness, and partnership gives external partners from all around the world access to our confidential scientific research topics and invites them to offer their own ideas and solutions.

* Prior-year figure adjusted due to changes in the internal reporting structure.

KNOWLEDGE EXCHANGE WITH PHYSICIANS

During the year under review, Beiersdorf continued and expanded its work with the "Professor Paul Gerson Unna Akademie", which was founded in 2016. The academy is dedicated to the continuing and advanced training of physicians. By opening the academy, we are also working to intensify the dialog between research and medical practice, thereby constantly increasing treatment successes for patients in the area of skin care. In 2017, we offered product-neutral and needs-oriented education courses with the Professor Paul Gerson Unna Akademie in Germany. Some of these were eligible for CME (Continuing Medical Education) points as part of mandatory continuing education for physicians. In the 2018 fiscal year, it is planned to expand this work internationally. The academy is supported by the Eucerin team.

CLOSENESS TO CONSUMERS AND MARKETS

Our global research and development presence is key to our success. We employed about 600 researchers and developers at our large skin research center in Hamburg as of December 31, 2017. Work here concentrates on new discoveries to provide even better support to the skin's own metabolic processes. Based on the results, our experts in product development combine the utilized ingredients with varied properties to deliver the right benefits and sensory properties of new products. As product safety and tolerability are the top priority for Beiersdorf, newly developed products are tested before market launch externally or at Beiersdorf's own test center within the skin research facility. A total of 600 studies with 16,000 participants were conducted during the reporting period.

As culture, climate, and aesthetic preferences differ all over the world, we also operate regional and local development labs in Brazil, China, India, Japan, Mexico, and the United States in addition to the skin research center in Hamburg. These laboratories enable us to develop skin care products specifically for local needs. In 2017, for example, we locally developed the following products:

- In India, we introduced NIVEA body lotions with licorice extract, sunscreens and ingredients for a cooling effect. The body lotions address the regional consumer wish for a more even skin tone and a cooling sensation, which is preferred in this hot and humid climate.

- Our development laboratory in Wuhan (China) developed NIVEA hair shampoo with a more powerful cleaning effect that responds to the specific needs of Asian consumers to remove dandruff and grease from the scalp quickly and deeply.

- In Latin America, Beiersdorf developed special soap bars for the Brazilian market. In Brazil, most consumers use bar soaps in their daily face and body cleansing routine. Men often use them for shaving as well, especially in the shower. Therefore NIVEA launched the first 3 in 1 Men Soap, which is designed to not only cleanse body and face, but also to offer comfortable shaving.

INNOVATIONS

We have set ourselves the objective of introducing new products and creating pioneering technologies that generate added value for our consumers. We therefore continuously invest in future-oriented research and development projects. At €143 million in the year under review, investments in research and development were up 4.9% on the previous year's level (€136 million). The following innovations were among the key product launches in the reporting year:

- The new **NIVEA Q10plusC** product line combines coenzyme Q10 with pure vitamin C. The formula combats tired skin and alleviates first wrinkles.

- The newly launched **NIVEA Urban Skin Detox & Protect product range** with hyaluronic acid is aimed at younger, city-dwelling consumers. Ultra-light gel-cream face care formulas give the skin 48-hour moisture. At the same time, the skin's own resistance to "city stress" factors such as UV light, high air pollution, and air-conditioning is strengthened.

- With the new **NIVEA PURE SKIN electric face cleansing brush**, which cleans seven times more effectively than bare hands, Beiersdorf has entered the market for skin care devices. The electric brush has a pleasantly soft cleansing motion, removes excess dead skin, and boosts skin circulation. Three different brush heads designed for different skin types are available, each containing around 36,000 ultra-fine brush hairs.

- In **NIVEA Sun Protect & Care**, Beiersdorf has developed a groundbreaking innovation whose special formula not only reliably protects skin from UVA and UVB radiation, but also makes it easier to wash out stains on clothing caused by UV filters. This is a truly remarkable achievement considering the stain issue has existed for decades and until now there have not been any other solutions on the market.

- **The NIVEA Creme & Oil Pearls Shower Cream range** – available with cherry blossom, ylang-ylang, or lotus scent – combines the tried and tested shower cream with argan oil and oil pearls. Thanks to its innovative formula, the product provides gentle cleansing and a touchably smooth skin feel.

- NIVEA Body Milk and the NIVEA Body lotions have been improved with the **NIVEA Deep Moisture Serum**, providing long-lasting noticeably smoother skin. The formula with lipids provides and locks moisture into the skin for 48 hours.

- **Eucerin DermoPure**, the care range for blemish- and acne-prone skin, works deep to provide long-lasting reduction of existing blemishes and prevention of new ones. The "DermoPure Skin Renewal Treatment" contains 10% Hydroxy Complex, a highly effective combination of peeling agents (glycolic, salicylic, and polyhydroxy acids) and visibly improves skin condition. The "DermoPure Mattifying Fluid" also helps to reduce excess sebum. Licochalcone A soothes skin irritation and inflammation.

- The new **Hansaplast Silicone Soft Plasters** are suitable especially for sensitive, irritation-prone, or hairy skin, and for children and older people. Thanks to the innovative plaster technology, the plasters are not only very gentle on the skin but can be removed 100% pain-free despite still adhering reliably. The silicon technology means that, unlike plasters with conventional adhesives, they hardly tear off any skin cells or hair when being removed.

- Labello introduced a new lip care ball to the market in the reporting year: **Labellino**. The Labellino balm provides the lips with long-lasting moisture. The trendy premium product, available in four different flavors, appeals primarily to young target groups.

- With the **"Männer Frische" range**, we have introduced an antiperspirant series especially for men for the first time under the **Hidrofugal** brand. Catering for men's needs, the range features highly effective protection and a powerful fresh formula.

- **La Prairie** has added the newly launched **White Caviar Illuminating Pearl Infusion** to its White Caviar range. The product enriched with golden caviar extracts is based on a novel, patented formula that tackles all three types of skin discoloration for the first time. La Prairie White Caviar Illuminating Pearl Infusion visibly lightens and firms the skin, provding a luminous, even complexion.

tesa

STRUCTURAL ADHESIVES

tesa's research and development in 2017 continued to focus on structural adhesives. These enable the production of high-performance adhesive tapes with high, long-lasting bonding strength, which make it possible to replace traditional joining techniques such as screws. tesa has developed a reactive adhesive tape to join components before powder-coating. During curing of the powder, an even tighter bond is created. Prototypes are currently being tested for rail vehicles and interior construction. The EU is supporting this research work.

ROBUST ADHESIVES FOR BATTERIES

Another focus in the year under review was on developing technologies for adhesives in batteries used to power electric vehicles. Adhesive tapes play an important role in battery design. They are used to join multiple modules into a complete battery. The physical state of the individual modules can change considerably during operation, which is compensated by the adhesive tapes. Adhesive tape solutions are currently being tested for their suitability.

DEVELOPMENT OF SPECIAL ADHESIVE MASSES

In 2017, tesa continued to concentrate on technologies for manufacturing special adhesive masses. The company developed special adhesive tapes that are particularly resistant to chemicals and environmental influences. This ensures the reliable functioning of components in all types of mobile devices exposed to daily contact with the human body.

ADHESIVE MASSES FOR TECHNOLOGICAL PROGRESS

Adhesive masses with particular vibration and damping qualities, which can be used in multilayered membranes for modern loudspeaker systems, are another area of development. As smartphones and tablets are being increasingly used to play music and video, requirements for the sound quality of these devices have risen considerably.

ADHESIVE TAPE DESIGN FOR MODERN AUTOMOTIVE INTERIORS

High-performance plastics with repellent surfaces cannot be reliably joined using existing adhesive tapes. In 2017, tesa developed new technologies and processes as well as an adhesive tape design to enable robust, long-lasting bonding of tricky plastic components. Automotive suppliers have already tested these products with success.

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 strategic roots in all our business processes.

Detailed information on sustainability is available in our sustainability report, which also contains the summarized, separate non-financial report of the Beiersdorf Group (Consumer and tesa Business Segments) and of Beiersdorf AG in accordance with § 289b (3) Handelsgesetzbuch *(German Commercial Code,* HGB*) in conjunction with § 315b (1), (3)* HGB *(non-financial report). It will be published at* WWW.BEIERSDORF.COM/SUSTAINABILITY_REVIEW.

Consumer

We address the topics covered by our company-wide sustainability strategy "We care." with our stakeholders, especially our employees, suppliers, and consumers, as well as non-governmental organizations. We have defined objectives for the three areas of activity "Products", "Planet", and "People", which we aim to fulfill by 2020 and 2025, respectively. 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 pushed ahead with various measures throughout the company in all three areas during the reporting period in order to swiftly achieve our sustainability targets.

PRODUCTS

We are continuously researching innovative product formulas that meet our high expectations of quality and sustainability. In 2015, we therefore replaced polyethylene particles in all our care products worldwide with environmentally friendly alternatives. We have expanded this environmental commitment to other raw materials and also plan to eliminate all solid synthetic polymers from our rinse-off products by 2020.

In the reporting year, we also developed a "commodity sourcing roadmap". In addition to switching to mass-balanced palm (kernel) oil, we launched a project to trace the origin of the palm (kernel) oil contained in the raw materials we use. This aims to identify hot spots for deforestation and other conflicts in our supply chain to help us support transformative projects for sustainable palm oil cultivation directly in these locations. The first project commitment is planned for 2018.

In 2017, we also developed a guideline for sustainable paper packaging to cover all paper-based products used at Beiersdorf. The goal is to switch our global business activities and supply base to sustainable paper materials by 2020. The materials include e.g. office supplies, folding boxes, and shipping cartons.

PLANET

2017 was the first year of implementation for our new 2025 climate target. This focused on a global switch to electricity from renewable energy sources and the implementation of energy efficiency measures. In the reporting year, we reduced energy-related CO_2 emissions per manufactured product by 27% compared with the base year 2014. In total, 45% of our global electricity use was covered by renewable sources.

At Beiersdorf, we take a holistic approach to production waste with our "avoid, reduce, reuse, and recycle" strategy. We are also on a continuous quest to find alternative waste disposal methods. All production centers and warehouses are therefore required to analyze and optimize the waste they produce. The aim is that by the end of 2018 at the latest, we will send zero waste to landfill. In 2015, we eliminated landfill from our six European production centers. Our established production centers in the other regions stopped sending waste to landfill by July 2017, ahead of schedule. Our warehouses are on course to reach this goal by no later than the end of 2018.

PEOPLE

As a global company, we are committed to fair working conditions and transparent, respectful collaboration with everyone involved along our entire value chain. We also accept our social responsibility by supporting disadvantaged families in response to local needs.

In partnership with the "Thanda" organization, NIVEA South Africa further extended its social engagement in the KwaZulu-Natal province in 2017. Here, the two partners support a village center that works to achieve lasting improvements in families' living conditions. Taking a holistic approach, the center focuses on early childhood development programs, extracurricular learning and leisure provision for children and young people, as well as food security programs aimed at parents. To ensure the lasting success of the Thanda center, we are also funding the development of employees' administrative, management, and fundraising skills. The long-term aim is for the center to become a main point of contact for the entire village community.

In 2017, Hansaplast Indonesia carried out its annual first-aid campaign "Aksi Siaga Hansaplast" for the third time at numerous schools. Many people in Indonesia lack the basic first-aid skills to treat minor or serious injuries and are often too unsure to act when an emergency strikes. Schools in the Indonesian capital Jakarta and at our production site in Malang took part. The campaign was aimed not just at pupils and teachers, but parents too. In future, we want our training courses to help some 80,000 children a year in Indonesia to become safer and more self-confident in an emergency.

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 2017. The company has been driving the continuous improvement of its environmental management system since 2001. Environmental impacts are primarily created by the production sites. tesa's material environmental impacts include energy consumption and the associated CO_2 emissions. Resource efficiency is another relevant issue. 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.

Climate protection is a core component of environmental and energy management at tesa. The Group headquarters and the two largest production sites with the highest CO_2 emissions (Hamburg and Offenburg) have an environmental management system with ISO 14001 certification and an energy management system with ISO 50001 certification. Other strategic measures include the company's own efficient generation of energy through combined heat and power plants, and the purchase of electricity from renewable sources. By the year 2020, tesa's target is to reduce specific CO_2 emissions by a further ten percentage points in comparison with the 2015 reference year.

With its waste and raw materials management, tesa aims to use materials efficiently and recycle them whenever possible. Production waste cannot be entirely avoided. However, the company is continuously working to minimize wastage of the raw materials used in production. Safe waste and hazardous waste containing solvents is almost fully recycled. The recycling rate in 2017 was more than 90%. By 2020, tesa's target is to reduce the specific waste volume per tonne of end product by a further two percentage points in comparison with the 2015 reference year. Innovative energy- and resource-conserving technologies will make a large contribution to this.

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

- The “tesa helps” initiative provides practical support to communities and supports social, environmental, and cultural organizations with various projects at tesa locations. tesa successfully continued its work with Hamburg’s “tatkräftig – Hände für Hamburg” initiative from its new location in Norderstedt in 2017: Eight teams with a total of 83 volunteers took part in projects for social and charitable organizations such as children’s and youth centers, day care centers, and refugee accommodations. They got involved in games and craft activities, for example, as well as gardening, decorating, and renovation. tesa UK has been supporting the “Walnuts School” for autistic children in Milton Keynes since 2009. tesa gave young people an opportunity to prepare for the job market in 2017 with straightforward, guided activities that offered them their first insights into the world of work. Staff from the Netherlands, Belgium, Italy, the Czech Republic, and Slovakia have been working for many years for organizations, hospitals, and foundations that look after children with serious diseases. They provide support in the form of donations, and volunteer with creative activities such as crafts and play afternoons.

- “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. In 2017, more than €6,000 went to support social projects in Hamburg.

- As a technology-based company, tesa understands the importance of education and qualified young people. That is why the company cooperates with the “Initiative Naturwissenschaft und Technik” (Science and Technology Initiative) under “tesa supports”. In 2017, tesa offered 42 students from various Hamburg secondary schools an insight into the everyday working life of scientists in the form of project days. As part of the launch event of the “mint:pink” program, which aims to encourage girls to get into science, tesa invited 170 female students as well as parents, teachers, and political representatives to the Group headquarters in Norderstedt in February 2017. The tesa plant in Suzhou (China) has been involved in the “tesa Sunshine Education Assistance” program for ten years. This aims to improve the elementary school education of the children of migrant workers. A total of 627 children have already received a “tesa Sunshine Scholarship”.

- The “tesa protects” initiative supported the UNESCO biosphere reserve Niedersächsische Elbtalaue with a long-term partnership up to the end of 2017. In addition to the financial support, tesa employees made a contribution to maintaining this biodiverse and environmentally sensitive floodplain landscape with activities such as planting vegetation. From 2018, tesa is planning to collaborate with an environmental initiative close to its new Norderstedt headquarters in order to take responsibility for the quality of the environment “on its doorstep”.

- tesa staff in China have been contributing to environmental protection as part of “The Million Tree Project” since 2015. In 2017, tesa Greater China donated 2,500 trees; volunteers took part in a tree-planting campaign in Inner Mongolia.

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

People at Beiersdorf

The long-term business success of Beiersdorf is based on our employees’ expertise, commitment, and willingness to take responsibility. This belief is firmly embedded in our Core Values, in the Blue Agenda strategy since 2012, and in our Roadmap 2020.

As of December 31, 2017 we employed 18,934 people worldwide, an increase of 5.6% compared with the previous year (17,934). Of this total, 6,281 (2016: 5,979) were employed in Germany, a share of 33.2%. A total of 14,477 people worked in the Consumer Business Segment (2016: 13,776) and 4,457 in the tesa Business Segment (2016: 4,158).

Consumer

PEOPLE AGENDA 2020: FAST PROGRESS AT HALF-TIME

Embedded in the company’s Roadmap 2020, our People Agenda is a five-year strategic program around employees and organization. Its impact and effectiveness derive from the combination of consistency and adaptation.

In 2017, we continued our work on the main pillars of the People Agenda 2020: Employee Engagement and International Talent Development. In addition, we introduced “Leadership the Beiersdorf Way” to strengthen the “engagement journey”. Furthermore, we added a company-wide learning initiative to our people development portfolio.

- **Employee engagement:** Our worldwide employee survey took place for the fifth year in a row, with a global participation rate again above 90%. More important than the survey itself is the large number of specific team and organizational engagement programs that were taking place wherever work and collaboration happened. With less and less centralized steering, these activities came directly from the employees and their managers and were largely managed by themselves.

- **Lean hierarchical structures:** After considerable change management the previous year, we were successful in implementing and consolidating the new management group system in all countries. The new system reduced the number of former management job grades by almost half.

- **Talent development:** Many management tools and programs contribute to talent development. The best proof of their quality and effectiveness is the actual ratio of internal promotions. In 2017, 75% of positions at the first management level (2016: 71%, 2020 target: 75%) and 88% of positions at the second management level (2016: 75%, 2020 target: 90%) were filled by managers already working for Beiersdorf.

- **Internationalization:** Besides developing talent from within, we continued to promote and invest in international and cross-functional experiences of our employees. Globally, employees from altogether 98 countries worked at Beiersdorf by the end of 2017. 37% of the managers from our top three management groups, all functions included, had worked and lived outside of their home countries for at least three years. The number of international employees* at our Hamburg headquarters increased to 16.5% in 2017 (2016: 15%).

*employees covered by collective wage agreements not included

- **Leadership and learning:** Both topics have always been an integral part of our management system. Halfway through the People Agenda implementation, we made concerted efforts during the reporting year to refresh the concepts and stepped up our investment. We did so not only to safeguard the fulfillment of the People Agenda 2020. We see leadership and learning as the key bridge that link our People Agenda with the new focus area of "Organizational Agility".

NEW WAYS OF WORKING: ORGANIZATIONAL AGILITY AS A NEW FOCUS

Markets, technologies, and consumers have been going through deep transformation that repeatedly brought disruptive changes for our industry. For Beiersdorf to meet its economic and social responsibilities simultaneously, it must do more to enhance the willingness and ability of its workforce to embrace and be on top of these changes. Furthermore, we strive to do more each year. In 2017 we took up the task of reviewing and re-thinking the work models that we had practiced for many years. We were aware that the process we started would need to last for a long time. Therefore, we added "Agile Working" to the focus of our HR agenda. "We Shape the Way We Work" – the global motto of the original German project title "*Agiles Arbeiten*" (agile working) – bundles all relevant activities and at the same time emphasizes the importance of employee participation in this process.

A management priority like employee engagement appears in the ongoing People Agenda and as one of the core elements for "Organizational Agility". We do not consider it to be redundant overlapping. Rather, it enhances the consistency of our strategy. One does not have to reinvent the wheel to address emerging priorities of the organization.

In 2017 we set up various workshops and task forces to collect ideas for new working models through a virtual community. Based on this, the first change projects were launched in the reporting year, every one of which feeds into one of the four "We Shape the Way We Work" areas.

- Work environment
- Knowledge and learning
- Leadership and employee engagement
- Participation in decision-making and company success

Work environment

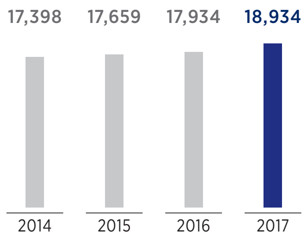
Providing and encouraging flexibility in the daily working environment has always been our understanding of being a responsible and caring employer. Our employees use more than 300 different work-time models in Germany alone, such as working from home and flexible part-time work. Other options include job sharing, which is also practiced by some managers. On July 7, 2017, the first day of the G20 summit in Hamburg, we launched a large-scale practical trial: Around 2,500 employees from the company headquarters in Hamburg worked in their home offices for the day, or at a place of their choice outside our company premises.

Greater awareness of and attention by our employees to their individual life and family situations and needs also require a new way of thinking by the employer: Rigid rules and guidelines are ill-suited to truly help balance professional work and personal life. What is needed are timely solutions "on the ground" – solutions that can be agreed within teams and/or between employees and managers directly. By regularly reviewing and adapting our HR policies as well as our works agreements with our social partners we have been able to constantly improve such an environment.

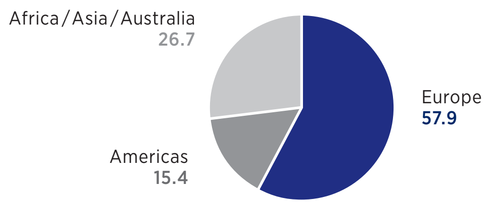
Flexibility goes both ways. It is important to us, though, that we as the employer make the first move, for example by allowing more flexibility based on trust. We have permitted reasonable personal use of office telephones and the Internet for years. In the company headquarters in Hamburg, the expanded mail and parcel service on the company premises is also available to our employees, so that they can manage daily errands efficiently while at work. In addition, we offer regular medical checkups at our Hamburg offices, which over 1,000 employees made use of during 2017.

Trust-based flexibility by company management nurtures mutuality. We reached an agreement with the Works Council of Beiersdorf AG in 2017 for example, according to which a large group of employees previously under daily mandatory time-clocking switched to a timesheet model that relies upon self-monitoring.

GROUP EMPLOYEES
as of Dec. 31



EMPLOYEES BY REGION (IN %)
as of Dec. 31; total 18,934 employees



Knowledge and learning

Continuous enabling and development through a large variety of learning programs and knowledge management systems are essential for the competitiveness of Beiersdorf and the employability of our people. This way, we ensure that Beiersdorf employees are better qualified to meet the changing requirements, for example resulting from digitalization and the transformation of business models. This explains also the high ratio we achieved in promoting managers from our own ranks.

In 2017, too, our workforce in all regions benefited from learning and qualification programs offered by the fast expanding Beiersdorf Academy. With a total of twelve functional and cross-functional academies, most of which started in 2017, the size and coverage of the programs more than doubled.

In terms of methodology, we rely on a mix of "learning on the job", "learning from others", and "learning together away from daily work". In terms of content, we rely on a mix of latest knowledge and insights as well as a large number of real business cases. These cases were mostly prepared and then delivered by our internal experts. A rapidly growing range of online-based and virtual learning formats give employees access to knowledge at any time and nurture the habit of continuous learning. Our Digital IQ program – the largest cross-functional online learning initiative on digital topics – attracted about 1,200 participants within less than half a year after its launch.

On the knowledge management side, our digital collaboration platform "blueplanet", introduced in 2013, has established itself as the central hub for cross-country and cross-functional collaboration. With more than 3,000 unique users on an average day, the usage rate improved again, up 18% year-on-year. Measured by month, the average number of unique users grew by 8% to over 9,000.

Leadership and employee engagement

In 2015, Beiersdorf presented a plan for the medium-term strategic development: Roadmap 2020. The People Agenda is an integral part of it. The implementation work has been ongoing since then. Our priorities include employee and management development, as well as employee engagement and emotional bonding.

Both long-term collaboration and emotional bonding require self-reflection and value-based behavioral codes. Responsibility for people and society only develops well in a leadership culture characterized by trust and open dialog. Our Core Values of "Care", "Trust", "Courage", and "Simplicity" inspired the aforementioned "Leadership the Beiersdorf Way" for all of our managers.

"Leadership the Beiersdorf Way", which we communicated across the whole organization in 2017, is based on three simple dimensions: authenticity ("be authentic and truthful yourself"), inspiration ("inspire others"), and enablement ("enable performance of the whole team"). Unlike the usual leadership models, it explains "leadership" partly from the perspective of those being led. This way, it enhances the acceptance of the whole concept and involves those who do not hold managerial positions in the process.

Participation in decision-making and company success

Beiersdorf considers active participation by its workforce in both decision-making and the company's success as essential to its management philosophy and system. An open and constructive social partnership is also part of this philosophy. At the end of 2017, we had a Works Council, trade union organization, or other forms of employee representation in 52% of our affiliates – although this is a legal requirement in only 37% of the countries we operate in.

Events at global and local levels, such as town hall meetings, round tables, and online chats, offer our employees opportunities for direct and open exchange with the Executive Board and other senior managers at eye level. In addition, we have been successfully using internal online platforms on which our employees could actively co-design their working environment. "Leadership the Beiersdorf Way" was developed through such an online crowdstorming. The global Research and Development management worked with their teams to develop a program on innovation culture using similar tools.

Participation in the company's economic success is primarily reflected in the high standards of income and voluntary benefits. In this regard, we do not only ensure market competitiveness for our managers and experts. On average, the bottom 10% of the income in our affiliates exceeded the respective legal minimum wage by a factor of 2.4 last year. Over 90% of our employees worldwide received variable pay that went above the fixed income. They were therefore able to participate financially in the strong business performance of the past years.

DIVERSITY AS A SUCCESS FACTOR

A diverse and internationally minded workforce is not only a matter of belief, but also a matter of competitiveness. It gives us access to a bigger talent pool and allows us to gain a better understanding of changing markets and consumers. Furthermore, we benefit from the stronger innovation and problem-solving capabilities arising from the diversity of nationalities, age groups and genders.

For many years, equal opportunities for women and men in their professional development has been a priority for us. To achieve this goal, comprehensive measures were taken in recent years, such as stepping up flexible working arrangements of all kinds (available for both genders), setting up mentoring programs for female managers, and establishing our "Women in Leadership" network.

As much as we are committed to these special support measures, we do believe that the progress of diversity is and will remain largely the result of a general improvement of leadership quality and an inclusive and open company culture that considers differences not as a burden but as an opportunity. Our investment over the past years in leadership, engagement, and talent development focused more intensively on the key question of how to make diversity a success. Merely putting people of different genders, personalities, and cultural backgrounds together into one team does not make it a better-than-average team. Quite often, these teams need specific support before they can fully leverage their potential. At Beiersdorf we will continue with this broad, pragmatic understanding of diversity and strive for solid and sustainable progress.

On the gender diversity key performance indicators (KPIs) stipulated by German law, Beiersdorf has the following to report for 2017:

We adjusted the gender diversity targets for Beiersdorf AG to be in line with German legislation after it was introduced in March 2015. Accordingly, we have been determining the achievement of these KPIs at the management reporting levels. Among managers at the first management level of Beiersdorf AG, the share of women stood at 26% at the end of 2017. Statistically, we were two first-level female managers short of reaching our 30% goal. In reality, we have already signed or promoted three more female managers. These decisions were taken in 2017. The managers concerned will start their new roles in 2018. They therefore did not appear in the 2017 statistics. At the second management level, the proportion of women here was 46% at the end of 2017, far exceeding our target of 38%.

In the summer of 2017, the Beiersdorf AG Executive Board resolved new five-year targets for 2022: 35% women at the first management level, and 50% at the second. In the coming years we will continue our initiatives in this area and expand them, focusing especially on leadership culture, strategic succession planning, and continuous support for balancing family and career.

Further information on people at Beiersdorf is available in our Sustainability Report, which also contains the summarized, separate non-financial report of the Beiersdorf Group (Consumer and tesa Business Segments) and of Beiersdorf AG in accordance with § 289b (3) Handelsgesetzbuch *(German Commercial Code,* HGB*) in conjunction with § 315b (1), (3)* HGB*.*

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

tesa

tesa's business success depends in no small part on the training and commitment of its staff. Being an attractive employer is therefore a vital prerequisite for the company's positive performance. In a tightening labor market, tesa must both recruit highly qualified, committed staff and motivate those already working with the company to remain for the long term.

PERSONNEL DEVELOPMENT

tesa continued to focus during the reporting period on attractive development opportunities for its new talents and managers. The long-standing, successful sales and marketing training programs were one emphasis of personnel development in 2017. A cross-departmental and cross-regional steering committee has begun working to systematically enhance the program. tesa has begun developing an international e-onboarding system to integrate new colleagues more quickly. In addition, the tesa Supply Network now offers an e-learning program. This presents and explains key working processes in an accessible way for all employees. The company has also introduced e-learning in the Asia-Pacific region. This has been very well received by staff. Based on the "tesa Key Competencies", the redesigned employee appraisal used in almost all regions during the reporting year is the starting point for all development opportunities.

LEADERSHIP CULTURE

The company has systematically invested in a uniform global leadership training program for managers in recent years to provide them with even better support for motivational, performance-oriented leadership. In 2017, tesa introduced its Essential Leadership Training in Latin America. The concept is already in use in three other business regions, and Group-wide implementation is due to be completed by the end of 2018. The aim is to achieve a common understanding of leadership based on the "tesa Key Competencies". Complementary "Advanced Leadership Training" will enable participants to develop new solutions for particularly difficult leadership challenges. A successful pilot project featuring the new training module has already taken place in Germany.

ATTRACTIVE WORKING ENVIRONMENT

Factors such as job security and health increasingly influence employee engagement. tesa is using various measures to create a safe and healthy working environment. Investments in technical and occupational health and safety measures and training, along with a campaign to raise awareness, meant that the rate of work-related accidents was again considerably below the industry average in 2017. The corporate health management scheme "It's for you" and the "tesa sports club" took a new approach in 2017 with an interdisciplinary course program.

COMMITTED EMPLOYEES

The success of the full portfolio of measures is confirmed by anonymous employee surveys performed in the regions and at tesa headquarters on a rotating basis. The survey was well received in the five subsidiaries in Latin America and showed once again that tesa is succeeding in the long-term retention of highly committed staff.

Further information on the measures described can be found in the tesa Sustainability Report.

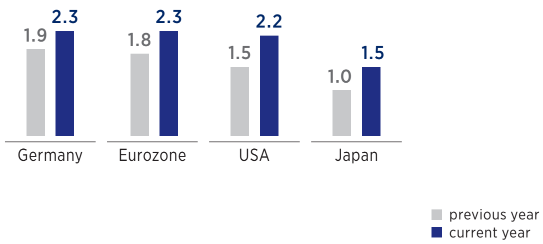
Economic Report

Economic Environment

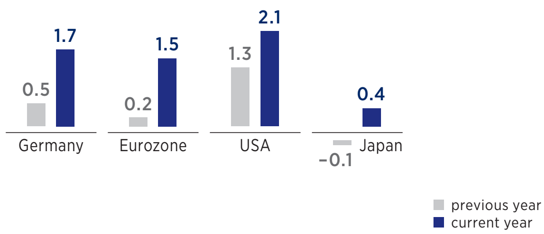
General Economic Situation

Global growth accelerated over the course of 2017, exceeding both original expectations and prior-year growth. The upswing was supported by dynamic economic development in most industrialized countries as well as in the emerging markets. Consumer spending, investment, and exports continued to pick up. The global upturn was thus based on broad and balanced foundations. The general political and economic uncertainty arising from geopolitical conflicts, the unknown long-term consequences of the United Kingdom leaving the European Union (Brexit), and the future political direction of the United States had little impact on economic growth in 2017. However, it continues to be a major risk factor.

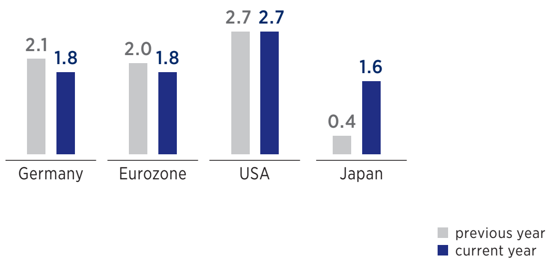
GROSS DOMESTIC PRODUCT (IN %)*
Change versus previous year



INFLATION RATE (IN %)*
Change versus previous year



CONSUMER SPENDING (IN %)*
Change versus previous year



*Commerzbank Research

Europe experienced dynamic economic growth in 2017, which was better than expected. Consumer spending and the willingness to invest, fostered by the positive trend in the labor market and continued low interest rates, were the key factors supporting growth. The election victories of the pro-European forces in France and the Netherlands have instilled new confidence and contributed to positive economic growth. Nevertheless, political uncertainty remains high due to the separatist conflict in Spain, the proliferation of anti-European movements, and the difficult exit negotiations with the United Kingdom. A change in European Central Bank policy could also inhibit the continuation of the economic upswing and lead to lower trend growth rates again.

Economic growth in **Germany** has gained considerable momentum and exceeded expectations. Consumer spending, backed by the continued strong labor market and solid wage growth as well as rising investments and exports were the main drivers of economic growth.

The **US** economy also experienced an acceleration of economic growth in 2017, driven mainly by the continued strong labor market, rising consumer spending, and investments.

Economic growth also picked up in **Japan**, driven primarily by strong demand for exports and accompanied by fiscal stimulus.

Emerging market economies experienced varied degrees of growth. In **China**, economic growth was maintained at the prior-year level, supported in particular by fiscal policy stimulus. However, the sharp rise in lending and high indebtedness of state-owned companies continue to harbor considerable risks. In **India**, growth momentum was dampened by the negative implications of major reforms. In particular, the introduction of a uniform national goods and services tax (GST) had a negative impact on consumer spending. The level of investment also remained low. General political uncertainty is weighing on economic growth in the **Middle East**. During 2017, the **Brazilian** economy slowly emerged from its long and deep recession. This improvement in the economy was largely driven by consumer spending, supported by a substantial decline in inflation and associated increase in real income, as well as a significant reduction in the key interest rate. Overall, business confidence in Brazil has stabilized. Nonetheless, corruption, lack of reform, and political uncertainty are significant risk factors. **Russia** also emerged from recession in 2017 as the economy continued to recover and show solid growth. The main reason for this trend was the strong revival in consumer spending, accompanied by a significant reduction in inflation. Ongoing international sanctions continue to put a heavy strain on the Russian economy.

Sales Market Trends

After a weak start to 2017, the global growth rate in the cosmetics market relevant to Beiersdorf stabilized over the course of the year. Overall, however, growth failed to reach the prior-year level. Growth impetus came especially from Asia and Africa. The European market also saw positive trends, although growth rates were low there. In most of the other markets, growth rates were lower than in the previous year.

Fiscal year 2017 was once again shaped by a very positive trend in the automotive sector – an important business area for tesa – as well as by a positive sales market trend in consumer electronics. Performance in the other business areas varied greatly by market and region, but was generally positive. In Germany, this led to a slight improvement in profits. Other regions showed substantial growth. Asia in particular grew very positively again following a rather muted performance in the previous year.

Procurement Market Trends

The situation on the commodity markets in 2017 was generally tight, mainly due to the rise in prices of primary materials. In particular, prices of aluminum and some plastic resins rose over the course of the year. However, targeted measures to boost efficiency in purchasing kept Beiersdorf's material costs stable overall.

Overall Assessment of the Economic Environment

Macroeconomic growth in 2017 was positive despite significant (geo)political and structural risks and exceeded the prior-year level. Growth in the global cosmetics market declined, a trend spanning most regions and markets globally. Despite this challenging environment, the Consumer Business Segment recorded another increase in sales.

The tesa Business Segment recorded further sales growth in 2017. This was primarily thanks to good sales in consumer electronics, particularly in Asia, and the continuation of the positive trend in the automotive industry, especially in the United States. In Europe, sales growth was generated across all companies and business areas.

Results of Operations

Results of Operations – Group

INCOME STATEMENT (IN € MILLION)

	2016	2017	Change in %*
Sales	**6,752**	**7,056**	**4.5**
Cost of goods sold	–2,774	–2,910	4.9
Gross profit	**3,978**	**4,146**	**4.2**
Marketing and selling expenses	–2,407	–2,471	2.7
Research and development expenses	–188	–196	4.3
General and administrative expenses	–364	–395	8.3
Other operating result (excluding special factors)	–4	4	–
Operating result (EBIT, excluding special factors)	**1,015**	**1,088**	**7.3**
Special factors	–	–	–
Operating result (EBIT)	**1,015**	**1,088**	**7.3**
Financial result	25	–66	–
Profit before tax	**1,040**	**1,022**	**–1.7**
Income taxes	–313	–333	6.4
Profit after tax	**727**	**689**	**–5.2**

* Percentage changes are calculated based on thousands of euros.

SALES

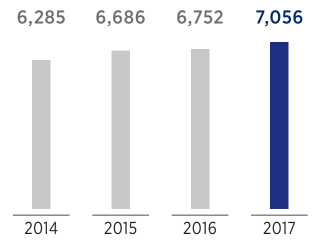
Organic Group sales in 2017 were up 5.7% on the prior-year figure. The Consumer Business Segment grew by 4.7%. tesa generated a sales increase of 10.6%. Nominal Group sales rose by 4.5% as against the prior year to €7,056 million (previous year: €6,752 million).

In **Europe**, organic sales were up 2.9% on the previous year. In nominal terms, sales stood at €3,568 million (previous year: €3,461 million), 3.1% higher than the prior-year figure.

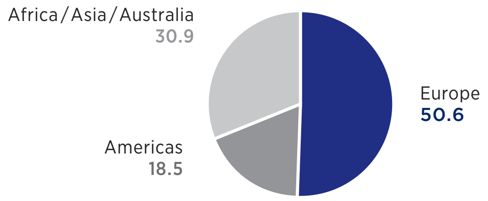
Organic growth in the **Americas** amounted to 5.1%. In nominal terms, sales rose 4.4% to €1,307 million (previous year: €1,252 million).

The **Africa/Asia/Australia** region reported organic growth of 10.8%. In nominal terms, growth of 6.9% to €2,181 million was recorded (previous year: €2,039 million).

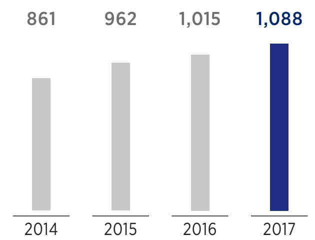
GROUP SALES (IN € MILLION)



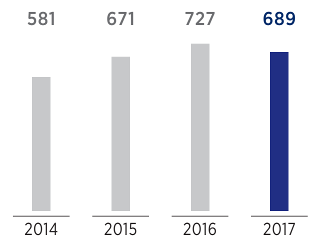
GROUP SALES BY REGION (IN %)



GROUP EBIT (IN € MILLION)
Excluding special factors



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



EXPENSES/OTHER OPERATING RESULT

The **cost of goods sold** climbed by 4.9%, which was slightly faster than the increase in sales. Exchange rate effects raised procurement costs at several companies. Changes in the product and country mix also had a negative effect on **gross profit** growth. However, the measures to boost efficiency in the Consumer Business Segment, which include reviews of the product range as well as purchasing and logistics measures, again enabled significant cost savings to be made.

Marketing and selling expenses increased by 2.7% to €2,471 million (previous year: €2,407 million). Thanks to the efficient use of resources, this rise was at a lower rate than the increase in sales. This was achieved by optimizing marketing expenses and improving the marketing mix. 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 €1,522 million (previous year: €1,496 million). We further consolidated our market position by investing in marketing and sales in a number of countries, especially in emerging markets.

Research and development expenditure was increased to €196 million (previous year: €188 million) in order to safeguard the future development of the Group. The rise in **general and administrative expenses** from €364 million to €395 million was attributable, among other things, to the investment in Beiersdorf's new strategic orientation (e.g. Blue & Beyond), the effects of regionalization through the foundation of new subsidiaries, and expenditure on updating, harmonizing, and securing our software system and IT infrastructure. The other operating result (excluding special factors) improved to €4 million (previous year: €–4 million).

OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

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

EBIT excluding special factors rose to €1,088 million (previous year: €1,015 million), while the EBIT margin was 15.4% (previous year: 15.0%). The Consumer Business Segment generated EBIT excluding special factors of €881 million (previous year: €829 million); the EBIT margin reached 15.2% (previous year: 14.8%). EBIT in the tesa Business Segment was €207 million (previous year: €186 million); the EBIT margin was 16.5% (previous year: 16.2%).

The Group operating result before special factors in **Europe** was €628 million (previous year: €607 million). The EBIT margin was 17.6% (previous year: 17.5%). The operating result before special factors in the **Americas** amounted to €142 million (previous year: €127 million). The EBIT margin was 10.9% (previous year: 10.2%). In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €318 million (previous year: €281 million). The EBIT margin was 14.6% (previous year: 13.8%).

SPECIAL FACTORS

No special factors required recognition in the 2017 fiscal year or in the previous year.

OPERATING RESULT (EBIT)

The operating result (EBIT) amounted to €1,088 million (previous year: €1,015 million). This corresponds to an EBIT margin of 15.4% (previous year: 15.0%).

FINANCIAL RESULT

The financial result amounted to €–66 million (previous year: €25 million). This was due to one-off income from fiscal year 2016 as well as exchange rate effects and losses in the value of financial assets.

INCOME TAXES

Income taxes amounted to €333 million (previous year: €313 million). The tax rate was 32.6% (previous year: 30.1%).

PROFIT AFTER TAX

Profit after tax was €689 million (previous year: €727 million); the return on sales after tax was 9.8% (previous year: 10.8%).

EARNINGS PER SHARE – DIVIDENDS

Earnings per share were €2.96 (previous year: €3.13). These figures were calculated on the basis of the weighted number of shares bearing dividend rights (226,818,984). The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par value share bearing dividend rights to the Annual General Meeting (previous year: €0.70). For further information on the number, type, and notional value of the shares, please refer to Note 17 “Share Capital” in the notes to the consolidated financial statements.

Results of Operations – Business Segments

CONSUMER

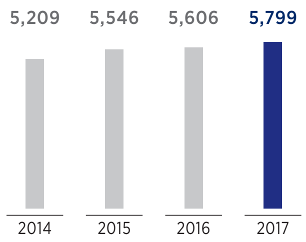
SALES – CONSUMER BUSINESS SEGMENT (IN € MILLION)

			Change (in %)	
	Jan. 1 – Dec. 31, 2016	**Jan. 1 – Dec. 31, 2017**	nominal	organic
Europe	**2,801**	**2,861**	**2.1**	**2.2**
Western Europe	2,262	2,280	0.8	1.8
Eastern Europe	539	581	7.8	3.8
Americas	**1,078**	**1,117**	**3.6**	**4.0**
North America	432	427	–1.1	1.7
Latin America	646	690	6.8	5.5
Africa/Asia/Australia	**1,727**	**1,821**	**5.4**	**9.2**
Total	**5,606**	**5,799**	**3.4**	**4.7**

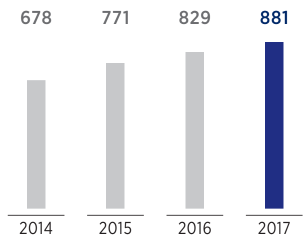
Sales by the **Consumer** Business Segment grew organically by 4.7% in 2017. Exchange rate effects reduced this growth by 1.1 percentage points and structural effects by a further 0.2 percentage points. In nominal terms, sales therefore increased by 3.4% to €5,799 million (previous year: €5,606 million).

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 succeeded in defending our strong position in saturated markets. In the emerging markets, we gained market share with double-digit sales growth rates in some cases. Our core brands NIVEA, Eucerin, Hansaplast, and La Prairie once again achieved encouraging – in some cases very encouraging – growth rates.

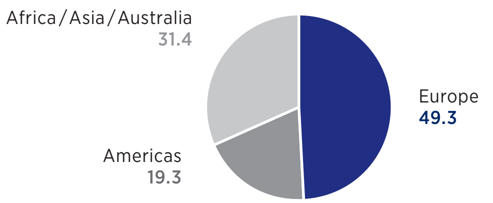
CONSUMER SALES (IN € MILLION)



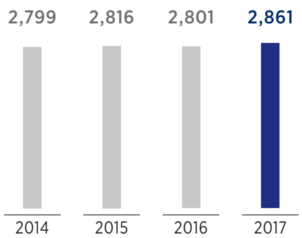
CONSUMER EBIT (IN € MILLION)
Excluding special factors



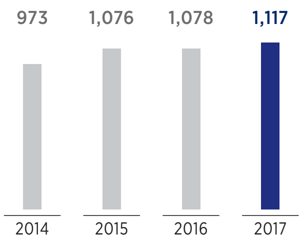
CONSUMER SALES BY REGION (IN %)



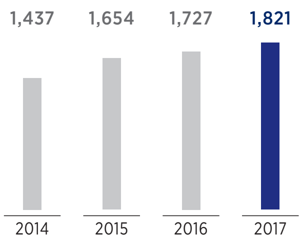
CONSUMER SALES IN EUROPE (IN € MILLION)



CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



NIVEA achieved global organic growth of 4.5% in 2017. The key growth drivers were NIVEA Deo, NIVEA Shower, and NIVEA Body. The following categories were significant growth drivers, each with double-digit growth rates: NIVEA Deo with the products NIVEA Protect & Care (launched last year) and NIVEA Black & White; NIVEA Shower with the products NIVEA Active Clean and NIVEA Creme Care and NIVEA Body with the products NIVEA Milk, NIVEA Pleasure, and NIVEA MEN Creme.

Overall, NIVEA maintained its strong position despite a difficult market environment. In the NIVEA Deo category, we extended our market share particularly in the United Kingdom, Russia, and South Africa. In the NIVEA Face category, we saw negative market share trends particularly in Germany, Italy, France, and the United Kingdom. In the NIVEA Sun category, market share gains were achieved in Germany and France, while market share was lower than in the previous year especially in Italy, Spain, and Thailand. At the country level, especially positive growth in NIVEA market share was achieved in India, South Africa, and Russia. A negative trend was seen particularly in Italy, Switzerland, and Thailand.

Our **Eucerin** brand generated organic growth of 3.4%. The Eucerin Face and Eucerin Sun categories in particular made a strong contribution to this positive performance. Sales performance was especially encouraging in Argentina, Thailand, and Korea.

Hansaplast recorded organic sales growth of 3.8%. The Wound and Sports categories in particular made a strong contribution to this positive performance. At the country level, the performance in Indonesia is worth particular mention, while Australia also contributed to growth.

In the selective cosmetics segment, our **La Prairie** brand recorded an organic increase in sales of 11.5%. The Skin Caviar Collection in particular, with its core range (especially Skin Caviar Liquid Lift) and the launch of Skin Caviar Absolute Filler, contributed to growth. Another key growth driver was the launch of White Caviar Illuminating Pearl Infusion. Sales in the travel retail business, and in China, Hong Kong, USA, and the United Kingdom performed especially well.

Strong earnings in the Western European markets were further strengthened. In North America, as well as in most of the emerging markets, results improved considerably. Increased investments led to losses in only a few countries.

EBIT excluding special factors was €881 million (previous year: €829 million), while the corresponding EBIT margin increased to 15.2% (previous year: 14.8%).

In **Europe**, organic sales were up 2.2% on the previous year. In nominal terms, sales rose 2.1% to €2,861 million (previous year: €2,801 million).

In **Western Europe**, sales were up 1.8% on the previous year. There was strong growth particularly in Germany, the United Kingdom, and Spain. However, sales in France did not repeat their prior-year performance. Sales of NIVEA Sun and NIVEA Hair performed encouragingly well, while NIVEA Deo also contributed to growth in the region. Eucerin sales also moved upwards and La Prairie recorded excellent growth. Hansaplast achieved a slight increase in sales.

Sales in **Eastern Europe** were up 3.8% on the previous year. This was mainly driven by a very healthy trend in Poland and Romania as well as by double-digit growth in Kazakhstan and Ukraine. NIVEA Deo, NIVEA Shower, and NIVEA Face in particular performed very well. Eucerin also saw strong growth in the region.

Organic sales in the **Americas** region increased by 4.0%. On a nominal basis, sales totaled €1,117 million, a 3.6% increase above the previous year's level of €1,078 million.

Sales in **North America** were up 1.7% on the previous year. NIVEA Shower performed very well. Aquaphor and La Prairie also recorded strong growth in the region. In contrast, Eucerin did not reach previous year's sales.

In **Latin America**, sales rose 5.5%, driven by excellent growth rates in Mexico and Argentina. Brazil achieved sound growth despite a difficult market environment. However, sales in Peru did not repeat their prior-year performance. NIVEA Body, NIVEA Universal Creams, and NIVEA Shower in particular performed very well. Eucerin also recorded strong growth in the region.

The **Africa/Asia/Australia** region recorded a 9.2% increase in organic sales. In nominal terms, sales rose 5.4% to €1,821 million (previous year: €1,727 million). Sales performance was driven by very strong growth in Japan and double-digit growth in South Africa, India, Indonesia, and Turkey. China also recorded solid sales growth. NIVEA Deo, NIVEA Body, and NIVEA Face in particular performed very well, while Eucerin and La Prairie recorded growth rates in the double-digits. Hansaplast also achieved strong growth in the region.

tesa

SALES – tesa BUSINESS SEGMENT (IN € MILLION)

	Jan. 1 – Dec. 31, 2016	Jan. 1 – Dec. 31, 2017	Change (in %)	
			nominal	organic
Europe	660	707	7.1	6.1
Americas	174	190	9.4	11.6
Africa/Asia/Australia	312	360	15.5	19.6
Total	**1,146**	**1,257**	**9.8**	**10.6**

Organic sales by the **tesa** Business Segment were up 10.6% on the previous year. Exchange rate effects reduced growth by 1.8 percentage points, while structural effects increased it by 1.0 percentage points. In nominal terms, sales therefore rose by 9.8% to €1,257 million (previous year: €1,146 million). EBIT increased to €207 million (previous year: €186 million). The EBIT margin was 16.5% (previous year: 16.2%).

DIRECT INDUSTRIES

Sales in the Direct Industries division at tesa grew organically by 15.9%. All regions contributed to the very positive sales performance. tesa achieved considerable growth in Asia, including through increased sales in project business with the electronics industry, as well as in the Americas. In nominal terms, sales therefore rose by 13.3% to €725 million (previous year: €640 million). The share of the Direct Industries division in total sales was 57.7% (previous year: 55.8%).

In the electronics industry, a stagnating but also increasingly sophisticated market, tesa achieved a strong sales increase in 2017. This was partly thanks to the wealth of innovative products that tesa introduced for applications in the electronics industry. They included a new generation of tesa Bond & Detach® for battery mounting in smartphones, with much improved adhesive and shock-absorbing properties, as well as a new category of double-sided adhesive foams for affixing touchscreens on smartphones and tablets. Large numbers of smaller, customized solutions based on existing ranges proved to be another growth driver. The extremely powerful heat-activated adhesives and the very thin adhesive tape ranges manufactured in the cleanroom deserve particular mention.

In the automotive sector, the increasingly global nature of tesa Automotive's business model is helping us to better meet customer expectations with every year. Given the increasing internationalization, one focus is on continuously improving global customer service. tesa is concentrating on expanding key account management and its production presence worldwide. In terms of products, masking systems for fashionable two-tone painting remained very successful. Further momentum came especially from the newly launched double-sided, water-based (and thus environmentally friendly) adhesives for vehicle interiors.

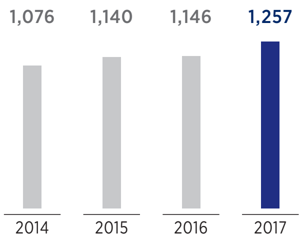
In the printing and paper business, tesa focused on flexographic printing and was able to continue its growth in this area. This process is used particularly for printing packaging and labels – a market on a rising trend. tesa is continuously growing its market position with constant enhancements to its range of plate mounting tapes. In 2017, tesa also demonstrated that growth is still possible even in saturated markets such as graphic papers. This was achieved through concerted modernization of existing standard ranges and active customer focus.

The pharmaceuticals business achieved substantial year-on-year growth in contract manufacturing of medicated plasters. tesa also continued to tap into this business area in the United States and applied for approval of a further product for the US market from the public health authority, the FDA.

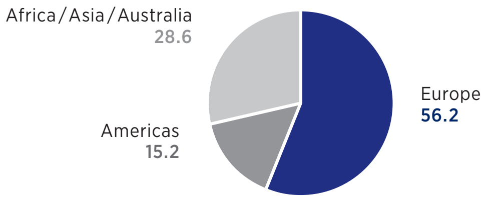
With tesa scribos®, tesa has developed security solutions with a 360° approach for brand owners in more than 20 industries. The centerpiece is the newly created online platform tesa® Hub360. By linking physical security markings to digital networks, this makes concerted use of the opportunities of digitalization and connects branded products to the Internet of Things. The platform also offers new possibilities for interaction between the product and market. All this means that tesa scribos® can offer a full-service solution in the area of brand protection. Many large customer projects have shown that this can generate considerable synergy effects for the brand owner, making it a decisive competitive advantage.

In the Building Supply business area, tesa was able to further expand its market position, meaning that this product range grew in importance once again in 2017. tesa has again achieved major growth in facade adhesives with its ACX^{plus}

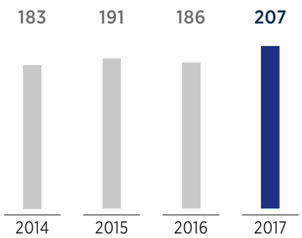
tesa SALES (IN € MILLION)



tesa SALES BY REGION (IN %)



tesa EBIT (IN € MILLION)
Excluding special factors



technology – both with the ACX^{plus} range designed especially for this purpose and with innovative products that can now be manufactured in thicknesses of up to 5.8 mm. For the "trims and profiles" market segment, tesa has introduced a new, double-sided PE foam product, which makes adhesive tapes easier to remove. This is useful for shelf scanner tracks in retail, for example. The costly process of removing adhesive tape remnants from shelving is now a thing of the past.

TRADE MARKETS

The Trade Markets division, which comprises business with products for retail consumers and tradespeople as well as all industrial markets accessed through specialist dealers or similar channels, performed positively with organic sales growth of 3.8%. In nominal terms, sales improved by 5.1% to €527 million (previous year: €501 million). As a result, the division contributed 41.9% (previous year: 43.8%) of total sales by the tesa Business Segment in the year under review.

tesa again expanded the industrial distribution business, slightly outperforming the overall market. Double-sided and other technically demanding adhesive tapes drove growth, contributing to a positive sales trend especially in Europe, North America, and China. The focus was on strengthening the dealer network in these regions and establishing additional partnerships in Asia. tesa also intensified its product development activities, expanding its range for industrial retail partners.

In General Industries, sales of high-quality, double-sided, specialist adhesive tapes for household devices developed particularly positively. Business with transport-securing tapes in North America, Asia, and Eastern Europe also recorded strong growth.

In the Consumer & Craftsmen segment, which concentrates on products for consumers and professional tradespeople in Europe and Latin America, tesa strengthened its market position in all regions through all channels. tesa won substantial market shares in the important DIY, craftsmen, and stationery markets.

The success with the tesa Smart Mounting solutions was key to this. Following the roll-out in Germany in 2016, tesa has now introduced the products in Austria, Switzerland, Belgium, the Netherlands, Spain, Poland, Italy, Portugal, and France. The innovative products, such as the adjustable adhesive nail, are convincing customers of the benefits over conventional screws and nails. The brand campaign continued to support the introduction in each country. tesa's double-sided mounting solutions proved particularly successful with large French home improvement chains.

Another success was the acquisition of the company "nie wieder bohren ag". The purchase enabled tesa to enlarge its range of hooks for bathroom DIY and to reach additional customer groups. tesa is also gaining additional expertise to help it drive diversification in bathroom departments at home improvement stores in Germany and other countries, and boost its presence at specialist bathroom suppliers in Germany. In addition, the takeover offers potential for tesa to expand this business in other countries.

Growth in e-commerce is also becoming ever more significant. All key countries for the Consumer & Craftsmen segment were therefore integrated into tesa's digital activities in 2017. In addition to introducing videos and supporting campaigns, tesa achieved high product ratings with Amazon in these countries.

Net Assets

NET ASSETS (IN € MILLION)

Assets	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	3,297	3,926
Inventories	739	854
Other current assets	2,665	2,524
Cash and cash equivalents	872	901
	7,573	**8,205**

Equity and liabilities	Dec. 31, 2016	Dec. 31, 2017
Equity	4,677	5,125
Non-current provisions	802	780
Non-current liabilities	58	80
Current provisions	440	427
Current liabilities	1,596	1,793
	7,573	**8,205**

Non-current assets increased by €629 million to €3,926 million (previous year: €3,297 million). Long-term securities increased by €641 million to €2,532 million (previous year: €1,891 million). Capital expenditure on property, plant, and equipment, and intangible assets amounted to €195 million (previous year: €162 million). Of this amount, €129 million (previous year: €113 million) related to the Consumer Business Segment and €66 million (previous year: €49 million) to the tesa Business Segment. Capital expenditure primarily related to the plants of the two business segments, Consumer and tesa, as well as IT projects. Group depreciation, amortization, and impairment losses amounted to €150 million (previous year: €148 million). Inventories increased by €115 million to €854 million (previous year: €739 million). Other current assets declined to €2,524 million (previous year: €2,665 million). This item includes short-term securities of €770 million (previous year: €958 million). The decline in this position is largely attributable to increased investment of funds in long-term securities. Trade receivables rose by €33 million to €1,326 million (previous year: €1,293 million). Income tax receivables amounted to €108 million (previous year: €108 million), while other current assets rose by €6 million to €169 million.

Cash and cash equivalents increased to €901 million (previous year: €872 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) increased by €481 million to €4,189 million (previous year: €3,708 million). Current liabilities to banks rose by €1 million to €14 million (previous year: €13 million).

Total non-current provisions and liabilities stood at €860 million (previous year: €860 million). This item includes provisions for pensions and other post-employment benefits, which fell to €659 million due to an increase in the discount rate (previous year: €706 million). There was a related increase in deferred tax liabilities to €74 million (previous year: €55 million). Total current provisions and liabilities rose by €184 million to €2,220 million (previous year: €2,036 million) as a result of an increase in trade payables due to operational factors. The equity ratio was 62% (previous year: 62%). Non-current liabilities accounted for 11% (previous year: 11%) and current liabilities for 27% (previous year: 27%).

FINANCING STRUCTURE (IN %)

Financial Position

CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2016	2017
Gross cash flow	859	930
Change in net current assets	83	–19
Net cash flow from operating activities	942	911
Net cash flow from investing activities	–764	–633
Free cash flow	178	278
Net cash flow from financing activities	–233	–202
Other changes	9	–47
Net change in cash and cash equivalents	–46	29
Cash and cash equivalents as of Jan. 1	**918**	**872**
Cash and cash equivalents as of Dec. 31	**872**	**901**

Gross cash flow amounted to €930 million in the period under review, up €71 million on the prior-year value.

The change in net current assets led to an outflow of €19 million (previous year: inflow of €83 million). The increase in trade payables and current provisions of €166 million was offset by a €115 million increase in inventories and a €70 million rise in receivables and other assets.

The net cash outflow from investing activities amounted to €633 million in the year under review (previous year: €764 million). Interest and other financial income received of €39 million and proceeds of €30 million from the sale of intangible assets and property, plant, and equipment were offset by net cash outflows of €507 million for the purchase of securities as well as capital expenditure of €195 million for property, plant, and equipment, and intangible assets.

Free cash flow was €278 million, up €100 million on the prior-year figure (€178 million). The net cash outflow of €202 million from financing activities (previous year: €233 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financing expenses paid in the amount of €44 million.

Cash and cash equivalents amounted to €901 million (previous year: €872 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

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENTS

		Result in 2016	Forecast for 2017 2016 Annual Report	Forecast for 2017 H1 2017 Report	Forecast for 2017 9M 2017 Quarterly Statement	Result in 2017
Sales growth (organic)						
Consumer	(in %)	3.3	3–4	3–4	around 4	4.7
tesa	(in %)	2.6	3–4	4–5	around 8	10.6
Group	(in %)	3.2	3–4	3–4	4–5	5.7
EBIT margin (excluding special factors)						
Consumer	(in %)	14.8	slightly above prior year	slightly above prior year	slightly above prior year	15.2
tesa	(in %)	16.2	slightly below prior year	at prior-year level	slightly above prior year	16.5
Group	(in %)	15.0	slightly above prior year	slightly above prior year	slightly above prior year	15.4

Business developments in 2017 showed that Beiersdorf is on the right track. The **Group's** two business segments performed well. Group sales stood at €7,056 million (previous year: €6,752 million). Organic growth amounted to 5.7% (previous year: 3.2%). EBIT excluding special factors reached €1,088 million (previous year: €1,015 million). The EBIT margin excluding special factors climbed to 15.4% (previous year: 15.0%).

The **Consumer** Business Segment made successful progress thanks to the systematic implementation of the business strategy, which is based on the Blue Agenda. With Blue & Beyond, we have expanded our strategy to encompass additional important goals and put greater focus on leveraging the enormous potential of Eucerin, Hansaplast, and La Prairie. This strategic orientation aims to make Beiersdorf more competitive and to enhance its economic success. First successes are already reflected in the results for the past fiscal year.

The **tesa** Business Segment further expanded its business in both the Direct Industries division and the Trade Markets division, achieving substantial increases in sales and the operating result.

The **Consumer** Business Segment again recorded a positive performance in the past fiscal year. With sales growth of 4.7%, Consumer beat the increased forecast for fiscal year 2017. This growth came from both the saturated markets and emerging markets, as well as from all regions. As forecast, the operating result (EBIT, excluding special factors) and EBIT margin were slightly up on the previous year.

The **tesa** Business Segment increased sales by 10.6% in 2017, considerably exceeding the increased forecasts. This was thanks especially to the good performance in consumer electronics in Asia and the continuing positive trend in the automotive industry in the Americas. The operating result (EBIT, excluding special factors) and EBIT margin were slightly up on the previous year.

Beiersdorf AG

Business activities

Beiersdorf AG is based in Hamburg (Germany) and is the parent company of the Beiersdorf Group. As of December 31, 2017, Beiersdorf AG employed 2,102 people (previous year: 1,984). The number of vocational trainees and trainees was 155 (previous year: 174*).

Beiersdorf AG is responsible for the German Consumer Business and provides typical holding company services to its affiliates. In addition to its own operating activities, Beiersdorf AG manages an extensive investment portfolio and is the direct or indirect parent company of over 160 affiliates worldwide. Beiersdorf AG also performs central planning/financial control, supply chain, treasury, and human resources functions, as well as a large proportion of research and development activities for the Consumer business.

Beiersdorf AG's operating business is only one part of the Beiersdorf Group's business activities. The company is managed on the basis of the key performance indicators outlined in the "Management and Control" section of the Combined Management Report. It is only possible to gain a full insight into the key performance indicators at the level of the Group.

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

Basis of preparation of the financial statements

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

* Prior-year figure adjusted due to changes in the internal reporting structure.

Result of Operations – Beiersdorf AG

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

	2016	2017
Sales	**1,190**	**1,229**
Other operating income	41	27
Cost of materials	–269	–278
Personnel expenses	–252	–252
Depreciation and amortization of property, plant, and equipment, and intangible assets	–19	–11
Other operating expenses	–545	–573
Operating result	**146**	**142**
Net income from investments	174	226
Net interest expense	12	–15
Other financial result	21	–45
Financial result	**207**	**166**
Profit before tax	**353**	**308**
Income taxes	–84	–65
Profit after tax	**269**	**243**
Transfer to other retained earnings	–93	–67
Net retained profits	**176**	**176**

The income statement was prepared using the total cost (nature of expense) method.

Beiersdorf AG's **sales** rose by €39 million to €1,229 million in the reporting year (previous year: €1,190 million). Product sales of NIVEA Hair, NIVEA Sun, and Hidrofugal were particularly encouraging. Sales of €945 million (previous year: €925 million) were generated in Germany and €284 million (previous year: €265 million) in other countries.

The **operating result** declined by €4 million to €142 million due to other operating expenses increasing at a slightly faster rate than sales.

At €166 million, the **financial result** was down €41 million on the previous year. This was due to one-off income from fiscal year 2016, higher financial expenses from currency conversion, and valuation adjustments for financial assets and securities classified as current assets. Interest expense was also increased by changes in the discount rate for pension provisions.

At €308 million, **profit before tax** was down €45 million on the prior-year figure.

Profit after tax was €243 million (previous year: €269 million), a decline of €26 million on the previous year.

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).

Net Assets and Financial Position – Beiersdorf AG

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

Assets	Dec. 31, 2016	Dec. 31, 2017
Intangible assets	2	1
Property, plant, and equipment	96	99
Financial assets	2,436	3,362
Fixed assets	**2,534**	**3,462**
Inventories	5	3
Receivables and other assets	615	612
Securities	2,033	1,517
Cash and cash equivalents	133	99
Current assets	**2,786**	**2,231**
Prepaid expenses	**5**	**6**
Deferred tax assets	**16**	**26**
Excess of plan assets over post-employment benefit liability	**1**	**–**
	5,342	**5,725**

Equity and liabilities	Dec. 31, 2016	Dec. 31, 2017
Equity	**2,545**	**2,629**
Provisions for pensions and other post-employment benefits	469	486
Other provisions	236	294
Provisions	**705**	**780**
Liabilities	**2,092**	**2,316**
	5,342	**5,725**

Fixed assets saw a substantial year-on-year rise of €928 million. This increase was largely attributable to the acquisition of long-term government and corporate bonds. Investments of €13 million in property, plant, and equipment were accompanied by depreciation of €10 million.

Current assets declined by €555 million over the fiscal year to €2,231 million. This item includes short-term securities of €1,517 million (previous year: €2,033 million). The decline in this position is largely attributable to increased investment of funds in long-term securities. Receivables and other assets largely comprise financial receivables from affiliated companies.

Liabilities increased by €224 million year-on-year to €2,316 million. This was primarily attributable to higher financial liabilities to affiliated companies.

€2,629 million (previous year: €2,545 million) or 46% (previous year: 48%) of the total balance sheet assets of €5,725 million (previous year: €5,342 million) is financed by **equity**.

Risk Report

Risks and Opportunities

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

Integrated Risk and Opportunity Management System

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

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

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

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

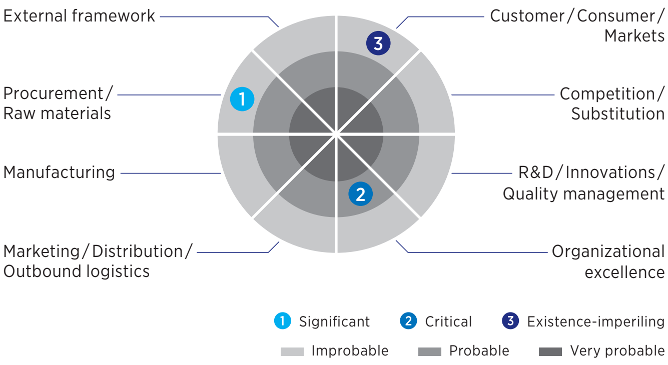
Beiersdorf distinguishes between strategic, functional, and operational risks. Strategic risks encompass fundamental frameworks, developments, and events that could have a substantial impact on the Group or its business segments. Functional risks are challenges inherent to the business model. The various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

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

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

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

BEIERSDORF RISK RADAR
Schematic diagram



BEIERSDORF RISK CLASSIFICATION

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

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

Description of the Material Risks and Opportunities

STRATEGIC AND FUNCTIONAL RISKS

Maintaining and increasing the value of our major consumer brands with their broad appeal is of utmost importance to Beiersdorf's business development. The trust of our customers and, in particular, of the consumers of our products, is essential for this. We have designed our risk management system to fully justify this trust and to provide enduring, successful protection to the value of our brands. A wide range of measures enable us to qualify risks to the reputation of our brands as improbable.

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

By developing and implementing the Consumer Insights process, we have laid the groundwork for promptly identifying the constantly changing consumer wishes and successfully reflecting them in our products. Direct communication with consumers via digital social media is becoming an increasingly important aspect of this. In other respects, we regard the risks from changes in consumer behavior as critical and probable.

Strong brands that balance innovation and continuity are our response to intensive global competition on price, quality, and innovation. This also counteracts the growing retail concentration and the emergence of rival brands at the regional level, which we regard overall as critical and very probable.

Since expertise-based brands require a high degree of upfront investment in innovation and marketing, the continuous expansion of our trademark and patent portfolio is of utmost importance. We protect our intellectual property proactively and comprehensively. By closely aligning the Group functions involved in this with the operational business, we identify commercial opportunities from our research and development 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. In general, we regard the risk of third-party attacks on our trademarks and product names and the use of certain ingredients as critical and probable.

Our management focus on the sustainable 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. Without this management, we would regard the risk of also investing in less promising markets as critical and probable.

We counter procurement risks relating to the delivery reliability and price of raw materials, commodities, and 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. Here, we take into account the growing global political and economic uncertainties by developing new business models that ensure access to our procurement markets. We are particularly focusing on special local and regional supply chains. At the same time, the overall structure of our global production and logistics, which integrates suitable third-party suppliers, offers a high degree of flexibility in supplying our markets. In principle, we regard the strategic and functional risks in this context as of average significance but rather improbable.

We minimize risks relating to the availability, reliability, and efficiency of our IT systems through continuous monitoring and swift, comprehensive implementation of improvements, as well as through the establishment of a continuity management system that is an integrated part of our IT operations. Nevertheless, in late June of 2017, Beiersdorf was one of many companies to fall victim to a serious cyber attack emanating from Ukraine. This led to a short-term, temporary shutdown in production, logistics, and sales. However, thanks to the highly integrated and comprehensively secured global IT infrastructure, almost all critical systems were able to begin normal operations again within a week. The fact that this attack had no lasting impact on sales or profits can be attributed not only to the effectiveness and crisis management of our IT and corporate management, but also and especially to the solidarity and mutual support shown by Beiersdorf employees all around the world, who set an extraordinary example of our corporate values in practice at this critical time.

Although the cyber attack had limited consequences, we have launched a large-scale project with considerable funding and the support of external experts to further increase the security, availability, reliability, and efficiency of our IT systems against external and internal attacks. The measures, some of which have already been implemented and some of which are still being planned, involve the most effective possible prevention of unauthorized access, isolation of any malware that penetrates our systems, and even faster and comprehensive recovery of data and systems that can no longer be accessed. Irrespective of these measures, we categorize the risk for Beiersdorf as critical and probable.

To comply – specifically in Europe – with the amended legal regulations on data protection, we are also intensifying our relevant internal administration, training, and control measures. Along with the information and instructions provided, these measures are intended to contribute to and further improve the secure handling of sensitive data on our company, business partners, and consumers.

We also counter compliance risks by providing clear management structures and efficient organizational measures. Finally, occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by process control checks and location-specific audits. We generally regard risks in these areas as less significant and relatively improbable.

Cooperations and other contacts with universities enable us to build early links to qualified potential new employees, for whom we have special trainee programs to prepare them for a career at Beiersdorf. Our uniform global talent management process identifies and develops talented specialists and management personnel at all levels and supports the appointment of qualified staff in key positions throughout the company as these become vacant. Risks in the context of our global recruitment activities are currently not a significant issue for us.

We counter the risk of bad debts through detailed monitoring of our customer relationships, active receivables management, and the selective use of trade credit insurance. Currency, interest rate, and liquidity risks are subject to active treasury management based on a global directive. They are managed and hedged centrally to a very large extent, taking into account the specific requirements for the organizational separation of the trading, settlement, and controlling functions.

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

Our financial risk management is characterized by the clear allocation of responsibilities, central rules for limiting financial risks as a matter of principle, and the conscious alignment of the instruments deployed with the requirements of our business activities. Additional information on the extent of the currency, interest rate, default, and liquidity risks described above can be found in Note 27 of the notes to the consolidated financial statements, "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments".

SHORT-TERM OPERATIONAL RISKS AND OPPORTUNITIES

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

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

The net operational risks currently remaining arise from isolated legal and tax proceedings and from tax audits. Assessing the course and outcome of legal disputes is associated with considerable difficulties and uncertainty. Based on the information currently available, it is very unlikely that these disputes will result in significant charges for the Group.

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

Summary of the Risk Situation

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

Accounting-related Internal Control System

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

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

An analysis was used to identify the items and positions containing the material risks for the financial statements. The underlying processes were then assigned to these. Preventive, monitoring, and detective measures designed to ensure security and control in accounting, information processing, and the operational functions have been defined Group-wide for these processes. Among other things, the measures include the separation of functions, manual and IT-based approval processes using the dual control principle, IT checks, access restrictions and authorization concepts for the IT system, and systems-based processes for handling Group accounting data.

Shared service centers provide uniform processing of the core accounting processes at Beiersdorf AG and most of its affiliates. Standardized IT systems are used to support financial reporting for the companies included in the consolidated financial statements and consolidation. Procedural instructions, standardized reporting formats, and IT-based reporting and consolidation processes support financial reporting.

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

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

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

Independent Monitoring

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

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

Report on Expected Developments

Expected Macroeconomic Developments

The positive growth trend in the **global economy** looks set to continue in 2018, driven both by the industrialized countries and the emerging markets. The geopolitical unrest, separatist, anti-EU movements in Europe, the uncertainty about the outcome of the exit negotiations with the United Kingdom and the long-term consequences of Brexit, as well as the future economic policy of the United States are, however, continuing to generate considerable uncertainty with regard to the development of the global economy.

In **Europe**, we expect to see sound growth slightly short of the prior-year level. In addition to a downturn in consumer spending, a backlog of reforms in some countries and political tensions are having a negative impact on the growth rate. The long-term impact of Brexit and a possible change in European Central Bank policy are an additional source of uncertainty.

In **Germany**, we also anticipate good growth, though slightly short of the previous year's level. Investment and exports will probably be the main economic growth drivers. However, the slight rise in inflation is likely to dampen consumer sentiment somewhat.

We anticipate that the **US economy** will continue its growth trend on the back of a further reduction in unemployment and sustained strong consumer sentiment. Growth impetus is also expected to come from investments. The expected tax cuts will also boost sentiment among both consumers and companies. Uncertainty is primarily due to the future course of economic policy.

In **Japan**, we expect a slower growth rate in 2018 after a marked economic upturn in 2017. Consumer spending, the mainstay of the Japanese economy, is likely to grow only moderately despite favorable consumer confidence. The pace of investment is also expected to lose momentum. Demographic trends and the high level of government debt pose risks to economic growth.

In the **emerging markets**, we expect economic prospects to improve slightly overall, although a large number of risks and uncertainties are slowing growth there. For the **Chinese** economy, we expect growth to be slightly below the prior-year level, underpinned by an expansionary fiscal policy. Uncertainty is being caused by the threat of an overheating real estate market and the continued high indebtedness of state-owned enterprises. In **India**, we expect that the negative implications of the reforms carried out in previous years will largely subside, allowing the economy to experience strong growth again. In the **Middle East**, we expect trade barriers and other protectionist measures to continue to slow economic growth in the region. For the **Southeast Asian** emerging markets, we expect growth to be roughly at the prior-year level. In **Brazil**, we expect the economy to continue to stabilize and achieve growth above the prior-year level fueled by consumer spending. The political uncertainty, continued high unemployment, and private debt are counteracting a significant upturn, however. We believe that the **Russian** economy will continue its positive economic trend and that the growth rate will pick up slightly. However, Russia's strong dependence on oil production and prices, continuing international sanctions, a lack of structural reforms, and a continuing lack of investor confidence stand in the way of a strong recovery.

Procurement Market Trends

Primary-material prices are expected to rise modestly in 2018 due to slightly increasing oil prices and a shortage of select specialty raw materials. Nevertheless, Beiersdorf will continue to work systematically on advancing its long-term program of sourcing cost reduction. We believe that this approach will also lead to essentially stable material costs in 2018.

Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will remain at roughly the same level as last year in 2018. We expect only modest growth in the major European and North American markets. The growth markets will contribute positively to the overall performance.

For tesa, we continue to expect largely stable sales trends in Europe, though political developments represent an element of unpredictability. In North America, we continue to expect positive stimulus particularly from the automotive industry. We anticipate a largely positive trend in Latin America. In Asia, we expect moderate growth, which will depend to a very high degree on the performance of the Chinese economy. Once again next year, we expect growth to be stimulated by the performance of the automotive segment and electronics industry. Intense competition and the resulting pressure on prices are likely to put a damper on sales growth in both industries, however.

Our Market Opportunities

Market performance will remain mixed in 2018 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. The driver behind this is our efforts in strengthening our brands, especially NIVEA and the three Pharmacy and Selective brands, Eucerin, Hansaplast, and La Prairie, in which we intend to invest more heavily under our Blue & Beyond strategy. Our future growth lies in our compelling innovations. This analysis underpins our planning for 2018.

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. Automotive is considered an important growth area among global customers. 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 anticipates sales growth in the **Consumer** Business Segment to outperform the market at 4 – 5% in fiscal year 2018. 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 2018. 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 growth of approximately 4%. The consolidated EBIT margin from operations is expected to remain at the prior-year level.

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, 2018
Beiersdorf AG

The Executive Board

Remuneration Report and Other Disclosures

Remuneration Report

The remuneration report explains the structure and amount of the remuneration paid to the members of the Executive Board and the Supervisory Board. It takes into account the legal requirements and the recommendations of the German Corporate Governance Code 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 February 2, February 24, September 5, and December 8, 2017. On February 1, 2018, the Supervisory Board determined the remuneration of the Executive Board for fiscal year 2017. 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 2017 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.

Since 2016, the predominant multi-year element of variable remuneration and its largely forward-looking basis of calculation has consisted solely of the Enterprise Value Component (see section cc) below).

c) REMUNERATION OF THE EXECUTIVE BOARD FOR 2017 IN MORE DETAIL

aa) Fixed Remuneration

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

bb) Variable Bonus

The members of the Executive Board receive a Variable Bonus that is based on the performance of the Consumer Business Segment. Since the 2016 fiscal year, the bonus is paid in full after the Annual General Meeting of the year following that in which it is granted (until fiscal year 2015, the Variable Bonus was divided into a one-year bonus and a multi-year bonus). 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 2017 is determined by the EBIT margin (EBIT component), 20% by sales growth (sales component), 30% by market share, 15% by the achievement of human resources goals, and 20% 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 HR goals include, in particular, succession planning and diversity. The personal component is mostly composed of two personal goals, which depend on the functional and/or 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)).

cc) Enterprise Value Component

Executive Board members share in the increase in enterprise value for the Consumer Business Segment as a bonus. 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, where applicable, an additional vesting period ("bonus period"), if the Annual General Meeting approves the Executive Board member's actions.

The increase in enterprise value corresponds to the percentage share of the Executive Board member's (notionally allocated) Enterprise Value Component that will be paid to him. For the Executive Board members appointed before 2017, the enterprise value is calculated as a multiple of sales and EBIT as reported in the consolidated financial statements. The increase in value is the increase in enterprise value from the beginning to the end of the bonus period. In each case, this is calculated as an average over three years. For the Executive Board member appointed in 2017, enterprise value is calculated solely from the increase in sales from the beginning to the end of the bonus period, unless EBIT deviates by more than 10% from plan.

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

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

As a rule, the Enterprise Value Component is limited to a maximum amount for each member of the Executive Board (200% cap, corresponding to around 10% p.a.). This does not apply to Covered Virtual Units, since the Executive Board member is also exposed to a risk of loss in this case. If an Executive Board member is active for a period shorter than his 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 2017 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 active Executive Board members.

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; Stefan De Loecker €50 thousand; Ralph Gusko €150 thousand; Thomas Ingelfinger €60 thousand; Zhengrong Liu €75 thousand; Vincent Warnery €75 thousand.

ee) Overviews of Individual Executive Board Remuneration

TOTAL REMUNERATION OF THE EXECUTIVE BOARD FOR ACTIVITIES IN FISCAL YEAR 2017 (IN € THOUSAND)

		Stefan F. Heidenreich (Chairman)	Jesper Andersen	Stefan De Loecker	Ralph Gusko	Thomas Ingelfinger	Zhengrong Liu	Vincent Warnery (since February 15, 2017)	**Total**
Fixed basic remuneration	2016	1,250	480	500	500	450	475	–	**3,780[1]**
	2017	1,250	480	500	500	450	475	458	**4,113**
Variable Bonus	2016	1,563	360	488	460	389	360	–	**3,739[1]**
	2017	1,783	457	572	582	507	448	423	**4,772**
Other remuneration[2]	2016	509	16	193	120	11	40	–	**893[1]**
	2017	10	18	188	119	11	390	133	**869**
Sum	2016	3,322	856	1,181	1,080	850	875	–	**8,412[1]**
	2017	3,043	955	1,260	1,201	968	1,313	1,014	**9,754**
Additions to provisions for Enterprise Value Component	2016	6,299	389	746	838	421	655	–	**9,385[1]**
	2017	3,243	257	478	1,486	712	554	1,327	**8,057**
Total[3]	**2016**	**9,621**	**1,245**	**1,927**	**1,918**	**1,271**	**1,530**	**–**	**17,797[1]**
	2017	**6,286**	**1,212**	**1,738[4]**	**2,687**	**1,680**	**1,867**	**2,341**	**17,811**

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)

	2016				2017			
	Base Virtual Unit	Covered Virtual Unit[5]	Matching Virtual Unit	Total amount set aside in fiscal year 2016	**Base Virtual Unit**	**Covered Virtual Unit[5]**	**Matching Virtual Unit**	**Total amount set aside in fiscal year 2017**
Stefan F. Heidenreich (Chairman of the Executive Board)	10,000	10,000	40,000	19,019[6]	10,000	10,000	40,000	22,262[6]
Jesper Andersen	5,000	549	549	581	5,000	579	579	838
Stefan De Loecker	10,000	1,125	1,125	1,842	10,000	1,175	1,175	2,320
Ralph Gusko	10,000	1,600	1,600	4,124[7]	10,000	1,750	1,750	5,610[7]
Thomas Ingelfinger	5,500	1,150	1,150	1,061	5,500	1,210	1,210	1,773
Zhengrong Liu	9,000	250	–	1,590	9,000	325	–	2,144
Vincent Warnery (from February 15, 2017)	–	–	–	–	10,000	1,069	2,069	1,327[8]
Total	**59,500[1]**	**15,809[1]**	**45,559[1]**	**29,519[1]**	**59,500**	**16,108**	**46,783**	**36,274**

[1] These totals additionally include the following payments made to Dr. Ulrich Schmidt, who left the Executive Board in 2016: fixed basic remuneration: €125 thousand, Variable Bonus: €119 thousand, other remuneration: €4 thousand, sum: €248 thousand, additions to provisions for Enterprise Value Component: €37 thousand, total: €285 thousand. The totals regarding the Virtual Units and provisions for 2016 (see table above) include the following amounts of Dr. Ulrich Schmidt: Base Virtual Unit: € 10,000 thousand, Covered Virtual Unit: € 1,135 thousand; Matching Virtual Unit: € 1,135 thousand; Total amount set aside in fiscal year 2016: € 1,302 thousand.
[2] 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. The other remuneration of Zhengrong Liu in 2017 included a bonus of €350 thousand following his reappointment. In 2016, the other remuneration of Stefan F. Heidenreich included a once-only payment of €500 thousand, which was paid out following the Annual General Meeting in 2017.
[3] 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 43 f., section cc)). The amount set aside for Vincent Warnery already includes an increase in the Enterprise Value Component, which will be awarded to him from February 1, 2020 with effect as of contract commencement (see also footnote 8).
[4] €1,187 thousand of this amount (previous year: €1,303 thousand) was granted to Stefan De Loecker as remuneration for his activities at Group companies.
[5] 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 43 f., section cc)).
[6] This figure includes a guaranteed base amount awarded to the Chairman of the Executive Board in 2016. It is considerably below the current amount set aside for the Enterprise Value Components granted to him.
[7] This figure includes the personal investments made in the form of retained bonus payments due under the Variable Bonus.
[8] This already includes an increase in the Covered Virtual Units to €2,000 thousand and an increase in the Matching Virtual Units to €4,000 thousand, which will be awarded to Vincent Warnery from February 1, 2020 with effect as of contract commencement.

The following tables show the benefits granted and allocations for each member of the Executive Board in fiscal year 2017 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]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	1,250	1,250	1,250	1,250	1,250	1,250
Fringe benefits/ancillary benefits[10]	509	10	10	10	509	10
Total	**1,759**	**1,260**	**1,260**	**1,260**	**1,759**	**1,260**
Variable Bonus	1,250	1,250	–	2,500	1,563	1,783
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015 – December 31, 2016)	–	–	–	–	438	–
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	431	524
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	–	–
Total fixed and variable remuneration	**6,009**	**5,510**	**1,260**	**9,760**	**4,191**	**3,567**
Service cost	–	–	–	–	–	–
Total remuneration	**6,009**	**5,510**	**1,260**	**9,760**	**4,191**	**3,567**

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

	Benefits granted				Allocation[9]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	480	480	480	480	480	480
Fringe benefits/ancillary benefits[10]	16	18	18	18	16	18
Total	**496**	**498**	**498**	**498**	**496**	**498**
Variable Bonus	300	300	–	600	360	457
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	57	73
LTP – Base Virtual Unit[11]	250	250	–	500	–	–
LTP – Covered Virtual Unit[11/12]	57	59	–	88	–	–
LTP – Matching Virtual Unit[11]	27	29	–	58	–	–
Total fixed and variable remuneration	**1,130**	**1,136**	**498**	**1,744**	**913**	**1,028**
Service cost	–	–	–	–	–	–
Total remuneration	**1,130**	**1,136**	**498**	**1,744**	**913**	**1,028**

[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 2).
[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)

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

	Benefits granted				Allocation[13]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits[14]	193	188	188	188	193	188
Total	**693**	**688**	**688**	**688**	**693**	**688**
Variable Bonus	400	400	–	800	488	572
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015 – December 31, 2016)	–	–	–	–	77	–
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	108	165
LTP – Base Virtual Unit[15]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[15/16]	106	109	–	168	–	–
LTP – Matching Virtual Unit[15]	56	59	–	118	–	–
Total fixed and variable remuneration	**1,755**	**1,756**	**688**	**2,774**	**1,366**	**1,425**
Service cost	–	–	–	–	–	–
Total remuneration[17]	**1,755**	**1,756**	**688**	**2,774**	**1,366**	**1,425**

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

	Benefits granted				Allocation[13]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits[14]	120	119	119	119	120	119
Total	**620**	**619**	**619**	**619**	**620**	**619**
Variable Bonus	400	400	–	800	460	582
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015 – December 31, 2016)	–	–	–	–	168	–
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	123	150
LTP – Base Virtual Unit[15]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[15/16]	230	238	–	325	–	–
LTP – Matching Virtual Unit[15]	80	88	–	175	–	–
Total fixed and variable remuneration	**1,830**	**1,845**	**619**	**2,919**	**1,371**	**1,351**
Service cost	–	–	–	–	–	–
Total remuneration	**1,830**	**1,845**	**619**	**2,919**	**1,371**	**1,351**

[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 2).
[15] The planned terms of the LTP are as follows: for Stefan De Loecker from 2014 to after the 2020 Annual General Meeting; for Ralph Gusko from 2011 to after the 2023 Annual General Meeting.
[16] See footnote 12 on the reporting of the Covered Virtual Units.
[17] Of these total amounts, €1,198 thousand/target amount (previous year: €1,199 thousand), €557 thousand/min. p.a. (previous year: €562 thousand), and €1,809 thousand/max. p.a. (previous year: €1,808 thousand) were granted and €999 thousand/allocation (previous year: €966 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)

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

	Benefits granted				Allocation[18]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	450	450	450	450	450	450
Fringe benefits/ancillary benefits[19]	11	11	11	11	11	11
Total	**461**	**461**	**461**	**461**	**461**	**461**
Variable Bonus	350	350	–	700	389	507
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015 – December 31, 2016)	–	–	–	–	74	–
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	93	115
LTP – Base Virtual Unit[20]	275	275	–	550	–	–
LTP – Covered Virtual Unit[20/21]	118	121	–	181	–	–
LTP – Matching Virtual Unit[20]	58	61	–	121	–	–
Total fixed and variable remuneration	**1,262**	**1,268**	**461**	**2,013**	**1,017**	**1,083**
Service cost	–	–	–	–	–	–
Total remuneration	**1,262**	**1,268**	**461**	**2,013**	**1,017**	**1,083**

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

	Benefits granted				Allocation[18]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	475	475	475	475	475	475
Fringe benefits/ancillary benefits[19]	40	390	390	390	40	390
Total	**515**	**865**	**865**	**865**	**515**	**865**
Variable Bonus	300	300	–	600	360	448
Multi-year variable remuneration						
Multi-year-Bonus 2014 (term January 1, 2015 – December 31, 2016)	–	–	–	–	62	–
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	94	117
LTP – Base Virtual Unit[20]	450	450	–	900	–	–
LTP – Covered Virtual Unit[20/21]	88	91	–	108	–	–
LTP – Matching Virtual Unit[20]	–	–	–	–	–	–
Total fixed and variable remuneration	**1,353**	**1,706**	**865**	**2,473**	**1,031**	**1,430**
Service cost	–	–	–	–	–	–
Total remuneration	**1,353**	**1,706**	**865**	**2,473**	**1,031**	**1,430**

[18] See footnote 9 on the reporting of remuneration components as “allocation”.
[19] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 2).
[20] The planned terms of the LTP are as follows: for Thomas Ingelfinger from 2014 to after the 2023 Annual General Meeting; for Zhengrong Liu from 2014 to after the 2021 Annual General Meeting.
[21] See footnote 12 on the reporting of the Covered Virtual Units.

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

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

	Benefits granted				Allocation[22]	
	2016 Target amount	**2017 Target amount**	**2017 (min. p.a.)**	**2017 (max. p.a.)**	2016	**2017**
Fixed remuneration	–	458	458	458	–	458
Fringe benefits/ancillary benefits[23]	–	133	133	133	–	133
Total	**–**	**591**	**591**	**591**	**–**	**591**
Variable Bonus	–	275	275[24]	550	–	423
Multi-year variable remuneration						
LTP – Base Virtual Unit[25]	–	500	–	1,000	–	–
LTP – Covered Virtual Unit[25/26]	–	122	–	176	–	–
LTP – Matching Virtual Unit[25]	–	103	–	207	–	–
Total fixed and variable remuneration	**–**	**1,591**	**866**	**2,524**	**–**	**1,014**
Service cost	–	–	–	–	–	–
Total remuneration	**–**	**1,591**	**866**	**2,524**	**–**	**1,014**

[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 2).
[24] For 2017 Vincent Warnery was awarded a guaranteed minimum Variable Bonus of €275 thousand.
[25] The planned terms of the LTP are as follows: for Vincent Warnery from 2017 to after the 2023 Annual General Meeting.
[26] See footnote 12 on the reporting of 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 €2,412 thousand (previous year: €2,500 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €39,047 thousand (previous year: €43,568 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.

Subject to a resolution of the Annual General Meeting on April 25, 2018, it is planned to adjust the remuneration of the Supervisory Board and, in particular, to discontinue variable remuneration.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN FISCAL YEAR 2017 (IN €) [1/2]

	Fixed[3]		Total Variable		Long term Variable (60%)		Total	
	2016	**2017**	2016[4]	**2017[5]**	2016	**2017**	2016	**2017**
Dr. Andreas Albrod (until April 20, 2017)	71,000	21,582	45,000	13,562	27,000	8,137	116,000	35,144
Hong Chow (since April 20, 2017)	–	29,945	–	31,438	–	18,863	–	61,383
Beatrice Dreyfus (until April 20, 2017)	42,049	14,055	41,680	13,562	25,008	8,137	83,729	27,617
Frank Ganschow	44,000	45,000	45,000	45,000	27,000	27,000	89,000	90,000
Reiner Hansert (since April 20, 2017)	–	47,918	–	31,438	–	18,863	–	79,356
Michael Herz	68,500	65,500	45,000	45,000	27,000	27,000	113,500	110,500
Thorsten Irtz (Deputy Chairman)	69,000	66,500	67,500	67,500	40,500	40,500	136,500	134,000
Matthias Locher	45,000	45,000	45,000	45,000	27,000	27,000	90,000	90,000
Dr. Dr. Christine Martel	88,500	88,000	45,000	45,000	27,000	27,000	133,500	133,000
Tomas Nieber	71,000	67,000	45,000	45,000	27,000	27,000	116,000	112,000
Frédéric Pflanz (Deputy Chairman)	75,000	72,000	67,500	67,500	40,500	40,500	142,500	139,500
Prof. Dr. Reinhard Pöllath (Chairman)	112,500	111,500	112,500	112,500	67,500	67,500	225,000	224,000
Prof. Manuela Rousseau	45,000	44,000	45,000	45,000	27,000	27,000	90,000	89,000
Poul Weihrauch	44,000	43,500	45,000	45,000	27,000	27,000	89,000	88,500
Total	**778,500[6]**	**761,500**	**652,500[6]**	**652,500**	**391,500[6]**	**391,500**	**1,431,000[6]**	**1,414,000**

[1] Subject to the resolution of the Annual General Meeting on April 25, 2018, concerning the dividend to be distributed for 2017 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 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).
[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 2021 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 Isabelle Parize, who left the Supervisory Board in 2016, for her activities in fiscal year 2016: fixed: €2,951, variable: €3,320 (long-term variable: €1,992), total: €6,271.

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

Report by the Executive Board on Dealings among Group Companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act, *AktG*), the Executive Board has issued a report on dealings among Group companies which contains the following concluding declaration: “According to the circumstances known to us at the time 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.”

Disclosures Required by Takeover Law

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

Please refer to the notes to the consolidated financial statements for the disclosures on the composition of the subscribed capital and the disclosures on direct or indirect interests in the share capital exceeding 10% of the voting rights.

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *Aktiengesetz* (German Stock Corporation Act, *AktG*), § 31 *Mitbestimmungsgesetz* (German Codetermination Act, *MitbestG*), and § 7 of the Articles of Association. In accordance with § 7 (1) of the Articles of Association, the Executive Board consists of at least three 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 (1) of the Articles of Association, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter’s wording only. Under § 5 (6) of the Articles of Association, the Supervisory Board is authorized in particular to amend and reformulate § 5 of the Articles of Association (Share Capital) following each utilization of authorized or contingent capital.

The Annual General Meeting on March 31, 2015, authorized the Executive Board, 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 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.

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 or partial consideration for the acquisition of companies or equity interests in companies (including increases in equity interests), or as part of a merger, i.e. against non-cash consideration.

Report on Equal Opportunities and Equal Pay in Accordance with §§ 21, 22 *Entgelttransparenzgesetz* (Pay Transparency Act, *EntgTranspG*)*

Measures to Promote Equal Opportunities for Women and Men

For Beiersdorf AG, it is a matter of course that men and women should enjoy the same career opportunities. The company has therefore been working successfully for years to promote gender diversity and provides a range of options for its staff. Knowledge transfer across departments makes a major contribution to supporting women who are aiming for a management position or want to enhance their existing position. One example of this is the special mentoring program for women: “move forward”. The expansion and further enrichment of the “Women in Leadership” network in Hamburg is another.

One of the greatest challenges for career planning has proven to be work-life balance. Facilitating this balance is a decisive factor in achieving equal opportunities and greater equality of female and male career paths. There have been contributions to this in a range of areas at Beiersdorf AG.

One was the strategic decision in 2016 to expand job sharing as an additional, promising part-time model. The key to success here is finding the right partner for this working model – including with personnel responsibility. To make this easier, Beiersdorf AG acted as a pioneer among the DAX 30 companies and introduced the “two:share” platform. Here, employees can register (anonymously if they prefer) and search for a suitable job sharing partner.

Existing models such as flexible working hours, individual control over working time, and long-term working hour accounts provide the flexibility needed for staff to meet the demands of both family life and their career. A home office policy enabling employees to work from almost any location also contributes to this.

At Beiersdorf’s site in Hamburg/Eimsbüttel, a company kindergarten that has been open for more than 75 years looks after up to 100 children from nine weeks’ old until they start school. We have also set up parent-child offices, where parents temporarily unable to find childcare can work. The three-week summer vacation program for our employees’ children was so well received in previous years that it was offered once again in 2017 together with the AWO foundation.

Measures to Achieve Equal Pay for Women and Men

Equal pay at Beiersdorf AG is ensured through collective agreements as well as internal processes to evaluate positions not subject to collective pay agreements.

Beiersdorf AG is bound by the collective agreements agreed between BAVC (representing employers) and IGBCE (representing employees). This stipulates a pay structure comprising 13 pay groups. The principle of the Germany-wide collective agreement is that employees should be grouped solely according to the job they do (§ 3 *Bundesentgelttarifvertrag*). Gender or factors such as job title or qualifications not required for the current job do not influence pay.

Outside collective agreements, equal pay is ensured through, among other things, the employer/works council agreement on salary management for employees not covered by collective agreements. The process for evaluating functions not covered by collective agreements involves assigning all positions in the company to defined salary bands with the input of the employee representatives. The bands reflect the market practice of the company’s peer group. The assignment of functions/positions to the salary bands depends solely on objective factors such as relevance to the organization as a whole, qualifications required, and complexity of the topics for which the function holder is responsible. The positions are evaluated without reference to the position holder, their gender, or individual performance. The evaluation results are also compared across divisions.

If the annual pay agreements for employees not covered by collective agreements overlap with parental leave or other periods of service for which no compensation is paid, the relevant employer/works council agreement ensures that the employees participate after their return in the budgets for pay agreements that have already expired.

Disclosures in Accordance With § 21 (2) no. 1 and no. 2 *EntgTranspG*

The average numbers of employees at Beiersdorf AG for the year 2016 are as follows**:

	Women	Men
Average total number of employees	**1,545**	**930**
of which full-time	1,062	901
of which part-time	483	29

* This section of the Combined Management Report is not subject to audit requirements.
** As defined in the Pay Transparency Act: Numbers of employees (individuals) expressed as an annual average. These numbers are presented differently than the other measurement units used for employees in the Annual Report.

3

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Income Statement

(IN € MILLION)

	Note	2016	2017
Sales	**01**	**6,752**	**7,056**
Cost of goods sold	02	–2,774	–2,910
Gross profit		**3,978**	**4,146**
Marketing and selling expenses	03	–2,407	–2,471
Research and development expenses		–188	–196
General and administrative expenses	04	–364	–395
Other operating income	05	174	178
Other operating expenses	06	–178	–174
Operating result (EBIT)		**1,015**	**1,088**
Interest income	07	30	35
Interest expense	07	–4	–8
Net pension result	07	–13	–12
Other financial result	07	12	–81
Financial result	**07**	**25**	**–66**
Profit before tax		**1,040**	**1,022**
Income taxes	08	–313	–333
Profit after tax		**727**	**689**
Of which attributable to			
– Equity holders of Beiersdorf AG		709	672
– Non-controlling interests		18	17
Basic/diluted earnings per share (in €)	**09**	**3.13**	**2.96**

Statement of Comprehensive Income

(IN € MILLION)*

	2016	2017
Profit after tax	**727**	**689**
Other comprehensive income that will be reclassified susequently to profit or loss	**7**	**–107**
Remeasurement of cash flow hedges	*–16*	*16*
Remeasurement of available-for-sale financial assets	*–16*	*7*
Exchange differences	39	–130
Other comprehensive income that will not be reclassified subsequently to profit or loss*	**–89**	**40**
Remeasurement of defined benefit pension plans	–89	40
Other comprehensive income	**–82**	**–67**
Total comprehensive income	**645**	**622**
Of which attributable to		
– Equity holders of Beiersdorf AG	627	607
– Non-controlling interests	18	15

* net of tax

Balance Sheet

(IN € MILLION)

Assets	Note	Dec. 31, 2016	Dec. 31, 2017
Intangible assets	10	119	140
Property, plant, and equipment	11	1,046	1,026
Non-current securities	14	1,891	2,532
Other non-current assets		29	23
Deferred tax assets	08	212	205
Non-current assets		**3,297**	**3,926**
Inventories	12	739	854
Trade receivables	13	1,293	1,326
Other current financial assets		143	151
Income tax receivables		108	108
Other current assets		163	169
Current securities	14	958	770
Cash and cash equivalents	15	872	901
Current assets		**4,276**	**4,279**
		7,573	**8,205**

Equity and liabilities	Note	Dec. 31, 2016	Dec. 31, 2017
Share capital	17	252	252
Additional paid-in capital	20	47	47
Retained earnings	21	4,416	4,969
Accumulated other comprehensive income	22	–59	–164
Equity attributable to equity holders of Beiersdorf AG		**4,656**	**5,104**
Non-controlling interests		21	21
Equity		**4,677**	**5,125**
Provisions for pensions and other post-employment benefits	24	706	659
Other non-current provisions	25	96	121
Non-current financial liabilities		1	4
Other non-current liabilities		2	2
Deferred tax liabilities	08	55	74
Non-current liabilities		**860**	**860**
Other current provisions	25	440	427
Income tax liabilities		146	162
Trade payables	26	1,244	1,420
Other current financial liabilities	26	108	109
Other current liabilities	26	98	102
Current liabilities		**2,036**	**2,220**
		7,573	**8,205**

Cash Flow Statement

(IN € MILLION)

	2016	**2017**
Profit after tax	**727**	**689**
Reconciliation of profit after tax to net cash flow from operating activities		
Income taxes	313	333
Financial result	–25	66
Income taxes paid	–310	–320
Depreciation and amortization	148	150
Change in non-current provisions (excluding interest components and changes recognized in OCI)	4	22
Gain/loss on disposal of property, plant, and equipment, and intangible assets	2	–10
Gross cash flow	**859**	**930**
Change in inventories	33	–115
Change in receivables and other assets	–48	–70
Change in liabilities and current provisions	98	166
Net cash flow from operating activities	**942**	**911**
Investments in property, plant, and equipment, and intangible assets	–162	–195
Proceeds from the sale of property, plant, and equipment, and intangible assets	8	30
Payments to acquire securities	–1,380	–1,442
Proceeds from the sale/final maturity of securities	705	935
Interest received	35	24
Proceeds from dividends and other financing activities	30	15
Net cash flow from investing activities	**–764**	**–633**
Free cash flow	**178**	**278**
Proceeds from loans	33	48
Loan repayments	–58	–47
Interest paid	–3	–7
Other financing expenses paid	–34	–22
Cash dividends paid (Beiersdorf AG)	–159	–159
Cash dividends paid (non-controlling interests)	–12	–15
Net cash flow from financing activities	**–233**	**–202**
Effect of exchange rate fluctuations and other changes on cash held	9	–47
Net change in cash and cash equivalents	–46	29
Cash and cash equivalents as of Jan. 1	**918**	**872**
Cash and cash equivalents as of Dec. 31	**872**	**901**

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, 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/Jan. 1, 2017	**252**	**47**	**4,416**	**–41**	**–16**	**–2**	**4,656**	**21**	**4,677**
Total comprehensive income for the period	–	–	712	–128	16	7	607	15	622
Dividend of Beiersdorf AG for previous year	–	–	–159	–	–	–	–159	–	–159
Change in non-controlling interests (dividend / other)	–	–	–	–	–	–	–	–15	–15
Dec. 31, 2017	**252**	**47**	**4,969**	**–169**	**–**	**5**	**5,104**	**21**	**5,125**

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

Notes to the Consolidated Financial Statements

Segment Reporting

(IN € MILLION)

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**
Research and development expenses		**136**	**52**	**188**
Employees	(as of Dec. 31)	**13,776**	**4,158**	**17,934**

2017		Consumer	tesa	Group
Net sales		**5,799**	**1,257**	**7,056**
Change (nominal)	(in %)	3.4	9.8	4.5
Change (organic)	(in %)	4.7	10.6	5.7
Share of Group sales	(in %)	**82.2**	**17.8**	**100.0**
EBITDA		**990**	**248**	**1,238**
Operating result (EBIT)		**881**	**207**	**1,088**
as % of sales		15.2	16.5	15.4
Operating result (EBIT, excluding special factors)*		**881**	**207**	**1,088**
as % of sales		15.2	16.5	15.4
Gross operating capital*		**2,625**	**913**	**3,538**
Operating liabilities*		**1,833**	**251**	**2,084**
EBIT return on net operating capital*	(in %)	111.3	31.4	74.9
Gross cash flow		**739**	**191**	**930**
Capital expenditure**		**129**	**66**	**195**
Depreciation and amortization		**109**	**41**	**150**
Research and development expenses		**143**	**53**	**196**
Employees	(as of Dec. 31)	**14,477**	**4,457**	**18,934**

* 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)

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**
Employees	(as of Dec. 31)	**10,366**	**2,714**	**4,854**	**17,934**

2017		Europe	Americas	Africa / Asia / Australia	Group
Net sales		**3,568**	**1,307**	**2,181**	**7,056**
Change (nominal)	(in %)	3.1	4.4	6.9	4.5
Change (organic)	(in %)	2.9	5.1	10.8	5.7
Share of Group sales	(in %)	**50.6**	**18.5**	**30.9**	**100.0**
EBITDA		**732**	**162**	**344**	**1,238**
Operating result (EBIT)		**628**	**142**	**318**	**1,088**
as % of sales		17.6	10.9	14.6	15.4
Operating result (EBIT, excluding special factors)*		**628**	**142**	**318**	**1,088**
as % of sales		17.6	10.9	14.6	15.4
Capital expenditure**		**141**	**22**	**32**	**195**
Depreciation and amortization		**104**	**19**	**27**	**150**
Employees	(as of Dec. 31)	**10,965**	**2,909**	**5,060**	**18,934**

* 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 located 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, 2017, were prepared by the Executive Board on February 6, 2018, 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 § 315e (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*). All IFRSs and IFRICs endorsed by the European Commission and required to be applied as of December 31, 2017, 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"). Given the uncertainty that exists when recognizing the legal risks arising from claims for damages in particular (Note 28 "Contingent Liabilities, Other Financial Obligations, and Legal Risks"), significant discretion must be exercised in evaluating whether and to what extent potential damages have arisen and how large the claim could be. In determining the amount of possible damages, there is particular discretion in relation to determining the nature of the factors "overcharge" and "pass-on rate" on which the calculation is based. 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 from 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	
	2016	**2017**	2016	**2017**
Brazilian real (BRL)	3.8212	3.6428	3.4294	3.9731
Swiss franc (CHF)	1.0909	1.1163	1.0735	1.1704
Chinese yuan (CNY)	7.3418	7.6554	7.3181	7.8084
Pound sterling (GBP)	0.8225	0.8758	0.8550	0.8875
Japanese yen (JPY)	120.4275	127.2817	123.3300	135.0150
Russian ruble (RUB)	73.2944	66.1648	64.3205	69.4212
Thai baht (THB)	38.8607	38.3598	37.7208	39.1141
US dollar (USD)	1.1032	1.1369	1.0539	1.1995

Changes in Accounting Policies

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. Furthermore, in 2017 there were no new standards relevant to the Group's business operations to be applied for the first time. The accounting policies thus fully 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, 2017, 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. The adoption of IFRS 9 has no material impact on the classification and measurement of our financial assets in the balance sheet. Based on a review of the business model and cash flow conditions, our "held-to-maturity financial investments" (2017: €2,793 million) and "loans and receivables" (2017: €2,365 million) are largely recognized at amortized cost as in the past. Also, our "available-for-sale financial assets" (2017: €520 million) are primarily recognized at fair value through other comprehensive income. In cases where cash flow conditions are not met (e.g. units in money market funds), the instruments are recognized at fair value through profit and loss. The decision to recognize fluctuations in the value of equity instruments through profit or loss or through other comprehensive income is made on a case by case basis for the individual securities. This does not result in a significant shift in retained earnings and other comprehensive income in equity. Due to our low-risk and short-term investment structure and the low risk related to trade receivables, the new calculation for impairment does not have a material impact on assets or equity. The adoption of the new hedge accounting requirements will not have a material impact on the consolidated financial statements either.

- 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 of time) and amount at which revenue must be recognized. The standard also introduces new, extensive disclosures in the notes. We have analyzed our contracts with customers with regard to potential expected changes, in particular relating to returns, customer loyalty programs (coupon campaigns, options to purchase additional goods) and the point in time at which control is transferred. In doing so, we have considered the unique aspects of different distribution channels – the mass market, pharmacies, business online and with distributors. Our review concluded that the first-time application of IFRS 15 will not have any material impact on the consolidated financial statements. The first-time application will be carried out using the full retrospective method.

- IFRS 16 "Leases" (on/after January 1, 2019)
  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. Our analysis has shown that the first-time application of IFRS 16 can be expected to lead to a slight balance sheet extension (increase in fixed assets and financial liabilities) as well as a minor change in EBIT (slight improvement in EBIT at the expense of the financial result), one

of our key performance indicators. The first-time application of IFRS 16 will be carried out using the modified retrospective method. Beiersdorf will exercise the option not to recognize low-value and short-term leases, but will continue to recognize them under operating expenses. 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 insofar as the interest effect is material.

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 €1,437 million in 2017 (previous year: €1,381 million) and reported non-current assets (not including financial instruments, deferred taxes, and plan assets) of €791 million (previous year: €761 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 Combined Management Report entitled "Results of Operations".

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 €1,454 million (previous year: €1,477 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, 2016	**Dec. 31, 2017**
Intangible assets	119	140
Property, plant, and equipment	1,046	1,026
Inventories	739	854
Trade receivables	1,293	1,326
Other receivables and other assets (not including tax receivables)	175	192
Gross operating capital	**3,372**	**3,538**
Gross non-operating assets	4,201	4,667
Total balance sheet assets	**7,573**	**8,205**

Equity and liabilities	Dec. 31, 2016	**Dec. 31, 2017**
Other provisions (not including tax provisions)	536	549
Trade payables	1,244	1,420
Other liabilities (not including tax liabilities)	115	115
Operating liabilities	**1,895**	**2,084**
Equity	4,677	5,125
Non-operating liabilities	1,001	996
Total balance sheet equity and liabilities	**7,573**	**8,205**

Consolidated Group, Acquisitions, and Divestments

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 19 (previous year: 18) German and 147 (previous year: 146) international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly.

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 2017:

- 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 €7,056 million in fiscal year 2017 (previous year: €6,752 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 €2,910 million (previous year: €2,774 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 €2,471 million (previous year: €2,407 million). The item includes expenditure on advertising, retail (point of sale) marketing, and similar items amounting to €1,522 million (previous year: €1,496 million).

04 General and Administrative Expenses

General and administrative expenses amounted to €395 million in the past fiscal year (previous year: €364 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)

	2016	**2017**
Gains on disposals of plant and equipment, and other assets	3	20
Income from the reversal of provisions	57	46
Miscellaneous other income	114	112
	174	**178**

Gains on disposals of plant and equipment, and other assets in the previous year were primarily attributable to the sale of a plot of land (€18 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 the reversal of no longer required accruals and valuation allowances on receivables, as well as other out-of-period income.

06 Other Operating Expenses

(IN € MILLION)

	2016	**2017**
Restructuring expenses	27	14
Exchange losses on operating activities	7	5
Losses on disposal of non-current assets	3	9
Miscellaneous other expenses	141	146
	178	**174**

Restructuring expenses were largely attributable to ongoing restructurings. Exchange losses on operating activities include an effect of €10 million (previous year: €0) 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)

	2016	**2017**
Interest income	30	35
Interest expense	–4	–8
Net pension result	–13	–12
Other financial result	12	–81
	25	**–66**

Interest income primarily results from the “cash and cash equivalents”, “current securities”, and “non-current securities” positions. The net income from held-to-maturity financial assets contained in this item amounted to €20 million (previous year: €15 million). The change in interest expense was largely due to interest expenditure relating to tax reassessments. The net pension result contains expenses from unwinding the discount on the net pension obligation incurred in previous years. The year-on-year change in the other financial result is mainly attributable to impairment losses due to a significant decline in the fair value of available-for-sale financial assets as well as negative effects from movements in exchange rates. In the previous year, income from the sale of securities had a positive impact on the result.

08 Income Taxes

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

(IN € MILLION)

	2016	**2017**
Current income taxes		
Germany	105	112
International	212	229
	317	**341**
Deferred taxes	**–4**	**–8**
	313	**333**

RECONCILIATION TO EFFECTIVE TAX EXPENSE

Given an effective tax rate of 32.6% (previous year: 30.1%), the effective tax expense is €71 million (previous year: €34 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 25.6% (previous year: 26.8%).

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

EFFECTIVE TAX EXPENSE (IN € MILLION)

	2016	2017
Expected tax expense given a tax rate of 25.6% (previous year: 26.8%)	279	262
Prior-year taxes	5	18
Tax deductions due to tax-free income	–7	–3
Tax increases due to other non-deductible expenses	23	41
Tax decreases due to the utilization/recognition of previously unrecognized tax loss carryforwards	–4	–8
Tax increases due to non-recognition of tax loss carryforwards	8	5
Other tax effects	9	18
Effective tax expense	**313**	**333**

No deferred tax assets have been recognized for tax loss carryforwards and unused tax credits of €161 million (previous year: €177 million), whose expiration dates are given below.

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

	Dec. 31, 2016	Dec. 31, 2017
Expiration date within		
1 year	16	9
2 years	9	42
3 years	46	4
more than 3 years	75	75
Unlimited carryforward period	31	31
	177	**161**

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, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	10	13	39	49
Inventories	21	17	–	–
Receivables and other current assets	11	11	19	21
Provisions for pensions and other post-employment benefits	75	68	1	13
Other provisions	49	48	34	43
Liabilities	70	85	1	1
Retained earnings	–	–	13	12
Loss carryforwards	28	28	–	–
	264	**270**	**107**	**139**
Offset deferred taxes	–52	–65	–52	–65
Deferred taxes recognized in the balance sheet	**212**	**205**	**55**	**74**

Total net deferred tax assets amounted to €131 million for the year under review (previous year: €157 million). Of the year-on-year decrease of €26 million (previous year: increase of €54 million), €26 million was recognized directly in other comprehensive income, reducing equity (previous year: increase in equity of €48 million). €8 million (previous year: €4 million) was recognized in profit or loss. Currency effects reduced this item by €8 million (previous year: increased by €2 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 €12 million (previous year: €13 million) were recognized for this in the reporting period.

09 Basic/Diluted Earnings per Share

Earnings per share for 2017 amounted to €2.96 (previous year: €3.13). 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, 2016	**395**	**151**	**81**	**627**
Currency translation adjustment	1	–	–3	–2
Additions	9	–	–	9
Disposals	–10	–	–	–10
Transfers	2	–	–	2
Dec. 31, 2016/Jan. 1, 2017	**397**	**151**	**78**	**626**
Currency translation adjustment	–1	–	–11	–12
Additions	31	–	7	38
Disposals	–37	–	–	–37
Transfers	6	–	–	6
Dec. 31, 2017	**396**	**151**	**74**	**621**

AMORTIZATION/IMPAIRMENT LOSSES (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Jan. 1, 2016	**362**	**130**	**16**	**508**
Currency translation adjustment	–2	–	–1	–3
Additions	12	–	–	12
Disposals	–10	–	–	–10
Transfers	–	–	–	–
Dec. 31, 2016/Jan. 1, 2017	**362**	**130**	**15**	**507**
Currency translation adjustment	–1	–	–5	–6
Additions	17	–	–	17
Disposals	–37	–	–	–37
Transfers	–	–	–	–
Dec. 31, 2017	**341**	**130**	**10**	**481**

CARRYING AMOUNTS (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Dec. 31, 2016	**35**	**21**	**63**	**119**
Dec. 31, 2017	**55**	**21**	**64**	**140**

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 8.3% (previous year: 8.0%), 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 total carrying amount of goodwill was €64 million (previous year: €63 million). This item largely comprises the goodwill of €50 million (previous year: €54 million) attributable to Beiersdorf AG (Switzerland).

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

For Beiersdorf AG (Switzerland), the recoverable amount of the cash-generating unit was determined using cash flow projections based on the calculation of the value in use. The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of three years. Cash flows outside the planning period are extrapolated using an individual growth rate, taking relevant market information into account. The growth rate outside the planning horizon (growth discount) was 1.0% (previous year: 1.0%). The weighted average discount rate before tax used to discount the estimated cash flows was 6.6% (previous year: 6.9%).

Planning 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 did not reveal any evidence of impairment. In the case of the cash-generating unit, 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, 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/Jan. 1, 2017	**808**	**923**	**621**	**127**	**2,479**
Currency translation adjustment	–14	–12	–8	–3	–37
Additions	12	24	47	74	157
Disposals	–13	–56	–40	–11	–120
Transfers	13	44	9	–72	–6
Dec. 31, 2017	**806**	**923**	**629**	**115**	**2,473**

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, 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/Jan. 1, 2017	**369**	**625**	**439**	**–**	**1,433**
Currency translation adjustment	–6	–6	–6	–	–18
Additions	22	53	58	–	133
Disposals	–12	–52	–37	–	–101
Transfers	–	–1	1	–	–
Dec. 31, 2017	**373**	**619**	**455**	**–**	**1,447**

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, 2016	**439**	**298**	**182**	**127**	**1,046**
Dec. 31, 2017	**433**	**304**	**174**	**115**	**1,026**

The carrying amounts of property, plant, and equipment amounted to €1,026 million (previous year: €1,046 million). Investments in property, plant, and equipment totaled €157 million (previous year: €153 million). They primarily related to the plants of the two business segments, Consumer and tesa, as well as IT projects. Depreciation and impairment losses amounted to €133 million (previous year: €136 million).

12 Inventories

(IN € MILLION)

	Dec. 31, 2016	Dec. 31, 2017
Raw materials, consumables, and supplies	165	179
Work in progress	53	55
Finished goods and merchandise	517	616
Advance payments	4	4
	739	**854**

Inventories increased by €115 million compared with the previous year to €854 million, €172 million of which (previous year: €136 million) was carried at net realizable value. Write-downs of inventories amounted to €60 million as of the reporting date (previous year: €60 million).

13 Trade Receivables

(IN € MILLION)

	Dec. 31, 2016	Dec. 31, 2017
Carrying amount	**1,293**	**1,326**
Of which neither individually impaired nor past due	1,207	1,233
Of which past due but not individually impaired	82	92
1 to 30 days	67	84
31 to 60 days	3	–
more than 60 days	12	8

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)

	2016	2017
Jan. 1	**15**	**18**
Currency translation adjustment	–	–1
Additions	7	6
Utilized	–2	–2
Reversals	–2	–7
Dec. 31	**18**	**14**

14 Securities

In total, the Beiersdorf Group holds €3,302 million (previous year: €2,849 million) in listed government and corporate bonds, commercial paper, near-money market retail funds, equities, and equity funds. Securities with a carrying amount of €770 million (previous year: €958 million) are expected to be realized within twelve months after the reporting date; securities with a carrying amount of €2,532 million (previous year: €1,891 million) are expected to be realized more than twelve months after the reporting date. At the balance sheet date, bonds lent to banks in short-term securities lending transactions amounted to €157 million (previous year: €148 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, 2016	Dec. 31, 2017
Cash	861	861
Cash equivalents	11	40
	872	**901**

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, 2017, the equity ratio was 62% (previous year: 62%), while the EBIT return on net operating capital was 75% (previous year: 69%). The total dividends distributed in fiscal year 2017 amounted to €174 million (previous year: €171 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 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 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 €0 million (previous year: €–16 million), and changes in the fair value of available-for-sale financial instruments in the amount of €5 million (previous year: €–2 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 April 20, 2017, a dividend of €0.70 per no-par value share bearing dividend rights was distributed in 2017 from the net retained profits for fiscal year 2016.

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)

	2016			**2017**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Current service cost	30	7	37	35	9	44
Past service cost	–	–	–	–	–	–
Defined benefit expense (EBIT)	**30**	**7**	**37**	**35**	**9**	**44**
Net interest result attributable to defined benefit plans (pension expense (+)/pension income (–))	**12**	**1**	**13**	**11**	**1**	**12**
Total expenses for defined benefit plans	**42**	**8**	**50**	**46**	**10**	**56**
Defined contribution expense (EBIT)	35	23	58	39	20	59
Total pension expense	**77**	**31**	**108**	**85**	**30**	**115**

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 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, 2016			**Dec. 31, 2017**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Present value of defined benefit obligations	1,389	217	1,606	1,384	207	1,591
Fair value of plan assets	–718	–192	–910	–752	–193	–945
Net obligation	**671**	**25**	**696**	**632**	**14**	**646**
Amounts not recognized due to asset ceiling	–	1	1	–	–	–
Other recognized amounts	–	9	9	–	13	13
Provisions for pensions and other post-employment benefits	**671**	**35**	**706**	**632**	**27**	**659**

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 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 %)

	2016		**2017**	
	Germany	Other countries	**Germany**	**Other countries**
Discount rates	1.75	2.18	1.85	2.03
Projected wage and salary growth	3.49	2.80	3.49	2.68
Projected pension growth	1.75	2.17	1.75	2.03
Projected staff turnover	2.13	8.12	2.14	7.83

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)

	2016			**2017**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Jan. 1	**1,256**	**195**	**1,451**	**1,389**	**217**	**1,606**
Current service cost	30	7	37	35	9	44
Net interest expense	28	5	33	24	4	28
Actuarial gains (–) and losses (+)	113	26	139	–29	–	–29
Of which experience adjustments	–3	1	–2	–5	2	–3
Of which due to changes in financial assumptions	115	26	141	–24	–1	–25
Of which due to changes in demographic assumptions	1	–1	–	–	–1	–1
Contributions by plan participants	6	2	8	7	2	9
Pension benefits paid	–43	–7	–50	–42	–10	–52
Currency translation adjustment	–	–9	–9	–	–15	–15
Settlement and other changes	–1	–2	–3	–	–	–
Dec. 31	**1,389**	**217**	**1,606**	**1,384**	**207**	**1,591**

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, 2016			Dec. 31, 2017		
	Germany	Other countries	Group	Germany	Other countries	Group
Partly or wholly funded defined benefit obligations	1,381	202	1,583	1,377	191	1,568
Unfunded defined benefit obligations	8	15	23	7	16	23
Present value of defined benefit obligations	**1,389**	**217**	**1,606**	**1,384**	**207**	**1,591**

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

FAIR VALUE OF PLAN ASSETS (IN € MILLION)

	2016			2017		
	Germany	Other countries	Group	Germany	Other countries	Group
Jan. 1	**710**	**179**	**889**	**718**	**192**	**910**
Return on plan assets	16	4	20	13	3	16
Actuarial gains (+) and losses (–)	–12	17	5	16	10	26
Actual return on plan assets	**4**	**21**	**25**	**29**	**13**	**42**
Employer contributions	7	6	13	7	8	15
Contributions by plan participants	5	2	7	6	2	8
Pension benefits paid	–8	–6	–14	–8	–9	–17
Currency translation adjustment	–	–9	–9	–	–13	–13
Settlement and other changes	–	–1	–1	–	–	–
Dec. 31	**718**	**192**	**910**	**752**	**193**	**945**

In fiscal year 2018, employer contributions to plan assets are expected to amount to €20 million. The breakdown of the plan assets as of the reporting date was as follows:

COMPOSITION OF PLAN ASSETS (IN € MILLION)

	Dec. 31, 2016			Dec. 31, 2017		
	Germany	Other countries	Group	Germany	Other countries	Group
Equity instruments	136	72	208	177	74	251
Debt instruments	350	77	427	325	72	397
Real estate	171	20	191	177	22	199
Cash and cash equivalents	49	8	57	34	12	46
Other	12	15	27	39	13	52
Total plan assets	**718**	**192**	**910**	**752**	**193**	**945**

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, 87% are attributable to the mature markets and 13% to the growth 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 66% are attributable to corporate bonds and 34% 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, 2016			**Dec. 31, 2017**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Duration of the present value of the pension obligations (in years)	**18**	**18**	**18**	**18**	**17**	**18**
Maturity analysis of the expected pension payments (in € million)						
Up to 1 year	43	5	48	44	6	50
More than 1 and up to 2 years	44	6	50	46	5	51
More than 2 and up to 5 years	141	18	159	143	18	161
More than 5 and up to 10 years	256	40	296	262	38	300

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, 2016			**Dec. 31, 2017**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Discount rate						
+0.50 %	–115	–16	–131	–113	–14	–127
–0.50 %	133	18	151	130	17	147
Projected wage and salary growth						
+0.25 %	6	2	8	6	1	7
–0.25 %	–6	–2	–8	–6	–1	–7
Projected pension growth						
+0.25 %	34	5	39	32	5	37
–0.25 %	–32	–4	–36	–31	–3	–34
Projected staff turnover						
+0.25 %	–	–	–	–	–	–
–0.25 %	–	–	–	–	–	–
Life expectancy						
Increase of one year	58	5	63	57	4	61
Decrease of one year	–55	–5	–60	–57	–4	–61

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	Marketing and selling	Legal and similar risks	Miscellaneous	Total
Jan. 1, 2017	**236**	**69**	**118**	**113**	**536**
Of which non-current	*60*	*–*	*28*	*8*	*96*
Currency	–6	–5	–5	–6	–22
Additions	175	36	33	66	310
Utilized	132	42	12	44	230
Reversals	11	7	13	15	46
Dec. 31, 2017	**262**	**51**	**121**	**114**	**548**
Of which non-current	*70*	*–*	*40*	*11*	*121*

Provisions are recognized if an obligation toward a third-party exists, the outflow of resources is probable, and the likely amount of the obligation can be estimated reliably. The calculation of provisions is determined based on the best possible estimation of the parameters. Long-term provisions are discounted using a discount rate dependent on when they are expected to be settled, provided the interest effect is material.

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 and other marketing or customer-related obligations. Provisions for legal disputes and similar risks include provisions for patent risks amounting to €24 million (previous year: €27 million) and for risks relating to other legal disputes (mainly with tax and customs authorities) of €97 million (previous year: €91 million). The miscellaneous provisions relate to a wide variety of matters and companies.

26 Liabilities

The following table gives a breakdown of current liabilities:

CURRENT LIABILITIES (IN € MILLION)

	Dec. 31, 2016	Dec. 31, 2017
Trade payables (OFL)	**1,244**	**1,420**
Other current financial liabilities	**108**	**109**
Other financial liabilities (OFL)	58	61
Negative fair value of derivatives (DFI)	50	48
Other current liabilities	**98**	**102**
Other tax liabilities	81	87
Social security liabilities	10	11
Other miscellaneous liabilities	7	4
	1,450	**1,631**

Other financial liabilities primarily comprise short-term bank loans amounting to €14 million (previous year: €13 million) and other financial obligations in the amount of €47 million (previous year: €45 million). The changes are attributable almost exclusively to cash proceeds from and repayments of short-term loans in the cash flow statement. As the current liabilities have remaining contractual maturities of less than twelve 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			
2016	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)	*2,300*	*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)	–	–	–	–	–
2017					
Assets					
Loans and receivables (LaR)	*2,365*	*2,365*	–	–	*2,365*
Non-current financial assets	11	11	–	–	11
Trade receivables	1,326	1,326	–	–	1,326
Other current financial assets	127	127	–	–	127
Cash and cash equivalents	901	901	–	–	901
Available-for-sale financial assets (AfS)	*520*	*11*	*458*	*51*	*520*
Non-current financial assets	11	11	–	–	11
Securities	509	–	458	51	509
Held-to-maturity financial investments (HtM)	*2,793*	*2,793*	–	–	*2,837*
Securities	2,793	2,793	–	–	2,837
Derivative financial instruments used for hedges (DFI)	*24*	–	*16*	*8*	*24*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–	–
Liabilities					
Other financial liabilities (OFL)	*1,485*	*1,485*	–	–	*1,485*
Non-current financial liabilities	4	4	–	–	4
Trade payables	1,420	1,420	–	–	1,420
Other current financial liabilities	61	61	–	–	61
Derivative financial instruments used for hedges (DFI)	*48*	–	*16*	*32*	*48*
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, 2016	Level 1	Level 2	Level 3	**Total**
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)	–	–	–	–
Dec. 31, 2017				
Assets				
Available-for-sale financial assets (AfS)	*509*	–	–	*509*
Securities	509	–	–	509
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)	–	*48*	–	*48*
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 twelve 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 €-24 million (previous year: €-26 million), and their notional value was €1,741 million (previous year: €1,922 million). €1,741 million (previous year: €1,902 million) of the forward contracts have a remaining maturity of up to one year, and €0 million (previous year: €20 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, 2017, the fair values of the currency forwards recognized directly within the hedging reserves in equity would have increased by €55 million (previous year: €60 million) and the fair values of the currency forwards recognized in profit or loss would have decreased by €0 million (previous year: €0 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 €68 million (previous year: €74 million) and the fair values of the currency forwards recognized in profit or loss would have increased by €0 million (previous year: €0 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 €8 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 €5,702 million as of December 31, 2017 (previous year: €5,185 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, 2016	Dec. 31, 2017
Contingent liabilities		
Liabilities under guarantees	154	141
Other financial obligations		
Obligations under rental and lease agreements:	141	141
Due within the next year	46	55
Due in 1 to 5 years	90	84
Due after more than 5 years	5	2
Obligations under purchase commitments:	286	349
Due within the next year	126	236
Due in 1 to 5 years	160	113

OTHER FINANCIAL OBLIGATIONS

The aggregate nominal amount of the other financial obligations was €490 million (previous year: €427 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 €80 million in fiscal year 2017 (previous year: €77 million).

LEGAL RISKS

In 2016, Beiersdorf AG was served with a claim for damages from the liquidator of Anton Schlecker e. K. with reference to German antitrust proceedings already concluded. This claim was also directed against six other companies. The claim, which involves joint and several liability of all defendants, totals approximately €200 million plus interest. Further damages suits remain in connection with these antitrust proceedings and claims have been asserted out of court. Beiersdorf contests these claims.

The state of São Paulo is demanding retroactive tax payments of €124 million (previous year: €134 million) from our Consumer Business Segment's Brazilian affiliates for the years 2005 to 2009. The amount is lower than the prior-year figure due to exchange rate effects. 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 2013 to 2017. Potential claims for back taxes for the years 2010 and 2012 are now time-barred. In addition, we were confronted with further claims of a similar magnitude from the Brazilian tax authorities at the end of the fiscal year. We have evaluated their possible impact. The Brazilian courts are not expected to reach a definitive decision in any of these cases for several years.

Some of our affiliates are currently undergoing tax and customs audits. In addition to the provisions already recognized for this purpose, this may lead to expenses in the future.

Assessments of the course and results of legal disputes and tax and customs audits are associated with considerable difficulty and uncertainty. Provided the criteria were met, provisions were recognized for these matters. Based on the currently available information as of the balance sheet date, we do not expect these disputes to result in significant charges for the Group.

29 Employees and Personnel Expenses

The breakdown of employees by function is as follows:

EMPLOYEES (AS OF DEC. 31)

	2016	2017
Production, supply chain and quality management	6,650	7,198
Marketing and sales	6,629	6,997
Research and development	1,153	1,290
Other functions	3,502	3,449
	17,934	**18,934**

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2016	2017
Production, supply chain and quality management	6,617	7,017
Marketing and sales	6,597	6,884
Research and development	1,147	1,243
Other functions	3,485	3,451
	17,846	**18,595**

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting. Personnel expenses amounted to €1,266 million (previous year: €1,184 million).

30 Auditor's Fees

The Annual General Meeting on April 20, 2017, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2017.

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

FEES PAID TO THE GROUP AUDITORS (IN € THOUSAND)

	2016	2017
Audit services	1,533	1,077
Other assurance services	25	67
Tax advisory services	109	178
Other services	44	36
	1,711	**1,358**

31 Declaration of Compliance with the German Corporate Governance Code

In December 2017, 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 2017 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 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, the key management personnel are the members of Executive and Supervisory Boards.

For fiscal year 2017, the members of the Supervisory Board received remuneration totaling €1,414 thousand (previous year: €1,431 thousand) and the members of the Executive Board received remuneration totaling €17,811 thousand (previous year: €17,797 thousand). €8,057 thousand (previous year: €9,385 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 €9,754 thousand (previous year: €8,412 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. The remuneration report forms part of the consolidated financial statements and the Combined Management Report. Payments to former members of the Executive Board and their surviving dependents totaled €2,412 thousand (previous year: €2,500 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €39,047 thousand (previous year: €43,568 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.

33 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 2017, 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.

34 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, 2018).* 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 (now renamed 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).

* 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* (Federal Financial Supervisory Authority, *BaFin*) 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 renamed 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 renamed E. H. Real Vermögensverwaltungs 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
Mr. Michael Herz	Germany	SPM Beteiligungs- und Verwaltungs GmbH, Trivium Vermögensverwaltungs GmbH, Tchibo Holding AG, Tchibo Beteiligungsgesellschaft mbH, Vanguard Grundbesitz GmbH, Beiersdorf Aktiengesellschaft
Mr. 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 (named Tchibo Holding AG until September 12, 2007)	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 fiscal year 2015.

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

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 (now renamed maxingvest ag) in accordance with § 21 (1) *WpHG* (former version) disclosed that Tchibo Beteiligungsgesellschaft mbH (now renamed 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 April 16, 2009. 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.

Report on Post-Balance Sheet Date Events

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

Beiersdorf AG Boards

SUPERVISORY BOARD

Name	Profession	Memberships
Dr. Andreas Albrod (until April 20, 2017)	Senior Manager Regulatory Affairs Pharmaceutical, Beiersdorf AG	
Hong Chow (since April 20, 2017)	General Manager, Roche Pharmaceuticals, Shanghai (China)	
Beatrice Dreyfus (until April 20, 2017)	Management Consultant/Investment Manager, Novum Capital Management GmbH & Co. KG	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)
Reiner Hansert (since April 20, 2017)	Director Legal Affairs Europe and Near East, and Director Corporate Brand Protection, Beiersdorf AG	
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	Quality Assurance employee, 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	Research Associate, Foundation of Labour and Environment of Industriegewerkschaft Bergbau, Chemie, Energie	Member of the Supervisory Board: – maxingvest ag Member of the Advisory Board: – Qualifizierungsförderwerk Chemie GmbH
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: – Wanzl GmbH & Co. Holding KG
Prof. Manuela Rousseau*	Head of Corporate Social Responsibility Headquarters, Beiersdorf AG Professor at the Academy of Music and Theater, Hamburg	Member of the Supervisory Board: – maxingvest ag
Poul Weihrauch	Member of the Executive Management Team, Mars Inc., United States, 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** (until April 20, 2017) – **Reiner Hansert** (since April 20, 2017) – **Tomas Nieber** – **Frédéric Pflanz** – **Prof. Dr. Reinhard Pöllath**	– **Frédéric Pflanz** (Chairman) – **Dr. Andreas Albrod** (until April 20, 2017) – **Reiner Hansert** (since April 20, 2017) – **Dr. Dr. Christine Martel** – **Tomas Nieber** – **Prof. Dr. Reinhard Pöllath**	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Hong Chow** (since April 20, 2017) – **Beatrice Dreyfus** (until April 20, 2017) – **Dr. Dr. Christine Martel** – **Frédéric Pflanz**	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Dr. Andreas Albrod** (until April 20, 2017) – **Reiner Hansert** (since April 20, 2017) – **Thorsten Irtz** – **Frédéric Pflanz**

EXECUTIVE BOARD*

Name	Function/responsibilities		Memberships
Stefan F. Heidenreich	Chairman	Corporate Development/Internal Audit/ Supply Chain (Purchasing/Production/Logistics) Germany/Switzerland, Japan	
Jesper Andersen	Finance & Quality	Finance/Controlling/Legal/Compliance/IT Quality Assurance	
Stefan De Loecker	Americas & Near East	North and Latin America Africa, Middle East, India, Turkey, Russia	
Ralph Gusko	Consumer Brands & Asia Pacific	Brand Management Consumer/ Research and Development/Digital Northeast and Southeast Asia (excluding Japan and India), 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 Communications/ Sustainability/General Services & Real Estate – Labor Relations Director –	
Vincent Warnery (since February 15, 2017)	Pharmacy & Selective	Eucerin/Plaster/La Prairie	

* 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.

Hamburg, February 6, 2018
Beiersdorf AG

The Executive Board

Attestations

Independent Auditor's Report

To Beiersdorf Aktiengesellschaft

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Beiersdorf Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the fiscal year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Beiersdorf Aktiengesellschaft, which is combined with the management report of the Company, for the fiscal year from January 1 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the information contained in the section entitled "Report on Equal Opportunities and Equal Pay in accordance with §§ 21, 22 *Entgelttransparenzgesetz* (Pay Transparency Act, *EntgTranspG*)" in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) *Handelsgesetzbuch* (German Commercial Code, *HGB*) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the fiscal year from January 1 to December 31, 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the information contained in the section entitled "Report on Equal Opportunities and Equal Pay in accordance with §§ 21, 22 *Entgelttransparenzgesetz* (Pay Transparency Act, *EntgTranspG*)".

Pursuant to § 322 (3) sentence 1 *HGB*, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 *HGB* and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (*IDW*). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Recognizing revenue from the sale of goods and products

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

The consolidated financial statements of Beiersdorf AG recognize revenue from the sale of goods and products at the transfer of risk, less discounts, customer bonuses, and rebates, and taking into account returns. Considerations payable to trading partners are also deducted from revenue in those cases in which the consideration is not matched by a distinct product or service supplied and its fair value can be estimated reliably. Given the large number of different contractual arrangements in relation to discounts, customer bonuses, rebates, and the terms and conditions of returns, and the judgment to be exercised in evaluating the expected discounts, customer bonuses and rebates, as well as returns, there is an elevated risk of material misstatement in the recognition of revenue from the sale of goods and products.

AUDITOR'S RESPONSE

As part of our audit, we examined the accounting policies applied in the consolidated financial statements of Beiersdorf AG for the recognition of revenue from the sale of goods and products using the criteria defined in IAS 18. We walked through the process for revenue recognition implemented by the executive directors of Beiersdorf AG and the accruals for expected discounts, customer bonuses, rebates, and expected returns using individual transactions from order receipt to recognition in the consolidated financial statements, and tested the controls implemented in this process. Moreover, we performed an examination on a test basis to determine whether the contractually agreed and awarded discounts, customer bonuses, and rebates, actual returns, as well as payments to trading partners without identifiable consideration were deducted from sales revenue on an accrual basis. We examined the sales revenue in the 2017 fiscal year, checking among other things for correlation with the associated trade receivables to identify irregularities in the development of sales revenue. Furthermore, in respect of the accruals principle, we obtained balance confirmations from customers. Using a comparison of plan and actual figures for the assumptions made in previous years to calculate expected returns of goods and products, and taking into account the contractual agreements made with customers, we analyzed the calculation of still expected returns of goods and products and their deduction from sales revenue.

Our audit procedures did not give rise to any reservations in respect of the recognition of revenue from the sale of goods and products.

REFERENCE TO RELATED DISCLOSURES

For the accounting policies applied in relation to the recognition of revenue from the sale of goods and products and for the associated disclosures on the exercise of judgment, we refer to the information in the notes to the consolidated financial statements, section “Significant Accounting Policies” in the chapter of the same name.

Current and deferred income taxes, import sales taxes and customs duties

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

The Beiersdorf AG Group operates its business activities in different legal jurisdictions, with the associated complexity in relation to the recognition of current and deferred income taxes and the accounting treatment of risks from import sales taxes and customs duties, namely the transfer prices applied, intragroup financing, and changing tax and customs laws. The calculation of provisions for income tax liabilities, the calculation of deferred tax items, and the accounting treatment of risks from import sales taxes and customs duties require the executive directors of Beiersdorf AG to exercise considerable judgment in evaluating tax- and customs-related matters and to estimate tax and customs law risks as well as the recoverability of deferred taxes.

AUDITOR’S RESPONSE

As part of its assessment of tax and customs law risks, the executive directors of Beiersdorf AG regularly engage external tax experts to provide professional statements on individual matters. We involved our tax and customs experts with knowledge of the relevant local legal systems and regulations in the jurisdictions concerned to evaluate the tax- and customs-related assessments made by the executive directors of Beiersdorf AG, taking into account any professional statements from external experts where these had been provided. We also examined the correspondence with the competent tax and customs authorities and the latest status of ongoing appeal proceedings and court cases. We examined the assumptions used to calculate current income tax provisions and deferred taxes and to account for risks from import sales taxes and customs duties, taking particular account of the transfer prices used, on the basis of our knowledge and experience of the current application of the relevant legal provisions by authorities and courts. We examined the assumptions about the recoverability of deferred tax assets by testing the plausibility of the underlying forecasts using the development of the relevant companies’ results over recent years and publicly available information on the expected development of the markets concerned. We also evaluated the information in the notes to the consolidated financial statements of Beiersdorf AG on current and deferred income taxes and risks from import sales taxes and customs duties.

Our audit procedures did not give rise to any reservations in respect of the recognition of current and deferred income taxes or the accounting treatment of risks from import sales taxes and customs duties.

REFERENCE TO RELATED DISCLOSURES

For the accounting policies applied in relation to current and deferred income taxes and the accounting treatment of risks from import sales taxes and customs duties, and for the associated disclosures on the exercise of judgment by the executive directors as well as the sources of estimation uncertainty, we refer to the information in the notes to the consolidated financial statements, section “Significant Accounting Policies” in the chapter of the same name; note 8 in the chapter “Notes to the Income Statement”; and note 28 in the chapter “Other Disclosures”.

Legal disputes in connection with concluded antitrust proceedings

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

In October 2016, Beiersdorf AG was served with a claim for damages from the insolvency administrator of Anton Schlecker e. K. i. I., Ehingen Donau, in connection with German antitrust proceedings already concluded. Claims have been made against six other companies in addition to Beiersdorf AG. The claim by the insolvency administrator of Anton Schlecker e. K. i. I., Ehingen Donau, which involves joint and several liability of all defendants, totals approximately €200 million plus interest. In connection with these already concluded antitrust proceedings, other customers of the Beiersdorf AG Group in Germany and other countries filed claims for damages against the Beiersdorf AG Group or announced claims out of court in fiscal years 2016 and 2017. Given the uncertainty that exists, accounting for the legal risks from the damages claims filed in the consolidated financial statements requires the executive directors of Beiersdorf AG to exercise significant judgment in evaluating whether and to what extent potential damages have arisen and the scale on which claims under joint and several liability may be enforced. In determining the amount of possible damages, there is considerable judgment in relation to the assumptions concerning the amount of the “overcharge” and the level of the “pass-on rate”. The overcharge is the percentage difference between the prices actually observed on the market and the prices that would be expected in the absence of a cartel. The pass-on rate is the percentage of the supplier price increases that was passed on to customers.

AUDITOR’S RESPONSE

In assessing the legal risks, the executive directors of Beiersdorf AG commissioned external lawyers to provide professional statements evaluating the legal basis for the claims filed and the potential joint and several liability, as well as reports from external experts calculating the extent of potential damages. With the support of our legal experts, we examined the existing claims for damages, statements of defense, replies to the statements of defense, and other correspondence to determine whether these had been taken into account in the risk assessment by the executive directors of Beiersdorf AG. Furthermore, we obtained an understanding of the calculation of possible damages, and particularly of the assumptions based on econometric models in relation to the amount of the overcharge and the level of the pass-on rate, by discussing the external expert's methodology with the external expert and evaluating it. We also evaluated the professional qualifications of the external expert. In addition, our audit procedures involved assessing the disclosures in the notes to the consolidated financial statements of Beiersdorf AG on the legal risks arising from the damages claims filed.

Our audit procedures did not give rise to any reservations in respect of the accounting treatment of the legal risks arising from legal disputes in connection with antitrust proceedings already concluded.

REFERENCE TO RELATED DISCLOSURES

For the disclosures concerning legal risks in connection with one concluded case of antitrust proceedings, we refer to the information in the notes to the consolidated financial statements, note 28 in the chapter "Other Disclosures".

OTHER INFORMATION

The Supervisory Board is responsible for its own report and the executive directors are responsible for the remaining other information. Other information comprises the following information obtained on or before the date of this auditor's report:

- in the section entitled "Report on Equal Opportunities and Equal Pay in accordance with §§ 21, 22 *Entgelttransparenzgesetz* (Pay Transparency Act, *EntgTranspG*)" of the group management report,
- in the chapter entitled "Responsibility Statement by the Executive Board" in the annual report for 2017, the responsibility statement in accordance with §§ 297 (2) 4 and 315 (1) 6 *HGB*,
- in the chapter entitled "Corporate Governance Report" in the annual report for 2017,

and in other parts of the annual report for 2017 with the exception of the consolidated financial statements, the group management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) *HGB* and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 *HGB* and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the *Institut der Wirtschaftsprüfer* (*IDW*) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to § 315e (1) *HGB*;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides;

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters discussed with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on April 20, 2017. We were engaged by the Supervisory Board on April 27, 2017. We have been the group auditor of Beiersdorf AG without interruption since fiscal year 2006.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Kristian Ludwig.

Hamburg, February 7, 2018,
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

LUDWIG	**JESCHONNECK**
German Public Auditor	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, which has been combined with the Management Report for Beiersdorf Aktiengesellschaft, 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, 2018

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

VINCENT WARNERY
Member of the
Executive Board

4 ADDITIONAL INFORMATION

Ten-year Overview

(IN € MILLION)
(unless otherwise stated)

		2008[1]	2009[1]	2010[1/2]	2011[1]	2012[1]	2013[1]	2014[1]	2015	2016	2017
Sales		**5,971**	**5,748**	**5,571**	**5,633**	**6,040**	**6,141**	**6,285**	**6,686**	**6,752**	**7,056**
Change against prior year (nominal)	(in %)	8.4	–3.7	7.8	1.1	7.2	1.7	2.3	6.4	1.0	4.5
Consumer		5,125	5,011	4,698	4,696	5,048	5,103	5,209	5,546	5,606	5,799
tesa		846	737	873	937	992	1,038	1,076	1,140	1,146	1,257
Europe[4]		4,090	3,767	3,450	3,414	3,417	3,390	3,421	3,447	3,461	3,568
Americas		832	851	932	993	1,149	1,092	1,116	1,243	1,252	1,307
Africa / Asia / Australia[4]		1,049	1,130	1,189	1,226	1,474	1,659	1,748	1,996	2,039	2,181
EBITDA		**911**	**722**	**804**	**704**	**850**	**926**	**975**	**1,091**	**1,163**	**1,238**
Operating result (EBIT)		**797**	**587**	**583**	**431**	**698**	**820**	**796**	**962**	**1,015**	**1,088**
Profit before tax[3]		**822**	**583**	**553**	**440**	**713**	**815**	**811**	**968**	**1,040**	**1,022**
Profit after tax[3]		**567**	**380**	**326**	**259**	**454**	**543**	**537**	**671**	**727**	**689**
Return on sales after tax	(in %)	9.5	6.6	5.9	4.6	7.5	8.8	8.5	10.0	10.8	9.8
Earnings per share[3]	(in €)	2.48	1.65	1.40	1.10	1.96	2.35	2.33	2.91	3.13	2.96
Total dividend – equity holders		204	159	159	159	159	159	159	159	159	159
Dividend per share	(in €)	0.90	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Beiersdorf's shares – year-end closing price		**42.00**	**45.93**	**41.53**	**43.82**	**61.88**	**73.64**	**67.42**	**84.16**	**80.60**	**97.90**
Market capitalization as of Dec. 31		10,584	11,574	10,466	11,043	15,594	18,557	16,990	21,208	20,311	24,671
Research and development expenses		**149**	**149**	**152**	**163**	**159**	**154**	**168**	**183**	**188**	**196**
as % of sales		2.5	2.6	2.7	2.9	2.6	2.5	2.7	2.7	2.8	2.8
Employees as of Dec. 31		**21,766**	**20,346**	**19,128**	**17,666**	**16,605**	**16,708**	**17,398**	**17,659**	**17,934**	**18,934**
Intangible assets		398	382	306	172	185	176	119	119	119	140
Property, plant, and equipment		727	725	716	635	685	785	964	1,054	1,046	1,026
Non-current financial assets / securities		11	10	438	686	712	804	1,059	1,318	1,919	2,554
Inventories		634	561	632	699	734	733	786	772	739	854
Receivables and other assets[3]		2,085	2,149	2,030	2,142	2,446	2,316	2,426	2,692	2,878	2,730
Cash and cash equivalents		613	767	973	941	834	984	976	918	872	901
Equity[3]		**2,460**	**2,636**	**2,920**	**3,016**	**3,143**	**3,405**	**3,640**	**4,201**	**4,677**	**5,125**
Liabilities[3]		**2,008**	**1,958**	**2,175**	**2,259**	**2,453**	**2,393**	**2,690**	**2,672**	**2,896**	**3,080**
Provisions[3]		729	750	812	824	977	997	1,166	1,074	1,242	1,207
Trade payables		690	699	863	946	1,036	973	1,022	1,152	1,244	1,420
Other liabilities[3]		589	509	500	489	440	423	502	446	410	453
Total equity and liabilities[3]		**4,468**	**4,594**	**5,095**	**5,275**	**5,596**	**5,798**	**6,330**	**6,873**	**7,573**	**8,205**
Equity ratio[3]	(in %)	55	57	57	57	56	59	58	61	62	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
Next Commerce Accelerator Beteiligungsgesellschaft mbH & Co. KG	Hamburg	9.90
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 nie wieder bohren GmbH	Hanau	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
Skin Care Emerging Markets 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

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
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
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

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
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
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
tesa tape México, S.A. de C.V.	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
tesa Plant Sparta LLC	US, Sparta, MI	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
Beiersdorf Health Care Australia Pty. 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
Beiersdorf Trading (Shanghai) Co., Ltd.	CN, Shanghai	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 Nivea Egypt LLC	EG, Cairo	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
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

2018

April 25 Annual General Meeting	**April 30** Dividend Payment	**May 8** Quarterly Statement January to March 2018
August 7 Half-Year Report 2018	**October 30** Quarterly Statement January to September 2018	

2019

January Publication of Preliminary Group Results 2018 (Sales)	**February/March** Publication of Annual Report 2018, Annual Accounts Press Conference, Financial Analyst Meeting	**March/April** Annual General Meeting
May Quarterly Statement January to March 2019	**August** Half-Year Report 2019	**October** Quarterly Statement January to September 2019

Beiersdorf

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