ANNUAL REPORT

2018

Beiersdorf

Beiersdorf 2018

KEY FIGURES – OVERVIEW

		2017	2018
Group sales	(in € million)	**7,056**	**7,233**
Change (organic)	(in %)	5.7	5.4
Change (nominal)	(in %)	4.5	2.5
Consumer sales	(in € million)	**5,799**	**5,890**
Change (organic)	(in %)	4.7	5.0
Change (nominal)	(in %)	3.4	1.6
tesa sales	(in € million)	**1,257**	**1,343**
Change (organic)	(in %)	10.6	6.8
Change (nominal)	(in %)	9.8	6.8
Operating result (EBIT, excluding special factors)	(in € million)	**1,088**	**1,113**
Operating result (EBIT)	(in € million)	1,088	1,097
Profit after tax	(in € million)	689	745
Return on sales after tax	(in %)	9.8	10.3
Earnings per share	(in €)	2.96	3.21
Total dividend	(in € million)	159	159
Dividend per share	(in €)	0.70	0.70
Gross cash flow	(in € million)	**930**	**933**
Capital expenditure*	(in € million)	**195**	**463**
Research and development expenses	(in € million)	**196**	**211**
Employees	(as of Dec. 31)	**18,934**	**20,059**

* Figures comprise investments in intangible assets and property, plant, and equipment including acquisitions.

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TO OUR SHAREHOLDERS

Letter from the Chairman

Dear Shareholders, Ladies and Gentlemen,

I am delighted to present the 2018 Beiersdorf Annual Report in my new position as Chairman of the Executive Board of this unique company.

2018 was a solid growth year for Beiersdorf. Despite changing conditions and a challenging market environment, we achieved our growth and profit targets in both the Consumer Skin Care and tesa businesses.

In the Consumer Skin Care business, a key focus in 2018 was on leveraging and further developing the potential of the derma cosmetic, healthcare, and selective brands – Eucerin, Hansaplast, and La Prairie – alongside our iconic NIVEA brand. The Consumer Skin Care business achieved organic sales growth of 5.0%. Sales increased in nominal terms by 1.6% from €5,799 million to €5,890 million in 2018. In particular, La Prairie performed outstandingly over the year.

Another key growth driver is our expanding international presence, especially in emerging markets such as India, Africa, Mexico, and Indonesia, which we further strengthened in the Consumer Skin Care business in 2018. In India, for instance, we reached growth rates significantly above market levels for the eighth year in a row owing to our proximity to consumers and regional product innovations. We systematically invested in establishing and expanding local sites and production facilities, making Beiersdorf locally more competitive.

Also the tesa business, in which we develop high-quality self-adhesive systems and product solutions for industry, craft businesses, and consumers, continued to perform well in 2018. The tesa business achieved organic sales growth of 6.8% in 2018. This was especially thanks to the good performance in consumer electronics in Asia and the continuing positive trend in the automotive industry in the Americas. In nominal terms, sales also increased by 6.8%, from €1,257 million in the previous year to €1,343 million. The positive effects from acquisitions were equalized by the negative foreign exchange rate effects. As in the year before, tesa added to its product portfolio in the first six months of 2018 with acquisitions, thereby further boosting its already strong market position around the world.

Overall, Group sales grew organically by 5.4%. In nominal terms, sales rose by 2.5% to €7,233 million. It is encouraging that our business performance was reflected in almost every region where we operate. The operating result (EBIT) excluding special factors rose by 2.3% to €1,113 million. This corresponds to an EBIT margin excluding special factors of 15.4% (previous year: 15.4%).

Furthermore, we succeeded in expanding our business together with our long-term commitment to sustainability and came a significant step closer in reaching our ambitious targets for 2020 and 2025. Our sustainability strategy “We care.” is based on the three pillars “Products, Planet, People” – all contributing to this great progress – and covers our activities along the entire value chain. Our efforts in pushing an impactful sustainability agenda will further intensify in 2019.

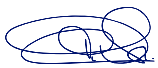
In 2018, I began together with the Supervisory Board to take key decisions relating to strategy and staffing in order to shape the future of Beiersdorf. With a new, expanded management team, we want to address the challenges and capture opportunities in the relevant markets. We see potential above all in stepping up our presence in emerging growth markets, connecting closer with consumers – supported by an accelerating digitalization – and continuously strengthening our innovation power. To unlock this potential, we see the momentum for transformational changes to shape Beiersdorf’s long-term future.

An important key to our success is our employees – their united understanding of shared values and corporate culture as well as their strong identification with our company and its brands. It is thanks to their commitment that so many consumers once again trusted our products in 2018.

On behalf of the whole Executive Board, I would like to offer my sincere thanks to all our employees worldwide for their daily dedication to actively delighting our consumers. I would also like to thank our consumers themselves, our business partners, and you, our shareholders, for your trust and support in the past fiscal year.

My fellow Executive Board members and I will prepare Beiersdorf optimally to meet the challenges of the future and make the most of its opportunities. This is how we intend to create conditions for competitive, sustainable, and profitable growth. Our mission is unchanged: we aim to be a global leader in Skin Care. We hope you will continue to accompany us on this journey.

Sincerely,



STEFAN DE LOECKER
Chairman of the Executive Board

Beiersdorf's Shares and Investor Relations

After a favorable start to 2018, the financial markets experienced one of the most turbulent years since the financial crisis. While interest rate hikes by the US Federal Reserve put pressure on emerging markets, the global financial markets were preoccupied by three political issues: the trade dispute between the United States and China, the uncertainty surrounding the United Kingdom's exit from the European Union, and the fiscal policy of the new Italian government. In this environment, Beiersdorf's shares considerably outperformed the German DAX share index.

At the beginning of the year, global growth forecasts were driven by strong economic data from Europe and Asia. The eurozone inflation rate neared the European Central Bank (ECB) target of 2% and unemployment was at its lowest level for ten years. This led the ECB to announce that its bond purchase program would finish at the end of 2018. Amid a similarly strong economic environment, the US Federal Reserve continued to normalize its monetary policy and signaled more rate moves than the financial markets had expected. This triggered a first correction of global stock markets in February.

As a result of higher growth and inflation prospects, the widely watched interest rate for ten-year US Treasury bonds exceeded the 3% mark for the first time in years. Rising yields on Treasuries, which are considered a safe haven, made equities – a competing, riskier asset class – appear less attractive. Stock markets were also hit by new and increased trade tariffs between the United States and China, and between the United States and the European Union. European equity markets in particular were weighed down by the possible scenario of an Italian exit from the eurozone following the shift in political power after the parliamentary elections in June. As a result, risk premiums on Italian sovereign bonds reached a level not seen since 2011 in the midst of the euro crisis. The European single currency depreciated substantially against other currencies such as the US dollar, after starting the year at the USD 1.25 mark.

In the second half of the year, the picture was mixed: While stock markets in the United States found themselves in the longest bull market in their history, continuing to hit new all-time highs in September on the back of strong economic data, higher interest expectations led to capital outflows from emerging markets. This shift weakened emerging-market currencies and sparked fears of a new crisis in these countries. Eurozone inflation neared the ECB target of 2% and Japan declared the end of years of deflation; all this stoked expectations that monetary policy, having bolstered global stock markets for the last ten years, would be tightened worldwide. At the same time, the International Monetary Fund revised its growth expectations downwards in response to further potential trade tariffs between the United States and its trading partners.

This combination of growth concerns in the emerging markets, more restrictive monetary policy, and uncertainty surrounding trade policy triggered a downward spiral on global equity markets in October, making 2018 the most turbulent year for the stock exchanges since the financial crisis in 2008. Technology stocks in particular, which, until then, had seen sharp gains over the year, gave up a large portion of their gains. Many equity indices recorded losses and the DAX fell to its lowest level since 2016. It ended 2018 at 10,559 points, down 18%.

The Beiersdorf share outperformed the DAX and ended 2018 slightly down on the strong previous year. Following publication of the preliminary figures for 2017, profit-taking pushed the share price below the €90 mark in early March. This correction was short-lived, however, as the emerging recovery in the skin care market gave our shares a boost. The announcement of an upcoming change in CEO only briefly interrupted the recovery. With the upturn in the skin care business, we increased our sales forecast with the half-year report in August. The luxury segment in particular benefited from this positive trend, and our La Prairie brand enabled us to participate strongly. Over the course of the year, the share price reached the €100 mark on several occasions but was unable to maintain this level amid a deteriorating market environment.

On April 25, more than 1,100 shareholders participated in the Beiersdorf AG Annual General Meeting at the Hamburg Messehallen. In mid-2018, the announcement of the change at the top of the company led to numerous questions about a possible shift in strategy. Most of the 30 financial analysts who regularly publish research notes on Beiersdorf gave a neutral recommendation, pointing to uncertainty about the new strategy.

Finally, at the end of the year, Beiersdorf's shares celebrated an anniversary: they have now been listed on the German benchmark index, the DAX, for ten years. Our shares ended the year down 6.9% at a closing price of €91.16, meaning they lost considerably less ground than the DAX.

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.

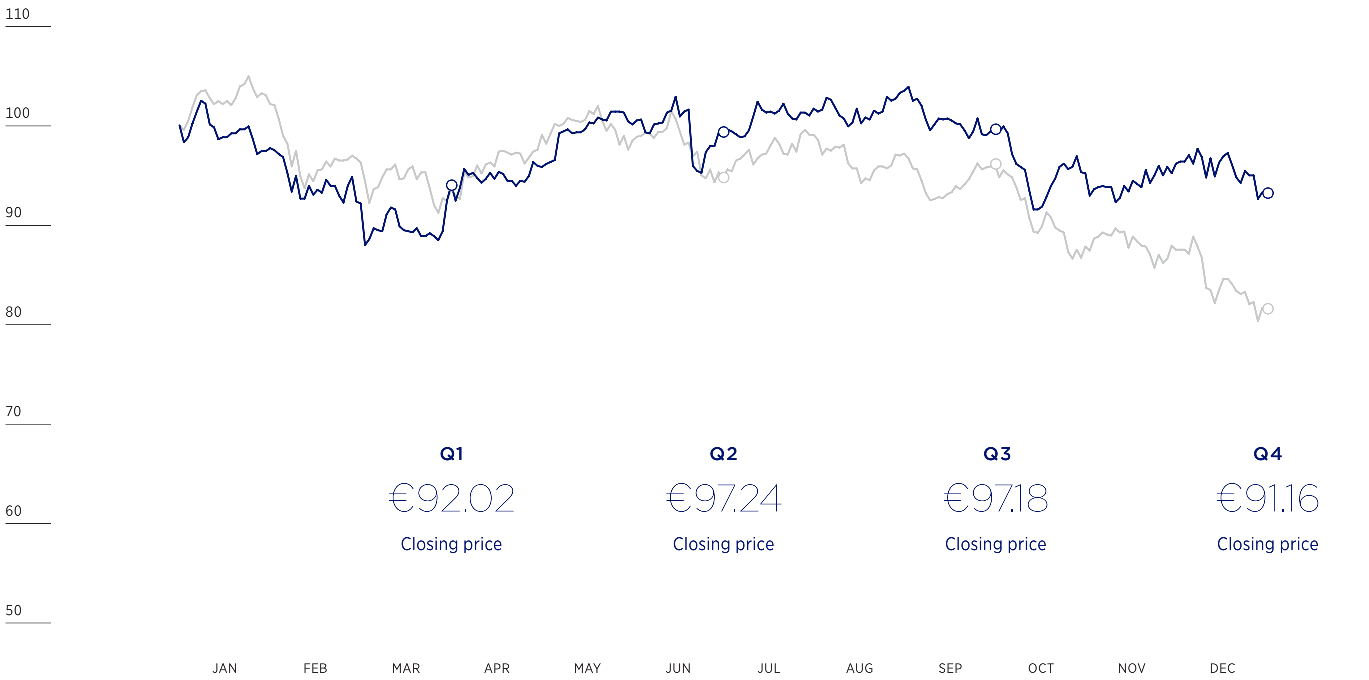
KEY FIGURES – SHARES

		2017	**2018**
Earnings per share as of Dec. 31	(in €)	2.96	3.21
Market capitalization as of Dec. 31	(in € million)	24,671	22,972
Closing price as of Dec. 31	(in €)	97.90	91.16
Closing high for the year	(in €)	101.60	101.75
Closing low for the year	(in €)	80.28	86.08

BEIERSDORF’S SHARE PRICE PERFORMANCE 2018

Jan. 1 – Dec. 31 / relative change in %

Beiersdorf DAX

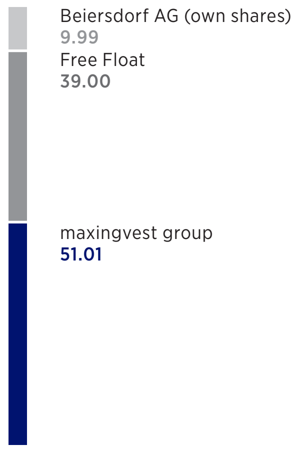


BASIC SHARE DATA

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, 2018



Report by the Supervisory Board

Dear Shareholders,

In fiscal year 2018, 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, the internal control system, and compliance. The Executive Board reported regularly during and between the Supervisory Board 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. Frédéric Pflanz stepped down from his post with effect from the end of the 2018 Annual General Meeting; Martin Hansson was elected as his successor. The company organized training for the members of the Supervisory Board particularly on compliance and compliance management, with particular emphasis on capital markets law. The overall participation rate of the Supervisory Board members at the meetings of the full Board and committees was over 85%. Poul Weihrauch participated in fewer than half of the Supervisory Board meetings. The other current members of the Supervisory Board each participated in more than three-quarters of all meetings of the full Board and committees. Absent members submitted their individual votes in writing.

The Executive Board and Supervisory Board worked together on detailed preparation and follow-up of meetings of the full Board and committees. Discussions took place with and among Supervisory Board members prior to and after the meetings. A secure digital platform for 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.

The Supervisory Board's main objective remains the stimulation and support of the Executive Board's strategy to achieve swift and lasting healthy growth in the Consumer and tesa Business Segments by delivering tangible consumer benefit. Supporting and encouraging this strategy 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 nine 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 carefully examined and discussed. 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 provisional planning for 2019. The meetings in the middle of the year concentrated on the strategy. Several meetings during the year concerned, among other things, current decisions about the composition and remuneration of the Executive Board.

On **February 1, 2018**, the Supervisory Board discussed the achievement of the targets set for the Executive Board for the 2017 fiscal year and determined the Executive Board members' total remuneration.

On **February 22, 2018**, the Supervisory Board addressed the business development in fiscal year 2017 and looked ahead at fiscal year 2018. It approved the annual and consolidated financial statements as well as the combined management report for Beiersdorf AG and the Group, including the remuneration report, and adopted the annual financial statements for the 2017 fiscal year. It also approved the separate combined non-financial report for Beiersdorf AG and the Group for fiscal year 2017. In addition, it 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, the corporate governance report, and the remuneration report for the 2017 fiscal year. The Supervisory Board approved the agenda and proposals for decision for the Annual General Meeting on April 25, 2018, as well as the candidate proposal prepared by the Nomination Committee for the supplementary elections to the Supervisory Board.

On **March 14, 2018**, a special meeting of the Supervisory Board discussed the succession arrangements for the Executive Board function Finance & Quality.

On **April 25, 2018**, the Supervisory Board adopted amendments to the bylaws for the Executive and Supervisory Boards. It introduced a Personnel Committee. Dessi Temperley was appointed Executive Board member for Finance & Quality effective July 1, 2018. The Executive Board provided information on business performance and an outlook for the year as a whole. Finally, the Supervisory Board prepared for the upcoming Annual General Meeting.

At its **meeting following the Annual General Meeting**, the Supervisory Board addressed human resources in detail. It elected Martin Hansson as a member of several committees and decided on the initial composition of the Personnel Committee. It also confirmed the Executive Board targets for 2018.

On **June 21, 2018**, the Supervisory Board resolved on the agreement with Stefan F. Heidenreich not to extend his expiring term of office as Executive Board member and Chairman. Effective July 1, 2018, responsibility for Planning, Strategy, and Business Development and the deputy chairmanship of the Executive Board passed to Stefan De Loecker. The Supervisory Board confirmed its decision on the construction of a new Group headquarters.

On **September 3 and 4, 2018**, the Supervisory Board had an in-depth discussion on the further development of the Executive Board's strategy for the Consumer Business Segment. The Executive Board set out the current situation in selected business areas and presented ideas for the continued development of the business based on a detailed analysis of the strengths, weaknesses, opportunities, and threats. In addition, the meeting covered the Group's interim report as of June 30, 2018, and business developments as of the end of August, and looked ahead to the full year. The Supervisory Board also discussed the reports from the committees and approved investments in the supply chain. Finally, the Supervisory Board was informed about business developments at tesa and the recent company acquisitions made there.

On **October 15, 2018**, the Supervisory Board resolved to terminate the appointment of Stefan F. Heidenreich as member and Chairman of the Executive Board by mutual consent with effect from December 31, 2018, and to appoint Stefan De Loecker as Chairman of the Executive Board effective January 1, 2019. Ramon A. Mirt was also appointed as a member of the Executive Board to succeed Stefan De Loecker.

On **December 4, 2018**, the Supervisory Board discussed business developments up to the end of October 2018 and the status of corporate planning for 2019. It discussed the target achievement in 2018 and the Executive Board targets for 2019. The Supervisory Board appointed Asim Naseer as a member of the Executive Board with effect from January 1, 2019. The meeting also approved terms for the amicable departure of Executive Board member Ralph Gusko. It agreed the Declaration of Compliance with the German Corporate Governance Code, discussed the recently published extensive revision of this regulation, and resolved on a renewal of the targets and profile of skills and expertise for the Board's composition.

On **February 1, 2019**, the Supervisory Board discussed the achievement of the targets set for the Executive Board for the 2018 fiscal year. On **February 21, 2019,** it determined the Executive Board members' total remuneration.

Committees

The Supervisory Board has established six **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.

The **Presiding Committee** (four meetings) discussed business developments, strategy, the remuneration of the Executive Board and other Executive Board matters. It prepared meetings of the full Supervisory Board.

The **Audit Committee** (eight meetings) primarily performed the preliminary examination of the annual and interim financial statements and combined management report, 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 audit. It made a proposal to the Supervisory Board for the election of the auditor by the Annual General Meeting. The auditor reported to the Audit Committee on the key findings of the audit and of the audit review of the half-year report for 2018. The committee discussed the content and audit of the non-financial statement and improvements for future reporting periods. Business development, the quarterly figures, the internal control system, risk management, accounting issues, and the status of legal disputes and proceedings were also regularly discussed. The auditor participated in meetings relating to audit matters.

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 possible risks from legal and tax proceedings in detail. One focus was on preparing the company for the entry into force of the EU General Data Protection Regulation.

The **Personnel Committee** (four meetings) discussed the long-term planning of the composition of the Executive Board and beneath, as well as questions of policy in relation to Executive Board remuneration.

The **Nomination Committee** (one meeting) suggested that the Supervisory Board make the following proposals for election at the Annual General Meeting on April 25, 2018: Martin Hansson as a member and Beatrice Dreyfus as alternate member. In early 2019, the Nomination Committee decided on its suggestions for the Supervisory Board's proposals for election to the Annual General Meeting on April 17, 2019. The Nomination Committee took into account targets and profile of skills and expertise for the composition of the Supervisory Board as well as the requirements of the German Corporate Governance Code.

Annual Financial Statements and Audit

The annual financial statement is prepared in accordance with the requirements of the *Handelsgesetzbuch* (German Commercial Code, *HGB*), and the consolidated financial statement in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied in the EU, taking into account the applicable interpretations of the IFRS Interpretations Committee. The supplementary requirements of German law are also applied. The **auditor** audited the **2018 annual financial statement and the consolidated financial statement** and the **combined management report** for Beiersdorf AG and the Group, and issued unqualified audit opinions for them. With regard to 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, the auditor, following the completion of his audit in accordance with professional standards, confirmed that the information contained therein is correct; that the compensation paid by the company with respect to the transactions listed in the report was not inappropriately high; and 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 2018 annual financial statement and consolidated financial statement, combined management report for AG and the Group, 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 participated in the deliberations of the Supervisory Board on the annual financial statements of Beiersdorf AG and the Group and 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 statement and the consolidated financial statement, combined management report, and combined 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 statement of Beiersdorf AG and the consolidated financial statement for the year ending December 31, 2018; the annual financial statement of Beiersdorf AG is 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. This trust decides the company's success, and it continuously needs to be earned anew, especially in times of great social, technological, and economic change.

Hamburg, February 26, 2019
For the Supervisory Board

REINHARD PÖLLATH
Chairman

Corporate Governance Report

Good corporate management and supervision (corporate governance) 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.

The German Corporate Governance Code (the Code) ensures transparency with respect to the legal framework for corporate management and supervision and contains accepted standards for good, responsible and sustainable corporate management. The Code and its amendments did not necessitate any fundamental changes at Beiersdorf. We understand corporate governance as an ongoing process and we will continuously and carefully develop this understanding, above and beyond the Code as well.

Declaration of Compliance

In December 2018, the Executive and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2018 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 2018 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 2018, 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 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 2018

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

DESSI TEMPERLEY
Member of the Executive Board

Management Structure

Beiersdorf AG is governed by German stock corporation, capital market, and codetermination law, 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 of the shareholders 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. The last regular election took place in fiscal year 2014; supplementary elections took place in fiscal years 2016 and 2017. The regular term of office of all current Supervisory Board members will expire at the end of the Annual General Meeting resolving on the approval of their activities for fiscal year 2018. The shareholder representatives of the new Supervisory Board will be elected individually at the Annual General Meeting in April 2019. No former Executive Board members of Beiersdorf AG currently serve as Supervisory Board members.

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. In accordance with the bylaws for the Executive Board, certain decisions are subject to Supervisory Board approval.

The Supervisory Board regularly makes decisions at its meetings on the basis of detailed documents. The Supervisory Board members may also participate in the meetings via conference calls or video conferencing; however, this is not the rule. The Supervisory Board meets without the Executive Board when necessary, particularly where Executive Board matters are concerned. Meetings are regularly discussed in advance; partially 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 (including between meetings) about important transactions, and liaises with him on important decisions. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings, and represents the interests of the Supervisory Board externally. The Chairman is in principle also willing to discuss Supervisory Board-related topics with investors.

The Supervisory Board regularly evaluates its work, partially with the support of an external advisor, and resolves on measures for improvement (examination of efficiency), most recently in spring 2016 and again at present. The next examination of efficiency is expected to be completed in mid-2019.

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, such as in the form of internal training events on topics relevant to Supervisory Board work and information on changes in legislation and developments. There is also a thorough onboarding of new members of the Supervisory Board.

The company's D&O insurance policy also covers 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

In December 2018, the Supervisory Board again discussed the concrete company-specific objectives and the profile of skills and expertise for its composition. 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. According to its profile of skills and expertise 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. They initially apply until the end of 2021 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.

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 at least four female members. At least two women should be shareholder representatives. As a listed company subject to codetermination on a basis of parity, the Supervisory Board needs to be comprised of 30% women and men, respectively, under statutory law.

Regular Limits on Age and Length of Membership

According to the Supervisory Board bylaws, members should regularly retire at the Annual General Meeting following their 72nd birthday, and at the latest after a term of office of 20 years. The goal for the Supervisory Board's composition is that different age groups are adequately represented.

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. 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 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. 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; corporate governance and supervisory law; risk management, internal control systems, compliance and auditing; innovation management, and research and development; digital, data management, and information technology; sustainability and corporate social responsibility. The Supervisory Board's aim is that all these areas of expertise should be represented among its members in as balanced a way as possible, thereby complementing one another. 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 and Personnel Committee

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. In addition, a Personnel Committee was established in 2018, which will also work on the development of the diversity policy for 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), and Ms. Hong Chow. 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: Hong Chow, Dr. Dr. Christine Martel, and Poul Weihrauch.

One Supervisory Board member, 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 has decided 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 committee chairs report to the Supervisory Board on the work of their committee. This report is provided no later than at the Supervisory Board meeting following the relevant committee meeting. The Supervisory Board has formed the following six 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 decisions of the Supervisory Board, in particular 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) and provides corresponding recommendations to the Supervisory Board. 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 the auditor provides in accordance with the guidelines set by the committee for approving non-audit services. 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.

Personnel Committee

The Personnel Committee comprises a total of four members representing shareholders and employees. It regularly discusses long-term succession planning for the Executive Board (including the remuneration structure) and addresses the diversity policy for the Executive Board's composition along with the manner of its implementation. It also proposes a target for the proportion of women on the Executive Board as well as a deadline for achieving this.

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. The Mediation Committee has not met for several terms of office.

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 in the "Beiersdorf AG Boards" chapter of this report. Up-to-date resumés of the Supervisory Board members can also be found at the web address above.

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. In addition, the Personnel Committee established in 2018 is responsible for the development of the diversity policy for 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. The Supervisory Board set a target of 10% for the proportion of women on the Executive Board, to be achieved by no later than June 30, 2022. This target has been fulfilled since July 1, 2018.

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 it 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). This is ensured through an appropriate compliance management system tailored to the risk situation, including a whistleblower platform operated by an independent provider for employees in almost all Consumer Business Segment countries. The principles of the compliance management system are disclosed in the Sustainability Report of Beiersdorf. The Executive Board 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% (figure as of year-end 2018: 24%) for the share of women at Beiersdorf AG's first management level below the Executive Board, and a target of at least 50% (figure as of year-end 2018: 48%) 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 Group 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. In addition, the Executive Board will convene an extraordinary General Meeting where it considers this appropriate in individual cases, in the event of significant structural changes or in case of a takeover offer. At this meeting, shareholders can discuss the issue at hand and resolve on measures under company law if appropriate.

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. In addition, all shareholders can follow the full Annual General Meeting online.

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.

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" chapter of this report. Further information on Executive Board and Supervisory Board remuneration can be found in the "Remuneration Report" section of the Combined Management Report.

The consolidated financial statements and half-year reports are prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU. The annual financial statements of Beiersdorf AG are prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code, *HGB*). The Annual General Meeting on April 25, 2018, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditors for Beiersdorf AG and the Beiersdorf Group for fiscal year 2018 and as the auditors for the review of the half-year report 2018. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been auditing the annual and consolidated financial statements of Beiersdorf AG since the 2006 fiscal year. Kristian Ludwig has again been the responsible auditor since fiscal year 2013. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was also commissioned with a limited assurance engagement on the separate non-financial report of the Beiersdorf Group and of Beiersdorf AG.

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, including combined management reports and corporate governance reports, annual financial statements, half-year reports, quarterly statements, and the combined, 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 published on the company's website in connection with the Corporate Governance Report 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, along with the current implementation status.

Hamburg, February 26, 2019
Beiersdorf Aktiengesellschaft

The Supervisory Board — The Executive Board

COMBINED MANAGEMENT REPORT

Foundation of the Group

Our Brands

Beiersdorf has a strong portfolio of international leading 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 respond quickly and flexibly to the wishes and regional requirements of 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 dermocosmetics segment, and La Prairie at the selective cosmetics market. With its Hansaplast and Elastoplast brands, Beiersdorf has a global presence in the field of plasters and wound care. Renowned brands such as Labello, Aquaphor, Florena, 8x4, Hidrofugal, atrix, 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 highly 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 dermocosmetic skin care brand, trusted by dermatologists, pharmacists, 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 globally represented in plasters and wound care.

The internationally renowned lip balms from **Labello** provide long-lasting care for dry lips.

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

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

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 and shower gels.

SLEK and **Maestro** are Beiersdorf's hair care and hair styling brands in China.

tesa provides self-adhesive system and product solutions for industry, craft businesses, and consumers. The brand excels with its 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 around 20,000 employees in more than 160 affiliates contributing to the success of the international Group. Our business is divided into two separate, independently operating business segments, each of which holds a market leadership position:

- The Consumer Business Segment, with its focus on skin and body care, is the core of our business. Our strong brands, including NIVEA, Eucerin, Hansaplast, and La Prairie, anticipate our consumers' wishes and offer innovative, highly effective, and high-quality products.

- In the tesa Business Segment, we develop high-quality self-adhesive system and product solutions for industry, craft businesses, and consumers. In doing so, we aim to identify needs, respond flexibly to special requirements and market trends, and make our customers' workflows even more efficient and effective. Since 2001, tesa SE has been an independently run subsidiary of Beiersdorf AG.

Consumer

In the Consumer Business Segment, we aim to be the No. 1 skin care company in our key categories and markets. In the reporting year 2018, we focused on leveraging the potential of our derma, healthcare, and selective brands – Eucerin, Hansaplast, and La Prairie – alongside our iconic NIVEA brand. With our consistent brand management, our proximity to consumers, and the introduction of innovative products, we succeeded in further increasing the impact of our skin care brands and gaining important market share.

OUR VALUES

Our conduct is critical to the successful implementation of our strategy. Our Core Values play a leading role in this success. "Care," "Simplicity," "Courage," and "Trust" have shaped our corporate culture from day one. They set the agenda for our business activities and guide the everyday work of every single employee:

- **Care**: We act responsibly towards 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

We regard strengthening our internationally successful brands as our core task and the cornerstone of our business success. Our aim is for our brands to be close to consumers and to continually introduce innovative products that put our consumers' needs and wishes center stage and generate added value – this is the key to successfully differentiating ourselves. Our broad brand portfolio, led by our iconic NIVEA brand, also stands for trust, quality, and consistency.

INNOVATIONS

Beiersdorf has built its global reputation on a strong tradition in skin care expertise. Our innovative strength and the lasting success of our innovations is key to expanding our leading position in the skin and body care business. Our product development therefore focuses exclusively on new products with high potential for sustainable growth. Furthermore, we aim to extend the lifespan and growth of our biggest innovations to make full use of their potential.

One of the major innovations we launched during the reporting year was the new active ingredient Thiamidol®, for which Beiersdorf enjoys patent protection in important countries around the world. It acts on the root cause of hyperpigmentation of the skin and is the basis for new skincare products that help consumers reduce irregularities in their own skin tone. In this way, we address a consumer demand that promises high sales potential in many markets. The new product range Eucerin Anti-Pigment is already based on the new active ingredient. Information on other innovations of the reporting year can be found in the following Research and Development section of the Combined Management Report.

MARKETS

With our leading brands, we are present in almost all countries worldwide. Being close to our consumers is critical for us to meet the specific and often very different needs in the regions. It also means we can adjust quickly and flexibly to changing expectations. Our global network of research and development centers enables us to promptly identify trends and consumer wishes and develop products that meet the individual local needs and preferences. Our 17 production sites in 12 countries also provide us with close proximity to our consumers – and thus a decisive competitive advantage with which we can secure and expand our market share for the long term.

In the reporting year, Beiersdorf made targeted investments in establishing and expanding local sites as well as R&D and production facilities in order to further strengthen the company's international activities as well as its presence and impact in key emerging markets. Alongside the opening of new affiliates, inter alia in Cairo, Egypt, and Lahore, Pakistan, the focus was on the following projects:

- March 2018 saw the groundbreaking for the expansion of our plant in Thailand, located on the outskirts of Bangkok. The investment volume for the site and warehouse expansion as well as the modernization of the existing buildings amounts to approximately €67 million. With this, we intend to create additional growth opportunities and strengthen our position in the key economic region of Asia. The design work for the new production areas in Bangplee put the emphasis on safety, quality, efficiency, and sustainability as well as the flexible use of technology. It is also planned to certify the new production areas in accordance with the prestigious LEED Gold standard (Leadership in Energy and Environmental Design) for environmentally friendly construction. The major expansion of the production site is due to be completed in the summer of 2019.

- We also decided to expand our production center in Poznań (Poland) in the reporting year. We plan to invest around €95 million in the building, infrastructure, and logistics capacities at the site over the next three years. The expansion will create the capacity needed for further growth. The project is also set to create 40 to 50 new jobs. The plant in Poznań primarily produces face care and dermatological products based on sophisticated formulas and technologies.

EFFICIENCY

Beiersdorf demonstrates high efficiency and a strong ability to adapt to changing markets. This allowed us once again to increase sales this year and maintain a high level of earnings in an increasingly challenging environment. Expanded investments in production enabled us to influence manufacturing costs positively. Together with an efficiently managed marketing budget, we were able to balance in part the effects of cost increases arising from negative movements in exchange rates and increases in commodity prices.

DIGITALIZATION

Rapidly increasing digitalization at Beiersdorf is pivotal to the future success of our company. We considerably ramped up our activities and partnerships during the reporting year, especially in the e-commerce sector. This was not only because of our firm belief in the growing importance of online retail as a sales channel, but also because we regard it as an important tool for brand development and generating consumer insights. In addition to our successful cooperation with the Chinese e-commerce providers JD.com and Alibaba, we concluded a strategic partnership in 2018 with NetEase Kaola, China's leading online platform for imports. Thanks to this partnership, we further bolstered our online presence and close relationship to our consumers in the important Chinese market and gained access to more than 900 million users.

In addition, we aim to further enhance and increase our employees' digital expertise through various e-learning modules, our digital campus, and the roll-out of Office 365, which began in fiscal year 2018.

PEOPLE

The successes of the past year are first and foremost the achievement of our committed employees. They are close to consumers, cultures, and markets. They respond efficiently, dynamically, and flexibly to global trends and local customer wishes. And they bring successful new products to the market with their enthusiasm for innovation. This allows us as a company to grow ever faster and more sustainably.

At Beiersdorf, we want to be an attractive employer all around the world. We enable working conditions that boost the performance, commitment, and satisfaction of all employees. Alongside talent development and lifelong learning, we are also investing in the international and cross-functional experience of our employees.

Participation and dialogue on an equal footing is an integral part of our culture. We want to allow our employees to actively shape the working world of tomorrow in a multitude of ways. One major project in the reporting year that put a particular emphasis on employee participation was the future Beiersdorf campus. The new Group headquarters in Hamburg-Eimsbüttel are due to be completed in 2021 and will contain around 3,000 state-of-the-art workstations and an expanded research center.

Women and men from different nations, cultures, and generations work with us at Beiersdorf. We want to systematically promote this diversity and harness the benefits it provides. Different perspectives make us more innovative and competitive and allow us to better understand consumer needs.

tesa

tesa is one of the world's leading manufacturers of self-adhesive products and system solutions for industrial customers and consumers. tesa SE is a wholly owned subsidiary of Beiersdorf Aktiengesellschaft and is the direct or indirect parent company of the 64 tesa affiliates (previous year: 52).

tesa expanded its product range and boosted its market position in 2018 with three acquisitions. In March, tesa acquired the Twinlock product division from Polymount International BV, based in Nijkerk, the Netherlands. This strengthened tesa's position in the market for flexographic printing, a mainstay of the industrial business. The acquisition of Functional Coatings, Inc., based in Newburyport, Massachusetts, United States, expanded the range for the construction and building supplies industry. With the acquisition of FormFormForm Ltd., based in London, United Kingdom, along with its kneadable glue Sugru, tesa reinforced its self-adhesive product business for consumers and its market position in this area.

DIRECT INDUSTRIES

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

tesa also offers innovative solutions with flexible uses to protect products from tampering and counterfeiting. One key technology in this area, which is the responsibility of tesa scribos GmbH, is tesa ValiGate®. This consists of a printed product marking, an algorithm that enables fully automated verification of the authenticity of original products, and newly developed, product-linked Web and app solutions.

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

TRADE MARKETS

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

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

In the Consumer & Craftsmen 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.

MANAGEMENT AND CONTROL

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

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

VALUE MANAGEMENT AND PERFORMANCE MANAGEMENT SYSTEM

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

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

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

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

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

Research and Development

Beiersdorf's business success has always been based on its research and development excellence. Our employees' specialist expertise, pioneering spirit, and dedication drive our strength in innovation and boost our company's competitiveness. Our aim is to generate ever more outstanding innovations and insights, and we therefore invest systematically in our research and development. To bring promising ideas to market as quickly as possible, we regularly evaluate our research activities and define clear focus areas.

Our research and development activities follow two different emphases in line with our two business segments:

- In the Consumer Business Segment, Beiersdorf develops innovative, high-quality skin care products. Our range aims to generate added value for the consumers who chose our products. Our research therefore anticipates future trends and the needs and wishes of consumers for innovative, effective, well-tolerated skin care solutions. Our research and development activities follow our vision of constantly reinventing skin care every day and everywhere.

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

As of December 31, 2018, 1,389 people were employed in research and development at Beiersdorf worldwide (previous year: 1,290). Of this total, 850 (previous year: 797) worked in the Consumer Business Segment and 539 (previous year: 493) in the tesa Business Segment. In total, 7% of our employees at the company work in research and development.

Consumer

RESEARCH AND DEVELOPMENT EXCELLENCE

Beiersdorf has built its global reputation on a strong tradition in skin care expertise. We have made it our mission to decode the skin's complex processes, research how certain substances interact with the human skin, and develop innovative new product formulations and solutions. With this work, we protect the innovative strength and dermatological expertise of our company.

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

Our research and development has always set standards and created trendsetting innovations. This is the result of intensive basic research. In the reporting year, our research focused on the following areas:

- After ten years of pioneering work, Beiersdorf's researchers successfully launched an effective ingredient against irregular pigmentation of skin. The new ingredient Thiamidol®, for which Beiersdorf enjoys patent protection in important countries around the world, is clinically proven to reduce the production of melanin and gives the skin a more even complexion. This is a consumer demand that spans the globe with no exceptions. The research on this new active ingredient has already been published in two renowned scientific journals: the "Journal of Investigative Dermatology" (JID) and the "International Journal of Molecular Science" (IJMS), where it appeared on the front page.

- For more than 30 years, Beiersdorf has been committed to and intensively involved in the development of alternative testing methods. The ongoing development of innovative in vitro methods for the safe evaluation of our ingredients was a central focus of our research activities in 2018. Beiersdorf was one of the leading companies around the world involved in the development of OECD (Organisation for Economic Co-operation and Development) guidelines for non-animal assessment methods for cosmetic raw materials. Thus, various approaches for skin and eye irritations, phototoxicity, skin penetration, and skin sensitization have been systematically driven and partially already validated. Using the multi-organ-chip technology, Beiersdorf is also a pioneer in the industry. In 2018, as part of two studies in cooperation with the European association of the cosmetics industry (Cosmetics Europe) and others, we analyzed, evaluated, and published new approaches and methods for testing the safety of cosmetic formulations and ingredients.

- In collaboration with the German Cancer Research Center (Deutsches Krebsforschungszentrum, DKFZ), Beiersdorf has made new findings in basic cancer research. In a major study, for which a cutting-edge, powerful cluster computer was specially installed in the laboratory, the two partners put squamous cell carcinomas under the microscope. This variant of "white" skin cancer is one of the most common skin cancers and is caused by UV radiation. The research results prove that both actinic keratosis (a benign preliminary stage of the disease) and the squamous cell carcinoma "SCC" (the malignant type) can develop from two completely distinct and truly differentiated skin cells and can therefore be regarded as two subtypes of squamous cell carcinoma. These new findings enable a more precise diagnosis and therefore allow early use of specially tailored therapies. The results are also highly relevant for the cosmetics industry. For example, they enable novel protection methods for sun care products and the development of products for general skin cancer prevention.

- A key focus of Beiersdorf's research once again in 2018 was on further study of the mitochondrial metabolism of skin cells. This research focus, which dates back many years and led to the revolutionary introduction of the NIVEA brand's first Q10 skin care products in 1998, remains highly relevant to modern anti-aging skin care. Continuously, Beiersdorf's scientists work to further improve our brands' Q10 products. The Q10 formula platform has been continuously enhanced through years of intensive research and development work by adding compatible and highly effective combination partners such as vitamin C and creatine. In cooperation with scientists from the University of Ancona, Italy, our research team demonstrated during the reporting year that a reduction in Q10 content has a decisive and probably causal relationship to the aging of skin cells – a finding that will enable innovative approaches to developing modern skin care products. In the Q10 anniversary year, two of our scientists took up an invitation by the International Coenzyme Q10 Association in New York to present the latest findings of Beiersdorf's Q10 skin research – which impressively shows that Beiersdorf continues to play a pioneering role in Q10 research.

- Together with the Belgian life sciences company S-Biomedic, Beiersdorf further intensified its research on the skin microbiome in the reporting year. Habitat to billions of helpful and harmful bacteria, this microbiome contributes to maintaining healthy skin. An imbalance of these bacteria, however, can lead to a variety of skin problems. The skin microbiome offers unparalleled opportunities for innovative cosmetic and dermatological products aimed at a range of skin disorders (e.g. acne). As part of the partnership with S-Biomedic, Beiersdorf has made an investment in the start-up amounting to single-digit millions of euros. The aim of the cooperation with S-Biomedic is to benefit from progress in biomedical research and deliver specific answers to unfulfilled consumer needs.

GLOBAL OPEN INNOVATION NETWORK

To increase its strength in innovation, Beiersdorf makes systematic use of cooperations and partnerships. We work with more than 300 different research institutes, universities, start-ups, and suppliers. This gives both sides access to complementary expertise and enables the leveraging of synergies. Since 2016, we have been gathering all "Open Innovation" activities under the "Pearlfinders – We Open Innovation" umbrella.

As in the previous years, we systematically expanded our "Open Innovation" network once again in 2018. Membership of the "Open Innovation" platform "Trusted Network" grew by a further 6%. "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.

KNOWLEDGE EXCHANGE WITH PHYSICIANS

During the reporting year, Beiersdorf continued and expanded its work with the Professor Paul Gerson Unna Akademie, founded in 2016. The academy is dedicated to the continuing and advanced training of physicians, especially clinic-based dermatologists and registered doctors in private practice. We are also working to intensify the dialogue between research and medical practice, thereby constantly increasing treatment successes for patients in the area of skin care. In 2018, we offered a total of 119 product-neutral and needs-oriented education courses with the Professor Paul Gerson Unna Akademie. These were largely eligible for CME (Continuing Medical Education) points as part of mandatory continuing education for physicians. For the first time in the history of the Professor Paul Gerson Unna Akademie, we offered advanced training for Latin American and Eastern European dermatologists in Germany. For the 2019 fiscal year, we plan to expand this international work, for example in Italy.

CLOSENESS TO CONSUMERS AND MARKETS

Beiersdorf's global research and development presence is key to our success. The largest site in our research and development network is our skin research center in Hamburg, where we employed 673 researchers and developers as of December 31, 2018. Work here concentrates on new discoveries to provide even better support to the skin's own metabolic processes. Based on their results, the scientists in product development combine the various active ingredients into new and highly effective products that meet consumers' needs. As product quality, safety, and tolerability are the top priority for Beiersdorf, newly developed products are tested before market launch, both externally and at Beiersdorf's own test center within the skin research facility. A total of 580 studies with 17,000 participants were conducted at the Beiersdorf Test Center during the reporting period. Moreover, 1,160 studies with more than 26,000 participants were conducted internationally in 2018.

In addition to the large skin research center in Hamburg, we also have six international research and development sites. Our regional laboratories in Brazil, China, India, Japan, Mexico, and the United States enable us to respond to different cultural, climatic, and aesthetic conditions, and to develop products specifically for local needs and preferences.

INNOVATIONS

Innovation is one of our core competencies and thus a cornerstone of our business strategy. We have set ourselves the objective of continually introducing new products that deliver on the wishes of our consumers and generate added value. The following product launches were among the most important innovations in the reporting year:

- With the **NIVEA Sun UV Face** range, Beiersdorf has developed a set of facial care products that provide sun protection and are especially designed to meet the needs of facial skin. The light textures deliver moisture to the skin and offer immediate protection against UVA and UVB radiation. The range comprises **NIVEA Sun UV Face Shine Control** and **NIVEA Sun UV Face Anti-Age** and **Anti-Pigments** creams (SPF 30 and SPF 50).

- The new **NIVEA Cellular 3in1 Care Cushion** with SPF 15 leaves the skin moisturized for 24 hours, while light-coverage pigments adapt to the skin tone. The result: The skin looks even and radiant, and fine wrinkles are visibly reduced.

- **NIVEA MicellAIR® Skin Breath Professional Micellar Make-Up Remover** thoroughly cleanses the face and sensitive eye area without leaving greasy product residue behind. The unique MicellAIR® Complex and Black Tea Extract works like a magnet to efficiently catch stubborn, long-wearing make-up and mascara. The lightweight formula is suitable for face, eyes, and lips.

- With the **NIVEA Soft Mix Me** range, Beiersdorf has added three new mix-and-match fragrances to complement the popular NIVEA Soft moisturizing cream. Consumers can use the Chilled Oasis, Berry Charming, and Happy Exotic products individually, or mix them together to create their own personal scent. The product range designed for face, body, and hand care was specially developed for young women aged 14 to 29.

- The new **NIVEA Body Mousses** impress with their creamy, smooth, ultra-light texture. The fast-absorbing mousse with Deep Moisture Serum leaves the skin moisturized for 48 hours. Special ingredients and nourishing oils provide intensive care for the skin. NIVEA Body Mousse is available in four varieties. The innovative, tapered aerosol canister has earned the product two prestigious accolades: the German Packaging Award 2018 and the Innovation Award of the Aerosol & Dispensing Forum (ADF) in Paris.

- The **NIVEA MEN Deep range** is one of the strongest market launches for NIVEA MEN and was introduced worldwide in four categories in 2018: deodorant, face, body, and hair. The products provide freshness and a deep clean feeling and are based on new formulas - partly with the innovative ingredient charcoal. The new formulas, modern packaging design, and appealing fragrances are aimed primarily at younger consumers.

- The new **Eucerin pH5 Light Lotion** is a soft yet effective body moisturizer developed to make the skin more resilient and less sensitive to environmental triggers. The enhanced Eucerin pH Balance System with increased pH5 Citrate Buffer restores the skin's optimal pH. The moisturizer also contains 5% dexpanthenol, which stimulates the skin's regeneration and preserves its resilience. With its light texture, the novel formula is quickly absorbed without being greasy, and moisturizes intensively.

- Sunlight, hormonal changes, or skin aging can lead to hyperpigmentation of the skin (pigment spots). The new **Eucerin Anti-Pigment** range is based on Thiamidol®, a new anti-pigment ingredient developed and patented by Beiersdorf. The products become ever more effective with regular use. Hyperpigmentation is progressively reduced. There are four products in the range: a day cream, a night cream, a care concentrate, and a spot corrector.

- Following years of research and thanks to technological advancements, **La Prairie** introduced **Caviar Premier** in three products of the **Skin Caviar collection** in 2018. Remastered with this new caviar incarnation, **Skin Caviar Luxe Cream, Skin Caviar Luxe Cream Sheer and Skin Caviar Luxe Sleep Mask** offer a unique dimension of sensorial indulgence paired with never-before-seen lifting and firming. Skin appears more supported, tightened, and toned, with a heightened feeling of tautness and elasticity. Other new product launches from La Prairie were **Platinum Rare Cellular Night Elixir** (which supports the skin's natural regeneration for ultimate rejuvenation), **White Caviar Crème Extraordinaire** (a lavish cream that helps skin reach new levels of luminosity and evenness with extraordinary results), and **Skin Caviar Essence-in-Foundation** (a fluid, hydrating compact foundation infused with caviar water).

- The plaster brand Hansaplast has launched its first ointment formula on the market: the **Hansaplast Wound Healing Ointment**. The formula helps small wounds heal naturally and quickly, and is also suitable for damaged and irritated skin. Another new product, **Hansaplast Wound Spray**, provides antiseptic wound cleansing. With these innovations and the **Hansaplast range of plasters**, the brand offers all the products needed for optimal wound care in three simple steps: 1. Clean with the Hansaplast Wound Spray, 2. Protect with a plaster or dressing, 3. Heal with the Hansaplast Wound Healing Ointment.

- With the new **Labello Lips2Kiss** and **Nivea Crayon Color Lip Balm**, Beiersdorf has introduced vivid colors and a new way of applying lip care. The Color Lip Balm, available in five color tones, intensively cares for the lips – based on natural oils.

- The new **Doppelschutz Deo** range is the strongest deodorant range from **Hidrofugal** to date. Its powerful formula is doubly effective against heat- and stress-induced perspiration.

As a result of our regional research and development work, we launched the following tailor-made products, among others, on the market in the reporting year:

- In the Near East region, we introduced the **NIVEA MEN Duo** body deodorant. Considering the climate of the region, this "World's 1st Dual Phase Body Deodorizer" is designed for long-lasting freshness and superior odor control.

- Another regional innovation for the Near East is the **NIVEA Face Cleansing range with rose water** which is one of the most popular ingredients in this region.

tesa

STRUCTURAL ADHESIVES

R&D at tesa in 2018 continued to focus on technologies for structural adhesives. In this context, tesa expanded its high-performance portfolio of technology components and developed a range of reactive adhesive tapes for selected leading applications. The company's reactive adhesive tapes for automobile bodies passed the practical test with success. tesa also developed processing steps together with leading customers. One example is laser activation. The reactive adhesive tapes used in this application provide quick and precise bonding. The EU is supporting this research work.

DEVELOPMENT OF SPECIAL ADHESIVE MASSES

tesa also developed special adhesive masses in 2018. These were based on new acrylic polymers produced using specific innovative polymerization processes. The special adhesive masses are used, for example, in prototypes for flexible displays in the electronics industry. As they retain their bonding strength and visual properties even after being bent or folded many thousands of times, they are ideal for the next generation of display designs.

HIGH-PERFORMANCE ADHESIVE TAPES FOR SMARTPHONES

In 2018, tesa used extrusion technology, which avoids the use of solvents, to develop high-performance double-sided tapes for bonding components in smartphones. "Debonding on demand" requires adhesive tapes that have a high bonding strength but can also be easily removed without damage. Large manufacturers have already successfully tested the new adhesive tapes, which now offer even higher bonding strengths while being even easier to remove.

ENVIRONMENTALLY FRIENDLY ADHESIVE MASSES FOR INDUSTRY

Environmentally friendly adhesive masses that are water-soluble or based on dispersions also play an important role in development work. tesa has expanded this technology to new high-performance adhesive tapes. These are odor-free after bonding and do not release emissions. They are used for cable bandaging in automobiles as well as in the construction, furniture, and electronics industries. As a further focus in the reporting year, tesa successfully developed prototypes with backings made from recycled plastics and new adhesive masses.

STRONG ADHESIVES FOR BATTERIES

tesa made important progress in 2018 in developing technologies and adhesive tape solutions for adhesives in batteries used to power electric vehicles. The company has developed adhesive tapes that bind the battery cells and provide them with reliable electrical insulation before they are combined into battery modules. Manufacturers of battery systems have already tested the adhesive tapes with positive results. tesa also developed prototypes using new adhesive masses and backings that conduct away heat, provide electrical insulation, and ensure long-lasting strong adhesion. Such a robust adhesive is required for the high vibration load in the cars' drive module.

NEW WALL-PLUG-FREE FASTENING SYSTEMS MADE OF SPECIAL ADHESIVES

Thanks to the acquisition of nie wieder bohren GmbH, tesa once again expanded its technology portfolio in 2017 to include patented wall-plug-free fastening systems consisting of special adhesives and adapters for everyday bathroom items. tesa succeeded in the reporting period in further improving storage stability and waterproofing for critical adhesives. It also developed prototypes for new applications by taking advantage of synergies with adhesive tape technologies.

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

Sustainability*

Achieving a good balance between environmental protection, social responsibility, and economic success is at the heart of everything we do. It is deeply rooted in our corporate culture and integrated in our decision-making and business processes. We engage in an open dialog with our stakeholders – especially employees, suppliers, consumers, and non-governmental organizations (NGOs) – which is our standard practice as a responsible business.

Detailed information on our commitment to sustainability is available in our Sustainability Report, which will be published at WWW.BEIERSDORF.COM/SUSTAINABILITY_REVIEW.

Consumer

In 2012, we started our “We care.” sustainability strategy for the Consumer Business Segment. Based on three pillars, “Products,” “Planet,” and “People,” it covers the full spectrum of sustainability along our value chain – from raw material sourcing, to the health and safety of our employees, to our social commitment beyond the company. We regularly review our progress using environmental and social performance indicators to ensure that our engagement is truly effective, has a lasting impact, and supports our business strategy.

We implemented various measures throughout the company in all three areas – “Products,” “Planet,” and “People” – during the reporting period in order to achieve our sustainability targets.

PRODUCTS

We have clear targets for constantly making our products more environmentally friendly. By 2020, we aim to generate 50% of our global sales from products with an improved environmental impact compared to the base year 2011. As of the end of 2018 we have made a big step towards this target, reaching a minimum of 49% of sales. We will therefore set ambitious new objectives in this area in the coming fiscal year. A large proportion of our progress between 2017 and 2018 was the result of replacing many of our palm (kernel) oil-based raw materials with mass-balanced palm (kernel) oil derivatives.

Since 2011, we have based our palm (kernel) oil sourcing on the “RSPO Supply Chain Certification Standard.” We have managed to constantly increase our share of mass-balanced palm (kernel) oil since the first delivery of certified palm (kernel) oil in 2015. In the reporting year, this enabled us to cover around 63% of our demand for these raw materials using mass-balanced palm (kernel) oil. By 2020, we aim to substitute all palm (kernel) oil-based ingredients with sustainable, certified, and mass-balanced alternatives.

We are also focusing on the following strategic measures: transparency in the supply chain, traceability of our palm (kernel) oil-based raw materials, and improving cultivation methods. We launched our first project in West Kalimantan (Indonesia) in the reporting year, in which we are cooperating with the WWF to help smallholder farmers learn and practice sustainable palm (kernel) oil cultivation. We work directly on the ground to help bring business practices and environmental protection in line, which will have the added benefit of improving the lives of the people living in the project area.

PLANET

As a globally operating, responsible company, our aim is to take all necessary measures to combat climate change and encourage a sparing and efficient use of resources. Whether saving water, avoiding waste, or reducing energy consumption, we work on sustainable solutions at every level to bring our business activities into harmony with the needs of nature and the environment. In 2017, we set ourselves a new climate target for our “Planet” field of activity. We want to reduce our energy-related CO_2 emissions per manufactured product by 70% by the year 2025 (base year 2014).

The gradual global transition to using renewably generated electricity at all our sites by 2020 is a cornerstone of our climate strategy, as are further energy efficiency measures in our production centers. With this action, we aim to ensure achievement of our targets by 2025. In the 2018 reporting year, we reduced our emissions per product by 59%. Moreover, 81% of the electricity we purchased globally already came from renewable sources.

In 2015, we committed ourselves to the goal of “Zero Waste to Landfill.” Our distribution centers in the United States and Canada ended landfill disposal in the reporting year. This means that the “Zero waste to landfill” goal has now been achieved at 16 out of 17 production sites and 21 distribution sites.

We are also committed, in all business segments and processes, to consistently identify opportunities to minimize water consumption and thus the volume of wastewater, and are implementing measures to do so. At our plant in Mexico, for example, we further improved the reverse osmosis facility in 2018. This reduces water losses during processing and generates significant water savings.

PEOPLE

The wellbeing of our employees is a special priority for us and part and parcel of our “We care.” sustainability strategy. We are convinced that a healthy and attractive working environment with diverse development opportunities is fundamental to the success of our business. Based on our core value “Care,” we therefore offer a variety of health and safety initiatives. We are also committed to fair working conditions and transparent, respectful cooperation with all suppliers and partners along the value chain.

In 2015, we initiated “Zero Accidents,” a program designed to help reduce potential risks in the workplace. This has been a success: the accident rate continued to fall also in 2018.

We also actively work beyond our company grounds to sustainably improve the situation of our fellow citizens. This is the ambitious target behind our “People” commitment: by 2020 we aim to reach and improve the lives of one million families.

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

We use two tools to pursue this ambitious commitment: the social sponsoring activities of our brands and our corporate philanthropy. Since 2013, we have already reached 961,936 families via our commitment. We are proud of this achievement and can confirm that we will have reached our quantitative target by 2020.

An insight into the social projects we carried out in 2018 along with further information on sustainability at Beiersdorf can be found at WWW.BEIERSDORF.COM/SUSTAINABILITY.

tesa

RESPONSIBILITY

Corporate responsibility is key to generating sustainable added value at tesa. Climate protection, responsible use of resources, and occupational health and safety are therefore an active part of our corporate culture and business processes. Moreover, civic engagement is firmly anchored in tesa's corporate values.

CLIMATE AND ENVIRONMENTAL PROTECTION

tesa's primary environmental impact is the energy consumption at its production sites. The focus is therefore on reducing CO_2 emissions. Environmental management systems are used at all sites with a significant environmental impact in order to control environmental performance effectively. Seven production sites and tesa's Global Headquarters now have an ISO 14001-certified environmental management system. Global Headquarters and the sites with the highest CO_2 emissions (Hamburg and Offenburg) additionally have an ISO 50001 certified energy management system.

With its environmental program, tesa has been setting company-wide targets to continuously reduce its environmental impact since 2001. The current target period applies to the years 2016 to 2020. Over this period, specific CO_2 emissions per metric ton of end product (location-based) are to be cut by a further 10% compared to the 2015 reference year. One strategic approach is the use of energy- and resource-saving technologies, such as efficient generation of the company's own energy through combined heat and power plants and the purchase of electricity from renewable sources. On the reporting date, the CO_2 emissions per tonne of end product were 8.3% lower than the reference year 2015 (location-based method).

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

OCCUPATIONAL HEALTH AND SAFETY

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

Health and safety management is focused on production sites as these have a higher risk of accidents and health impairments than office locations. We employ our own safety specialists at all ISO 14001-certified sites. They are familiar both with tesa's global health and occupational safety guidelines and with local circumstances.

The frequency of accidents >3 days at tesa in 2018 was 1.9 per million hours worked globally. This was well below the German industry average of 11.6 (BG RCI).

CORPORATE CITIZENSHIP

We as a company want to look beyond our core business in making a positive contribution to society. As part of the tesa corporate citizenship strategy, we are focusing on three strategic core areas: social commitment, supporting education, and environmental protection. At project level, these are divided into the four pillars "tesa helps" and "tesa donates" (social), "tesa supports" (education), and "tesa protects" (environment).

We supported diverse projects around the world once again in 2018:

- The "tesa helps" initiative provides practical assistance to communities and supports social organizations with various projects at tesa locations. As part of the partnership with Hamburg's "tatkräftig – Hände für Hamburg" initiative, five teams with a total of 58 volunteers took part in projects for social and charitable organizations such as children's and youth centers, day care centers, and refugee accommodation in 2018. They got involved in games and craft activities, for example, as well as in gardening, decorating, and renovation.

- Since 2010, tesa staff in Slovakia have been supporting the "Deti Slovenska" (Children of Slovakia) foundation, which cares for children with hemophilia. Every year, a group of tesa employees organize an afternoon of fun and games for the children.

- "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 and tesa then doubles this contribution. In 2018, we provided more than €7,500 of funding to the food bank Norderstedter Tafel e. V.

- As a technology-based company, tesa is very aware of the fundamental importance of education and qualified young people. That is why the company cooperates with the "Initiative Naturwissenschaft und Technik" (Science and Technology Initiative) under "tesa supports." In 2018, tesa offered students from various Hamburg secondary schools an insight into the everyday working life of scientists in the form of three STEM project days.

- The tesa plant in Suzhou, China, has been involved in the "tesa Sunshine Education Assistance" program for ten years. This aims to improve the elementary school education of the children of migrant workers. A total of about 630 children have already received a scholarship.

- tesa staff in China have been contributing to the "Million Tree Project" since 2015. In 2018, volunteers once again took part in a tree-planting campaign in Inner Mongolia.

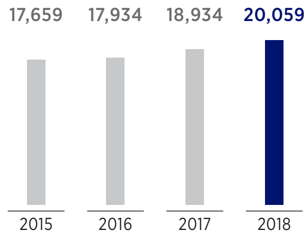
More detailed information is available in the annual sustainability report at WWW.TESA.COM/RESPONSIBILITY.

People at Beiersdorf*

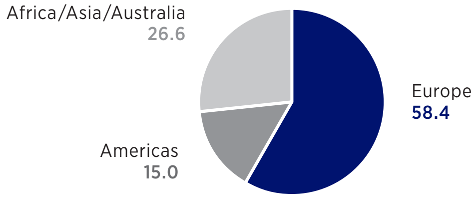
It is our employees who make us what we are as a company. At the same time, our business success reflects our good relationship with our employees. In fact, Beiersdorf's achievements as a company are thanks not only to their individual professional qualifications but also their commitment, to which their wellbeing is a significant contributor. These central ideas are firmly embedded in our Core Values and in our Roadmap 2020.

As of December 31, 2018, we employed 20,059 people worldwide, an increase of 5.9% compared with the previous year (18,934). Of this total, 6,676 (previous year: 6,281) were employed in Germany, a share of 33%. A total of 15,142 people worked in the Consumer Business Segment (previous year: 14,477) and 4,917 at tesa (previous year: 4,457).

GROUP EMPLOYEES
as of Dec. 31



GROUP EMPLOYEES BY REGION (IN %)
as of Dec. 31; total 20,059 employees



Consumer

THE HEART OF GOOD HUMAN RESOURCES WORK: OUR PEOPLE AGENDA

Three years ago, as part of our Roadmap 2020, we established a program to put a spotlight on our employees and organization: the People Agenda. In the reporting year, we continued to work on the program's areas of strategic focus, as described briefly below:

- **Employee engagement:** Employee engagement is a decisive factor in the way we do business. Since 2013, an annual, Group-wide employee survey has been our tool to identify where action is needed at team and organizational level. In 2018, we enhanced the questionnaire and used a faster and more flexible survey tool in selected regions. This is set to be rolled out globally in 2019.

- **Lean structures and improved processes**: At the end of the reporting year, we established a new global tool to steer human resources work. This was another important step toward the digitalized future and established a much better technological basis for innovative HR operations. The online tool brings together all the relevant information about an employee and allows all processes relating to talent reviews, employee development, and training selection and booking to be combined centrally. It also creates greater transparency and a better overview for all parties involved: employees, managers, and Human Resources.

- **Talent development**: A professional HR organization is the basis for the optimal development of our employees. We encourage the individual talent and potential of our staff, and offer all employees the opportunity to actively mold their career to their own abilities and interests. Our professional development provision includes programs for new talents, language courses, specialized training, and dedicated programs for managers. We aim to fill management positions with talented people from within our own ranks. To make this possible, we systematically prepare our employees for their new roles. In 2018, 75% of positions at the first management level (previous year: 75%, Roadmap 2020 target: 75%) and 80% at the second management level (previous year: 88%, Roadmap 2020 target: 90%) were awarded to internal candidates.

  To ensure a strong management pipeline and a high degree of transparency about the potential within the organization, we overhauled the talent review process in the reporting year, standardizing it around the world. All employees who are either outside collective agreements or in the top pay grade under a collective agreement can take part in this. They then receive additional personal feedback from their manager.

  Beiersdorf uses various different methods for identifying new talents and helping their long-term development. In Hamburg alone, we trained 112 young people in nine occupations in the year under review. The value we place on approaching potential employees at an early stage is demonstrated by a special initiative that forms part of our recruitment work: the International Internship Challenge. In 2018, for the fifth year in a row, we invited the best 32 students from some 1,500 applicants living all around the world to a two-day career event at our Group headquarters in Hamburg. At the end of the challenge, four internships outside Germany were awarded in Brand Management & Digital Marketing, Sales & e-commerce, Supply Chain Management, and Finance & Controlling.

- **Internationalization:** As a global company operating in many different cultural and economic contexts, we continuously invest in expanding the international and cross-functional experience of our employees. Employees from 100 countries worked at Beiersdorf as of the end of the reporting year (previous year: 98). 39% (previous year: 37%) of the managers from our top three management groups had lived and worked outside of their home countries for at least three years.

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

- **Leadership and learning:** We promote the talent and potential of our employees, which means that we are already addressing future needs today. Lifelong learning is more than just a catchphrase for us; it is instead essential to continuously keeping up with profound changes in the working world. We have therefore established a wide portfolio of training (see also “Knowledge and learning”). In addition to the culture of learning, good leadership is also a central aspect of our People Agenda. Our goal under our leadership concept is to develop leaders who are authentic and inspiring and who empower their team to outstanding achievements (see also “Leadership and employee engagement”).

NEW WORLD OF WORK – NEW WAYS OF WORKING

The working world is undergoing profound transformation. Digitalization, technological change, and the volatility of global markets call for one thing above all else from our employees and our business as a whole: the constant willingness to learn and adapt. As a company operating in many different countries worldwide, we are equipped to meet this need. We are supporting our employees to develop the necessary awareness of this change and encouraging them to integrate new working methods and learning techniques into their day-to-day work and to take a more connected and digital approach than ever before. We are thereby creating the basis today for our success tomorrow.

With the “We Shape the Way We Work” initiative, we implemented our global Agile Working strategy across the company in 2017. We forged ahead in the reporting year with this employee participation-based initiative, implementing and continuing measures that contribute toward the four areas of Agile Working:

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

PART-TIME EMPLOYEES BY REGION (IN %)

	2017	**2018**
Europe	11	11
Americas	1	1
Africa/Asia/Australia	2	2
	7	**7**

Work environment

To recruit, develop, and retain qualified employees, we constantly work to increase our attractiveness as an employer. The main aim is to create a working culture and working conditions that boost the performance, commitment, and satisfaction of all employees.

We offer modern working conditions and a diverse range of flexible-working options that are built on trust. This helps our employees to work effectively and maintain a healthy work-life balance. 58% of our organizations (previous year: 56%) offer their employees to use flex time, 65% (previous year: 63%) mobile working or home office, 48% (previous year: 45%) part-time working, and 21% (previous year: 21%) offer the opportunity to take sabbaticals. Alongside standard part-time working, job sharing (where two employees share the same position) has long been part of our culture, including at management level. Using the “two:share” in-house online platform, those interested in job sharing can set up a profile – anonymously if they prefer – and search for a suitable tandem partner. A special matching algorithm also actively suggests appropriate candidates (see also “Equal opportunities and diversity”).

We switched the first workstations to the new Office 365 technology in the reporting year. This was a big step toward the digital working world of the future, which will help us in the coming months to work together in an even more connected way and communicate more effectively. The global rollout of Office 365 is due to be completed in 2019. Apps such as “Teams” or “Yammer,” an internal Twitter-style service, will significantly change our ways of collaboration, making this more efficient.

The company’s own health management, which is enhanced from year to year, is another important aspect in shaping Beiersdorf’s reputation as an attractive employer. Our “good for me” program seeks to maintain the health and performance of our employees on a long-term and sustainable basis as well as encourage them to take initiative in staying healthy. Approximately 92% of Beiersdorf organizations worldwide offer health promotion measures (previous year: 82%).

Knowledge and learning

In today’s fast-changing working world, the importance of lifelong learning is constantly increasing. We therefore systematically invest in the professional development of our employees and support their talents in an individualized and lasting way. This ensures that they can keep pace with the latest developments and have the skills they need now and in the future. In 2018, our employees in all regions once again benefited from the training provided by the Beiersdorf Academy. Alongside learning on the job and learning from colleagues, this forms the foundation for our continuous learning within the organization. The range of training programs with a total of 12 functional and cross-functional academy segments, including development opportunities for managers, digital competencies, and agile working methods, has further expanded. For example, sales, planning, and quality academies were added with completely new training concepts in 2018. The content of our training continues to mix theory with practical examples. Our constantly expanding range of online-based, virtual learning formats also gives our employees access to knowledge at any time and nurtures the habit of continuous learning.

Leadership and employee engagement

With “Leadership the Beiersdorf Way,” which we launched in 2017, we established our understanding of a good leadership culture at Beiersdorf. This is based on our Core Values of Care, Simplicity, Courage, and Trust. The aim of Leadership the Beiersdorf Way is to develop leaders who are authentic and inspiring and who empower their team to outstanding achievements. This approach aligns leadership partly with the perspective of those who are being led, thus increasing the acceptance and engagement of all employees.

Following the Beiersdorf philosophy, good managers set an example and drive the necessary processes of transformation within the company in a changing working world. Their approach encourages a combination of empowerment and depowerment. This means that managers transfer more decision-making powers to their employees (empowerment) and, for the sake of faster processes, step back from some areas where they previously made the decisions (depowerment). To develop these and other skills, Beiersdorf offers its managers diverse training options, including in collaboration with the renowned IMD Business School. Alongside tailor-made management development programs, the offering also includes open-enrollment programs. One of these programs "The First 90 Days," has been specially developed for managers who are taking on critical new roles, have been appointed from outside the company, or are taking a challenging step within Beiersdorf. The aim of the training is to diagnose the situation within the team, define strategic approaches, forge alliances, and define an action plan to provide successful input within the first 90 days. The program also provides a common framework for multiple managers who assume new roles at the same time.

Another area of emphasis for us is employee engagement. Since 2013, we have used an annual employee survey to promote open dialogue within teams. We encourage all employees to take the initiative in defining and implementing targeted measures based on the survey results. In 2018, we enhanced the survey and used a faster and more flexible survey tool in selected regions. The new survey platform, which is set to be rolled out globally for the next Group-wide survey in 2019, enables real-time feedback and mobile access.

Participation in decision-making and company success

Dialogue on an equal footing with employees is a reality at Beiersdorf. Our employees participate in key decision-making processes with a major influence on the success of our company. The close involvement of employee representatives is also part of our corporate culture. At the end of 2018, 56% (previous year: 51%) of our organizations worldwide had a works council, a union organization, or another form of employee representation, despite this being a legal requirement for only 45% (previous year: 37%) of our organizations.

Events at global and local level, such as town hall meetings, round tables, and online chats, offer our employees an opportunity to talk directly to the Executive Board and other senior managers at eye level. We also allow our employees to actively help shape the working world of tomorrow in a multitude of ways. One major project in the reporting year that put a particular emphasis on employee participation was the future Beiersdorf campus. The new Group headquarters at the company premises on Troplowitzstrasse, Hamburg, are due to be completed in 2021 and will contain approximately 3,000 state-of-the-art workstations. In addition to providing continual project updates and holding town hall meetings, the project team initiated various online surveys and an interactive platform, on which some 25% of the workforce in Hamburg contributed their own ideas and suggestions for the new campus. At the end of the initiative, all ideas were examined for feasibility and – depending on the result – integrated into further project planning. Alongside digitalization and sustainability, discussion centered particularly on desired employee services, the workplace of the future, and teamwork.

Equal opportunities and diversity

As a globally operating company, we regard the diversity of our workforce as a particular field of opportunity. Diversity is therefore a central element of our strategic orientation and helps to position Beiersdorf as an attractive employer. People from different nations, cultures, and generations and of all genders work with us at Beiersdorf. We want to systematically promote this diversity and harness the benefits it provides. Different perspectives make us more innovative and competitive, and allow us to better understand consumer needs.

As of December 31, 2018, we employed people from 100 countries around the world. At our Hamburg headquarters alone, the ratio of international employees increased to 17.1% (previous year: 16.5%). At the end of 2018, 39% of our managers in the top three levels of management had at least three years' experience of working abroad (previous year: 37%).

Alongside internationalization, gender diversity – equal professional development opportunities for men and women – has long been of the utmost importance to us. We have 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. The proportion of women at the first management level of Beiersdorf AG at the end of 2018 was 24% (previous year: 26%). At the second level, the proportion was 48% (previous year: 46%). Dessi Temperley, who took over as CFO with effect from July 1, 2018, became the first woman to join the Beiersdorf Executive Board. This development took Beiersdorf a major step closer toward its five-year goal formulated in summer 2017, which aims, by 2022, to raise the proportion of women to 10% on the Executive Board, 35% at the first management level, and 50% at the second management level.

GENDER DISTRIBUTION BY REGION

	male (in %)	female (in %)	**Employees (total)**
Germany	51	49	4,110
Europe (excl. Germany)	40	60	4,078
North America	33	67	352
South America	43	57	2,176
Africa/Asia/Australia	51	49	4,426
Worldwide	**46**	**54**	**15,142**

On a global level, we use the first three management groups as benchmarks. In the year under review, the proportion of women was 30% (previous year: 29%; target 2022: 35%).

La Prairie, too, promotes equal opportunities for men and women and placed great value on gender diversity in recruitment for the top level of management. The proportion of female executives as of December 31, 2018, was 38%, thus exceeding the 30% target.

Beiersdorf has taken a wide range of measures in recent years to achieve a balanced gender mix at all management levels. Since mid-2018, we have brought all these activities together under the umbrella of our global "enCourage" initiative. These efforts encompass various dimensions – onboarding, networking, personal development, and job and private life – and are not aimed solely at women. While some networks and development opportunities have been specially developed for female employees, others – such as measures for achieving a healthy work-life balance – are clearly aimed at the entire workforce.

Promoting job sharing is also important in this context. We enable job sharing at all levels, helping employees balance work and private life. At the end of the fiscal year, there were 19 job-sharing tandems at Beiersdorf in Germany. Eleven tandems performed management roles on a part-time basis. Our online platform two:share, established in November 2016, not only helps our employees look for a matching tandem partner, but also provides all Beiersdorf staff with comprehensive information about job sharing and helps with active networking. Beiersdorf is thus one of the pioneers among the DAX 30 companies where this model of agile working has become part of the corporate culture.

We also continued to promote age diversity in the reporting year. In the Consumer Business Segment in Germany, the proportion of employees aged over 50 rose from 31% in 2017 to 32%. The average age among employees as of December 31, 2018, was 42 (previous year: 42). A good mix of ages helps us take advantage of the strengths of different generations and avoid spikes in retirement.

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.

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

	2017	**2018**
> 60 years	5	4
51 – 60 years	25	25
41 – 50 years	24	22
31 – 40 years	27	27
21 – 30 years	18	19
< 20 years	2	2

tesa

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

PERSONNEL DEVELOPMENT

In 2018, tesa invested in advanced training and further attractive development opportunities for its staff. One focus was on training managers in order to give them new tools to facilitate them in their leadership tasks along with assistance in specific areas. With the "Sales and Marketing Qualification" development program, tesa focused in 2018 on pricing strategy. Therefore, the company tested various training methods and integrated these into regular training measures. tesa successfully completed the development and production of e-onboarding in 2018 and has made this available to all corporate units worldwide in two languages. tesa is making increasing use of e-learning and blended learning for knowledge transfer. These learning methods give employees the opportunity to acquire new knowledge anytime and anywhere. At the same time, face-to-face training still plays an important role. Alongside the employee appraisals based on the tesa competency model, annual talent management workshops are also becoming an increasingly important part of the development opportunities in the company.

LEADERSHIP CULTURE

Managers' ability to offer employees a motivating work environment and encourage them to express their talents is key to tesa's business success and its attractiveness as an employer. In 2018, tesa therefore further intensified the leadership program. Essential Leadership Training has been used across the board since the middle of the year. The aim is to give all managers worldwide the same understanding of leadership. The Advanced Leadership Training piloted in the previous year was completed in 2018 and is now available as a further module for tesa management training. It gives managers the opportunity to tackle particularly difficult leadership challenges and develop new solutions under the guidance of a trainer. Since 2018, short training units exploring leadership for new forms of collaboration have rounded off the program. These include leadership in a matrix and leading virtual teams.

ATTRACTIVE WORKING ENVIRONMENT

tesa is active in various areas to promote a safe and healthy working environment and boost the commitment and motivation of staff. Alongside leadership, development opportunities, and performance-related pay, factors such as occupational health and safety are increasingly influencing employee retention.

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 2018. The corporate health management scheme “It’s for you” and the “tesa sport club” took a new approach in 2018 with a wide range of courses. From health check-ups to back-strengthening training programs and physiotherapy, employees can take advantage of an interdisciplinary offering.

CONTINUOUS DIALOGUE

tesa regularly reviews its training and development portfolio with an anonymous employee survey. To meet the high need for information identified among employees, tesa organized an “HR Market Place” for the second time in 2018 to inform interested staff members about the various offerings and development opportunities. This was very well received, and it is planned to repeat the event in 2019.

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

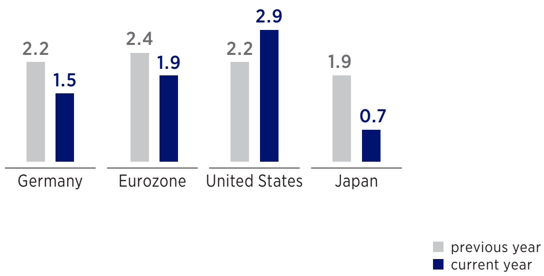
Economic Report

Economic Environment

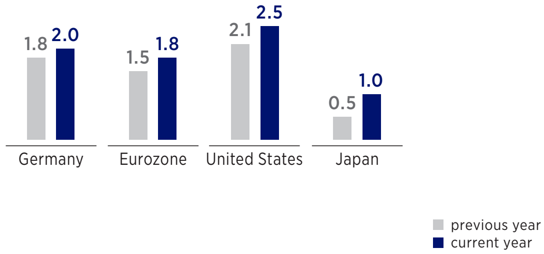
General Economic Situation

After a strong first six months, the pace of growth in the **global economy** weakened over the remainder of 2018. This left the growth rate for the full year on a par with the previous year's level. The United States remained the growth driver, while Europe, China, and the emerging markets saw momentum slow again in the latter part of the year. Global growth was, however, bolstered by consumer spending and investment. The general political and economic uncertainty surrounding geopolitical conflicts, the unknown long-term consequences of the United Kingdom leaving the European Union (Brexit), and the future political direction of the United States put the brakes on global economic growth in the second half of the year.

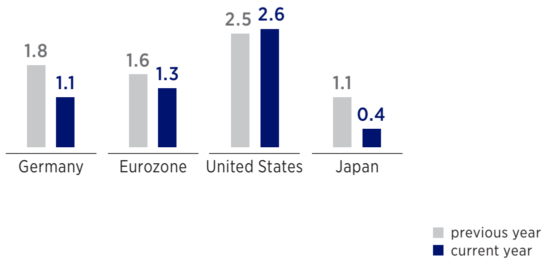
GROSS DOMESTIC PRODUCT (IN %)*
Change versus previous year



INFLATION RATE (IN %)*
Change versus previous year



CONSUMER SPENDING (IN %)*
Change versus previous year



* Commerzbank Research

Economic growth in **Europe** increasingly lost momentum in 2018 due to lower global demand and a heavily export-dependent economy. The ongoing threat of trade disputes and the appreciation of the Euro led to lower growth, especially in the three biggest Eurozone member states (Germany, France, and Italy). Consumer spending and the willingness to invest, boosted by the positive trend in the labor market and continued low interest rates, were the key factors supporting growth. Nevertheless, political uncertainty remained high due to separatist conflicts in Spain, the proliferation of anti-European movements, and the difficult exit negotiations with the United Kingdom.

Economic growth in **Germany** lost momentum compared with the previous year, but continued to rest on strong fundamentals. Once again, the main growth drivers were consumer spending, backed by wage growth and the continued strong labor market, as well as investments generated by the favorable financing conditions under the European Central Bank's (ECB) expansionary monetary policy.

In the **United States**, economic growth picked up in 2018, mainly due to tax cuts and substantially increased government spending. Growth was boosted by rising consumer spending on the back of the continued healthy labor market situation, and by investments.

In **Japan**, the moderate pace of growth was weakened by downturns in the first and third quarters, partly caused by natural disasters. Growth thus fell short of the previous year's level, but continued to be bolstered by companies' willingness to invest.

Emerging markets economies experienced varied degrees of growth. In **China**, the growth rate was slightly down on the previous year. Momentum was underpinned especially by fiscal policy stimulus. However, this only partly offset declines in production, particularly in the automotive sector, and weaker construction activities. In **India**, the economy expanded strongly following the weak performance in the previous year. General political uncertainty weighed on economic growth in the **Middle East**. A slight economic recovery continued in **Brazil**, where growth was on a par with the previous year. The political situation surrounding the elections in October hit growth, as did the strike by truck drivers in May. Sentiment improved following the elections in October. Corruption, lack of reform, and political uncertainty all negatively affected the economic situation. In **Russia**, economic growth was positive again in 2018 but gained little momentum. The Soccer World Cup did not provide as much tailwind as expected. Nevertheless, consumer spending and historically low inflation drove economic expansion. Ongoing international sanctions continued to put a heavy strain on the Russian economy.

Sales Market Trends

After a moderate performance in the first half of 2018, the global growth rate in the cosmetics market – the market relevant for Beiersdorf – rose over the remainder of the year, outperforming the previous year's level. Growth impetus came especially from North America, Asia, Africa, and Australia. The Middle East and Europe also saw positive growth, albeit at a relatively low level in the case of the latter region. Only in South America did the growth rate fall short of the previous year's figure.

For the tesa Business Segment, 2018 was marked by the subdued performance of the automotive sector. Production in Germany declined, while China and North America saw only muted growth. Southeast Asia and Eastern Europe were the growth drivers. Consumer electronics, especially smartphones and tablets, also saw a slight downward trend. Wearables (fitness bracelets and smart watches) provided a market boost. The packaging and construction industry also performed largely positively.

Procurement Market Trends

The situation on the commodity markets was generally tight. This was due to numerous supply bottlenecks as a result of force majeure combined with capacity shortages in the market for primary materials. The average oil price for 2018 as a whole considerably exceeded that seen in 2017. The purchasing volumes generated by our strong business performance improved our purchasing position. This, along with other accompanying measures, enabled us to cushion rises in the cost of raw materials.

Overall Assessment of the Economic Environment

Macroeconomic growth in 2018 was positive despite significant (geo)political and structural risks, and held steady at the prior-year level. The situation in the global cosmetics market improved overall, showing solid growth in 2018. However, many regions and markets posed specific challenges. Despite this challenging environment, the Consumer Business Segment increased its sales and outperformed the market as a whole.

In the automotive sector, which is important to tesa, and in consumer electronics, the economic environment was considerably more subdued in 2018 than in the previous year. Despite difficult market conditions, tesa once again achieved healthy sales growth. This was primarily thanks to its sales outperforming the market in consumer electronics, particularly in Asia, and to the continuation of the positive trend in the automotive industry, especially in the United States. Up-and-coming categories such as wearables provided additional market stimulus, along with the packaging and construction industry.

Results of Operations

Results of Operations – Group

INCOME STATEMENT (IN € MILLION)

	2017	2018	Change in %*
Sales	**7,056**	**7,233**	**2.5**
Cost of goods sold	–2,910	–3,075	5.7
Gross profit	**4,146**	**4,158**	**0.3**
Marketing and selling expenses	–2,471	–2,484	0.5
Research and development expenses	–196	–211	7.6
General and administrative expenses	–395	–404	2.3
Other operating result (excluding special factors)	4	54	–
Operating result (EBIT, excluding special factors)	**1,088**	**1,113**	**2.3**
Special factors	–	–16	–
Operating result (EBIT)	**1,088**	**1,097**	**0.8**
Financial result	–66	–49	–
Profit before tax	**1,022**	**1,048**	**2.5**
Income taxes	–333	–303	–8.9
Profit after tax	**689**	**745**	**8.1**

* Percentage changes are calculated based on thousands of euros.

SALES

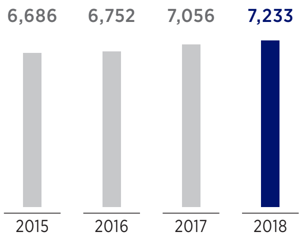
Organic Group sales in 2018 were up 5.4% on the previous year. The Consumer Business Segment grew by 5.0%. tesa achieved a 6.8% rise in sales. In nominal terms, Group sales rose by 2.5% as against the prior year to €7,233 million (previous year: €7,056 million).

In **Europe**, organic sales were up 4.0% on the previous year. In nominal terms, sales stood at €3,673 million (previous year: €3,568 million), 2.9% higher than the prior-year figure.

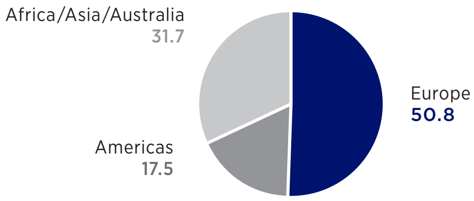
Organic growth in the **Americas** amounted to 2.3%. Sales fell in nominal terms by 3.1% to €1,267 million (previous year: €1,307 million).

The **Africa/Asia/Australia** region reported organic growth of 9.4%. In nominal terms, growth of 5.1% to €2,293 million was recorded (previous year: €2,181 million).

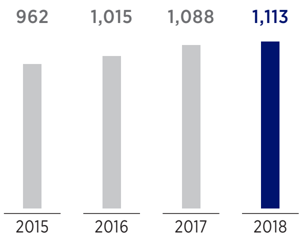
GROUP SALES (IN € MILLION)



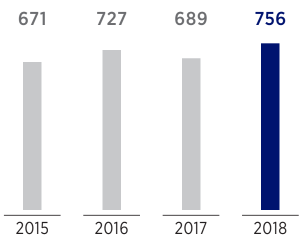
GROUP SALES BY REGION (IN %)



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 5.7%, which was faster than the increase in sales. Price pressure on our sales and procurement markets, exchange rate effects, and changes in the product and country mix had a negative impact on the development of **gross profit**. This was offset by efficiency improvements in production, logistics, and purchasing.

Marketing and selling expenses increased slightly but at a lower rate than sales and amounted to €2,484 million (previous year: €2,471 million). The marketing budget was adjusted to the changed market conditions and especially the change in consumers' media use. A total of €1,532 million (previous year: €1,522 million) was spent on advertising and trade marketing. We further consolidated our market position by investing in marketing and sales in a number of countries, especially in emerging markets.

Research and development expenditure rose considerably and totaled €211 million (previous year: €196 million). This strengthened Beiersdorf's ability to respond to the requirements of consumers and customers and to develop innovative products and system solutions. **General and administrative expenses** rose in line with sales from €395 million to €404 million. They included the effects of regionalization through the foundation of new subsidiaries, the cost of the acquisitions at tesa, and expenditure on updating and securing our information systems. The **other operating result** (excluding special factors) improved to €54 million (previous year: €4 million). This was mainly due to higher proceeds from the sale of fixed assets, currency gains, and increased reversal of provisions.

OPERATING RESULT (EBIT, EXCLUDING SPECIAL FACTORS)

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

EBIT excluding special factors rose to €1,113 million (previous year: €1,088 million), while the EBIT margin was 15.4% (previous year: 15.4%). The Consumer Business Segment generated EBIT excluding special factors of €903 million (previous year: €881 million); the EBIT margin reached 15.3% (previous year: 15.2%). EBIT at tesa was €210 million (previous year: €207 million); the EBIT margin was 15.7% (previous year: 16.5%).

The Group operating result before special factors in **Europe** was €637 million (previous year: €628 million). The EBIT margin was 17.3% (previous year: 17.6%). The operating result before special factors in the **Americas** amounted to €132 million (previous year: €142 million). The EBIT margin was 10.4% (previous year: 10.9%). In **Africa/Asia/Australia**, EBIT excluding special factors amounted to €344 million (previous year: €318 million). The EBIT margin was 15.0% (previous year: 14.6%).

SPECIAL FACTORS

The special factors recognized consisted solely of extraordinary amortization of €16 million on a Chinese hair care brand. No special factors were recognized in 2017.

OPERATING RESULT (EBIT)

The operating result (EBIT) amounted to €1,097 million (previous year: €1,088 million). This corresponds to an EBIT margin of 15.2% (previous year: 15.4%).

FINANCIAL RESULT

The financial result amounted to €–49 million (previous year: €–66 million). The result was affected by losses in the value of financial assets and negative exchange rate effects.

INCOME TAXES

Income taxes amounted to €303 million (previous year: €333 million). This trend was attributable to the positive development of the position "prior-year taxes" and higher income from deferred taxes. The tax rate was 28.9% (previous year: 32.6%).

PROFIT AFTER TAX

Profit after tax was €745 million (previous year: €689 million); the return on sales after tax was 10.3% (previous year: 9.8%). Excluding special factors, profit after tax amounted to €756 million (previous year: €689 million). The corresponding return on sales after tax was 10.5% (previous year: 9.8%).

EARNINGS PER SHARE – DIVIDENDS

Earnings per share were €3.21 (previous year: €2.96). Excluding special factors, earnings per share amounted to €3.26 (previous year: €2.96). 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, 2017	**Jan. 1 – Dec. 31, 2018**	nominal	organic
Europe	**2,861**	**2,941**	**2.8**	**4.2**
Western Europe	2,280	2,354	3.2	3.9
Eastern Europe	581	587	1.1	5.3
Americas	**1,117**	**1,051**	**–5.9**	**1.1**
North America	427	441	3.4	7.3
Latin America	690	610	–11.7	–2.8
Africa/Asia/Australia	**1,821**	**1,898**	**4.2**	**8.8**
Total	**5,799**	**5,890**	**1.6**	**5.0**

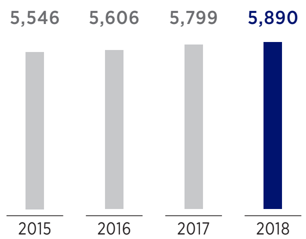
Sales in the **Consumer** Business Segment achieved organic, volume-driven growth of 5.0% in 2018. Exchange rate effects reduced sales by 3.4 percentage points. In nominal terms, sales therefore increased by 1.6% to €5,890 million (previous year: €5,799 million).

In the emerging markets, we gained market share with double-digit sales growth rates in some cases. NIVEA and the Derma business unit, which includes the Eucerin and Aquaphor brands, once again achieved healthy growth rates overall. Our La Prairie brand performed outstandingly this year.

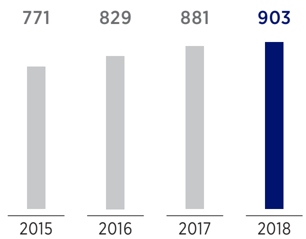
Strong earnings in the Western European markets were further boosted. In North America, as well as in most of the emerging markets, results improved considerably. Increased investments led to losses in only a few countries.

EBIT excluding special factors was €903 million (previous year: €881 million), while the corresponding EBIT margin rose to 15.3% (previous year: 15.2%).

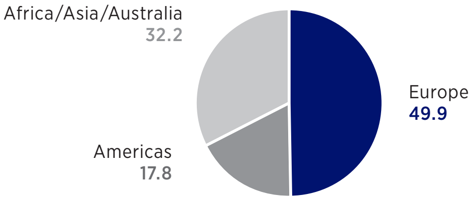
CONSUMER SALES (IN € MILLION)



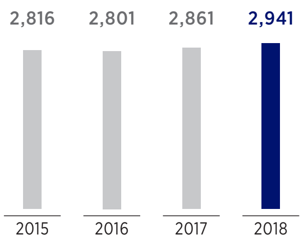
CONSUMER EBIT (IN € MILLION)
Excluding special factors



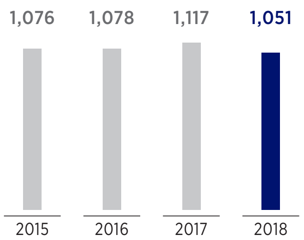
CONSUMER SALES BY REGION (IN %)



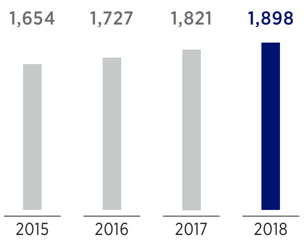
CONSUMER SALES IN EUROPE (IN € MILLION)



CONSUMER SALES IN THE AMERICAS (IN € MILLION)



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



NIVEA grew organically by 2.8% globally in 2018. The key growth drivers were NIVEA Body, NIVEA Shower, and NIVEA Sun. In these categories, NIVEA Body Pleasure, which was introduced in the previous year, as well as the newly launched NIVEA Body Mousses and the NIVEA Sun face care range, were significant growth drivers. Innovations, such as the NIVEA Deep range for men, and the face-cleansing NIVEA MicellAIR® Skin Expert range, contributed substantially to growth.

Overall, NIVEA maintained its strong position despite various challenges in the markets. In the NIVEA Body category, we extended our market share particularly in Saudi Arabia, India, and Mexico. For our NIVEA Shower category, especially Germany showed a positive development of market shares. In the NIVEA Deo category, market share gains were achieved in Indonesia, and Mexico. At country level, NIVEA achieved especially positive growth in market share in Germany, India, Saudi Arabia, and Mexico. A decline in market share was seen particularly in Thailand, Italy, and Poland.

The **Derma** business unit increased sales by 5.9%. Business developed very positively especially in the United States, Germany, and Thailand. Eucerin's main categories Body, Face, and Sun as well as Aquaphor played an especially large part in growth.

Sales in **Healthcare**, which includes the Hansaplast and Elastoplast brands, were down 1.8% on the previous year. This negative trend was attributable to the sports bandages product category in Australia and the economic crisis in Argentina. Meanwhile, the core wound care business performed positively, achieving gains in market share.

In the selective cosmetics segment, our **La Prairie** brand increased organic sales by an outstanding 38.5%. Growth came from higher sales in the travel retail business, especially at airports, and the Skin Caviar Collection with its core range (particularly Skin Caviar Liquid Lift). The newly launched Platinum Rare Cellular Night Elixir and White Caviar Crème Extraordinaire were also major growth drivers. Sales performed especially well in China, Hong Kong, Australia, and North America.

Organic sales in the **Europe** region grew by 4.2% year-on-year. In nominal terms, sales rose 2.8% to €2,941 million (previous year: €2,861 million).

In **Western Europe**, sales were up 3.9% on the previous year. Healthy growth rates were achieved especially in Germany and the United Kingdom. Sales in France and Greece, meanwhile, fell short of the previous year. Sales with NIVEA Shower, NIVEA Deo and NIVEA Sun developed well. The Derma segment also showed encouraging growth. Sales growth was significantly influenced by the very good performance of the La Prairie brand's travel retail business.

In **Eastern Europe**, sales were 5.3% higher than in the previous year. This increase was mainly driven by a very healthy performance in Russia, Poland, Serbia, and Romania as well as by double-digit growth in Ukraine. NIVEA Deo, NIVEA Face, and NIVEA Universal Creams performed especially well. Eucerin also saw strong growth in the region.

Organic sales in the **Americas** region grew by 1.1% versus the prior-year level. At €1,051 million, nominal sales were down 5.9% year-on-year (previous year: €1,117 million).

Sales in **North America** climbed 7.3% compared with the previous year. NIVEA Body was especially successful. The Derma business unit and La Prairie both saw double-digit growth in the region.

In **Latin America**, sales were down 2.8% on the previous year. In a difficult market environment, sales in Argentina fell substantially short of the prior-year figure. This was also partly due to negative exchange rate effects. In Brazil, sales were slightly lower than in the previous year. Excellent growth was recorded in Mexico. NIVEA Body, NIVEA Universal Creams, NIVEA Shower, and NIVEA Men performed especially well.

The **Africa/Asia/Australia** region lifted sales by 8.8% compared with the previous year. In nominal terms, sales rose by 4.2% to €1,898 million (previous year: €1,821 million). Double-digit growth in India, Indonesia, and Turkey, as well as very good growth in Africa and a good development in Thailand, were the basis for this. In particular, NIVEA Deo, NIVEA Body, and NIVEA Face all performed very well. Eucerin and La Prairie posted double-digit growth rates.

tesa

SALES – tesa BUSINESS SEGMENT (IN € MILLION)

			Change (in %)	
	Jan. 1 – Dec. 31, 2017	**Jan. 1 – Dec. 31, 2018**	nominal	organic
Europe	707	732	3.5	3.2
Americas	190	216	13.5	9.7
Africa/Asia/Australia	360	395	9.6	12.3
Total	**1,257**	**1,343**	**6.8**	**6.8**

Sales in the **tesa** Business Segment increased by 6.8% in organic terms significantly in comparison with the previous year. Exchange rate effects decreased the rate of growth by 2.3 percentage points. At the same time acquisitions contributed to growth with 2.3 percentage points. In nominal terms, sales therefore also increased by 6.8% to €1,343 million (previous year: €1,257 million).

The trend in **Europe** was positive again in 2018, leading to organic sales growth of 3.2%. The business performed well in both Eastern and Western Europe. Sales increased in both the Trade Markets and Direct Industries divisions. tesa essentially acquired two companies in Europe in 2018 (tesa TL B.V., the Netherlands; FormFormForm Ltd., United Kingdom) with a sales contribution of approximately €12 million. At current exchange rates, tesa generated European sales of €732 million (previous year: €707 million). Europe's share of Group sales declined to 54.5% (previous year: 56.2%).

In the **Americas**, tesa generated sales growth of 9.7% in organic terms in 2018, particularly on the back of the positive performance of the automotive market in North America. In 2018, the tesa Group strengthened its position in the Americas by purchasing two operational companies (Functional Coatings LLC, United States; tesa TL LLC, United States) that contributed around €17 million to sales. Sales at current exchange rates rose by 13.5% to €216 million (previous year: €190 million). The region's share of Group sales increased to 16.1% (previous year: 15.2%).

Organic sales growth of 12.3% in the **Asia** region was buoyed up by the project business with products for the electronics industry. At current exchange rates, sales in the region were up 9.6%, from €360 million in the previous year to €395 million. The region's share of Group sales increased to 29.4% (previous year: 28.6%).

EBIT increased to €210 million (previous year: €207 million). The EBIT margin was 15.7% (previous year: 16.5%).

DIRECT INDUSTRIES

tesa's **Direct Industries** division recorded organic sales growth of 9.1%, with all regions contributing to the very positive sales trend. 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 rose by 10.1% to €798 million (previous year: €725 million). Acquisitions lifted sales by 3.7 percentage points. The share of the Direct Industries division in total sales was 59.5% (previous year: 57.7%).

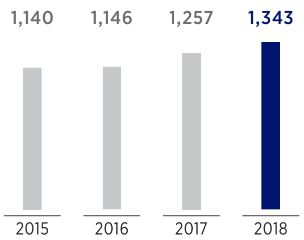
In consumer electronics, tesa once again recorded a sharp increase in sales in 2018 and further expanded its market position in the two key product categories: smartphones and tablets. The newly introduced acrylic foams for mounting displays and rear casings also successfully contributed to growth. With its new range of Optically Clear Adhesives, tesa won initial orders from renowned manufacturers of games consoles and e-reader displays.

In the automotive sector, tesa generated initial sales for battery-manufacturing applications in particular, and is thus successfully shaping current trends such as e-mobility and digitalization. The commissioning of a production facility for cable harness constructions in North America enables local customers to be served even more effectively.

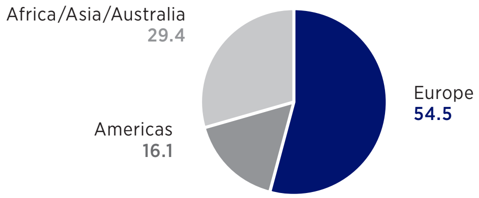
In the printing and paper business, tesa is expanding its activities in flexographic printing. In March 2018, it acquired the self-adhesive sleeves business Twinlock from the Dutch firm Polymount. This market is on an upward trajectory, allowing tesa to continue its growth path in this area. tesa also grew in 2018, even in saturated markets such as graphic papers. This was achieved through concerted modernization of existing standard ranges and active customer focus.

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

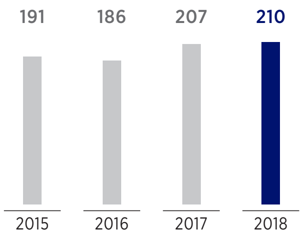
tesa SALES (IN € MILLION)



tesa SALES BY REGION (IN %)



tesa EBIT (IN € MILLION)
Excluding special factors



With tesa scribos®, tesa helps international brand owners digitalize their products. Product markings and customized Web and app solutions connect genuine products to the digital world. tesa has implemented innovative new developments in both areas, such as the digital gray market protection module and tesa ValiGate® marking. This allows retailers and consumers to automatically check whether a product is genuine using their smartphones.

In the building industry business area, tesa reaffirmed its growth path and gained further market share. Adhesives using ACXplus technology for doors and windows made a particular contribution to the strong growth. In the interior construction segment, dividing wall systems were well received by the market. With the acquisition of the US company Functional Coatings, LLC, tesa strengthened its market position in adhesive tape products for the construction and building supply industry in 2018, adding innovative adhesive tape and sealing products.

TRADE MARKETS

The **Trade Markets** division performed positively with organic sales growth of 3.8%. In nominal terms, sales improved by 2.3% to €539 million (previous year: €527 million). Acquisitions contributed to sales with 0.4 percentage points. The division thus accounted for 40.1% (previous year: 41.9%) of the tesa Business Segment's total sales in the reporting year.

tesa improved and expanded its range for the industrial distribution business. The development of new product categories, such as water-based acrylic transfer tape, also contributed to this. tesa also introduced a new temperature-resistant masking tape to the market, renewing a series of traditional products in the tesa range. In China, there was strong growth in e-commerce.

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 achieved further growth. The digital sales channels in particular outperformed the market.

tesa laid the foundations for further growth in its consumer business, not least through the acquisition of FormFormForm Ltd. The London-based company produces moldable glues under the Sugru brand and sells them to end customers primarily through digital channels. Product innovations and increased expertise in digital marketing are helping tesa to open up new markets and countries.

Since July 2018, tesa has been selling bathroom accessories under the tesa® brand, benefiting from the specific manufacturing expertise of the tesa affiliate nie wieder bohren GmbH. The highly effective tesa® smart mounting system, which was developed in-house and includes adhesive nails and screws, also continued to perform positively in its third year.

Net Assets

NET ASSETS – GROUP (IN € MILLION)

Assets	Dec. 31, 2017	Dec. 31, 2018
Non-current assets	3,926	4,301
Inventories	854	986
Other current assets	2,524	2,665
Cash and cash equivalents	901	919
	8,205	**8,871**

Equity and liabilities	Dec. 31, 2017	Dec. 31, 2018
Equity	5,125	5,647
Non-current provisions	780	801
Non-current liabilities	80	73
Current provisions	427	426
Current liabilities	1,793	1,924
	8,205	**8,871**

Non-current assets increased by €375 million to €4,301 million (previous year: €3,926 million). Long-term securities increased by €81 million to €2,613 million (previous year: €2,532 million). Capital expenditure on property, plant, and equipment, and intangible assets amounted to €358 million (previous year: €195 million). Of this amount, €320 million (previous year: €129 million) related to the Consumer Business Segment and €38 million (previous year: €66 million) to the tesa Business Segment. Capital expenditure primarily related to the plants of the two business segments, Consumer and tesa, as well as the construction of the new Group headquarters. The tesa acquisitions increased fixed assets by €105 million. Group depreciation, amortization, and impairment losses amounted to €165 million (previous year: €150 million). Inventories increased by €132 million to €986 million (previous year: €854 million). Other current assets increased to €2,665 million (previous year: €2,524 million). This item includes short-term securities of €889 million (previous year: €770 million). The increase in this position was largely attributable to increased investment of funds in short-term securities. Trade receivables rose by €68 million to €1,394 million (previous year: €1,326 million). Income tax receivables amounted to €108 million (previous year: €108 million), while other current assets fell by €11 million to €158 million.

Cash and cash equivalents increased to €919 million (previous year: €901 million). Net liquidity (cash, cash equivalents, and long- and short-term securities less current liabilities to banks) increased by €213 million to €4,402 million (previous year: €4,189 million). Current liabilities to banks rose by €4 million to €18 million (previous year: €14 million).

Total non-current provisions and liabilities stood at €874 million (previous year: €860 million). This item includes provisions for pensions and other post-employment benefits, which increased slightly to €677 million (previous year: €659 million). There was a related reduction in deferred tax liabilities to €64 million (previous year: €74 million). Total current provisions and liabilities rose by €130 million to €2,350 million (previous year: €2,220 million) as a result of an increase in trade payables due to operational factors. The equity ratio was 64% (previous year: 62%). Non-current liabilities accounted for 10% (previous year: 11%) and current liabilities for 26% (previous year: 27%).

FINANCING STRUCTURE (IN %)

Financial Position

CASH FLOW STATEMENT – GROUP (IN € MILLION)

	2017	**2018**
Gross cash flow	930	933
Change in net current assets	–19	–65
Net cash flow from operating activities	911	868
Net cash flow from investing activities	–633	–635
Free cash flow	278	233
Net cash flow from financing activities	–202	–210
Other changes	–47	–5
Net change in cash and cash equivalents	29	18
Cash and cash equivalents as of Jan. 1	**872**	**901**
Cash and cash equivalents as of Dec. 31	**901**	**919**

Gross cash flow amounted to €933 million in the period under review, up €3 million on the prior-year value.

The change in net current assets led to an outflow of €65 million (previous year: outflow of €19 million). The increase of €127 million in trade payables and current provisions were offset by a €132 million rise in inventories and a €60 million rise in receivables and other assets.

The net cash outflow from investing activities amounted to €635 million in the year under review (previous year: €633 million). Interest and other financial income received of €39 million and proceeds of €39 million from the sale of intangible assets and property, plant, and equipment were offset by net investments of €268 million in the purchase of securities as well as capital expenditure of €358 million for property, plant, and equipment, and intangible assets and payments of €87 million for acquisitions.

Free cash flow was €233 million, down by €45 million on the prior-year value (€278 million). The net cash outflow of €210 million from financing activities (previous year: €202 million) mainly comprised the Beiersdorf AG dividend payment of €159 million, and interest and other financial expenses paid in the amount of €51 million.

Cash and cash equivalents amounted to €919 million (previous year: €901 million).

FINANCING AND LIQUIDITY PROVISION

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

Overall Assessment of the Group's Economic Position

Comparison of Actual and Forecast Business Developments

		Result in 2017	Forecast for 2018 in 2017 Annual Report	Forecast for 2018 in H1 2018 Report	Forecast for 2018 in 9M 2018 Quarterly Statement	Result in 2018
Sales growth (organic)						
Consumer	(in %)	4.7	4 – 5	around 5	around 5	5.0
tesa	(in %)	10.6	3 – 4	5 – 6	5 – 6	6.8
Group	(in %)	5.7	around 4	around 5	around 5	5.4
EBIT margin (excluding special factors)						
Consumer	(in %)	15.2	slightly above prior year	slightly above prior year	slightly above prior year	15.3
tesa	(in %)	16.5	slightly below prior year	slightly below prior year	slightly below prior year	15.7
Group	(in %)	15.4	at prior-year level	at prior-year level	at prior-year level	15.4

Business developments in 2018 showed that Beiersdorf is on the right path. The **Group's** two business segments performed well. The Group generated sales of €7,233 million (previous year: €7,056 million). Organic growth stood at 5.4% (previous year: 5.7%). EBIT excluding special factors reached €1,113 million (previous year: €1,088 million). The EBIT margin excluding special factors was 15.4% (previous year: 15.4%).

The **Consumer** Business Segment can look back on a solid 2018. We focused on leveraging the potential of our derma, healthcare, and selective brands Eucerin, Hansaplast, and La Prairie. La Prairie performed outstandingly over the year. NIVEA and Eucerin achieved good or very good growth rates in 2018.

With sales growth of 5.0%, Consumer met the increased forecast for fiscal year 2018. This growth came from both the saturated markets and emerging markets, and from all regions with the exception of Latin America. As forecast, the operating result (EBIT, excluding special factors) and EBIT margin were slightly up on the previous 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. tesa increased sales by 6.8% in 2018, considerably exceeding the increased forecasts. This was especially thanks to the good performance in consumer electronics in Asia and the continuing positive trend in the automotive industry in the Americas. As forecast, the operating result (EBIT, excluding special factors) and EBIT margin were slightly down on the previous year.

Beiersdorf AG

Business activities

Beiersdorf AG is based in Hamburg (Germany) and is the parent company of the Beiersdorf Group. As of December 31, 2018, Beiersdorf AG employed 2,260 people (previous year: 2,102). The number of vocational trainees and trainees was 136 (previous year: 155).

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 subsidiaries worldwide. The company also performs central planning/financial control, 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 were taken into account.

Results of Operations Beiersdorf AG

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

	2017	2018
Sales	**1,229**	**1,262**
Other operating income	27	38
Cost of materials	–278	–290
Personnel expenses	–252	–276
Depreciation and amortization of property, plant, and equipment, and intangible assets	–11	–11
Other operating expenses	–573	–575
Operating result	**142**	**148**
Net income from investments	226	230
Net interest expense	–15	–22
Other financial result	–45	–41
Financial result	**166**	**167**
Profit before tax	**308**	**315**
Income taxes	–65	–51
Profit after tax	**243**	**264**
Transfer to other retained earnings	–67	–88
Net retained profits	**176**	**176**

Beiersdorf AG's **sales** rose by €33 million to €1,262 million in the reporting year (previous year: €1,229 million). Product sales of NIVEA Deo, NIVEA Sun, and Hidrofugal were particularly encouraging. Sales of €966 million (previous year: €945 million) were generated in Germany and €296 million (previous year: €284 million) in other countries.

The **operating result** rose by €6 million to €148 million due to increased other operating income.

At €167 million, the **financial result** was slightly up €1 million on the previous year. This was due to an increase in net income from investments and an improved financial result from currency conversion. However, net interest income declined as a result of higher interest expense arising from a change in the discount rate for pension provisions.

At €315 million, **profit before tax** was up €7 million on the prior-year figure.

Profit after tax was €264 million (previous year: €243 million), an increase of €21 million on the previous year.

Net Assets and Financial Position – Beiersdorf AG

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

Assets	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	1	1
Property, plant, and equipment	99	138
Financial assets	3,362	4,069
Fixed assets	**3,462**	**4,208**
Inventories	3	2
Receivables and other assets	612	772
Securities	1,517	1,116
Cash and cash equivalents	99	73
Current assets	**2,231**	**1,963**
Prepaid expenses	**6**	**4**
Deferred tax assets	**26**	**43**
	5,725	**6,218**

Equity and liabilities	Dec. 31, 2017	Dec. 31, 2018
Equity	**2,629**	**2,735**
Provisions for pensions and other post-employment benefits	486	522
Other provisions	294	283
Provisions	**780**	**805**
Liabilities	**2,316**	**2,678**
	5,725	**6,218**

Fixed assets saw a substantial year-on-year rise of €746 million. This increase was largely attributable to the acquisition of long-term government and corporate bonds. Investments of €49 million in property, plant, and equipment were accompanied by depreciation of €10 million.

Current assets declined by €268 million over the fiscal year to €1,963 million. This item includes short-term securities of €1,116 million (previous year: €1,517 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 €362 million year-on-year to €2,678 million. This was primarily attributable to higher financial liabilities to affiliated companies.

€2,735 million (previous year: €2,629 million) or 44% (previous year: 46%) of the total balance sheet assets of €6,218 million (previous year: €5,725 million) is financed by **equity**.

The Executive Board and Supervisory Board will propose a dividend of €0.70 per no-par value share bearing **dividend** rights to the Annual General Meeting (previous year: €0.70).

Risk Report

Risks and Opportunities

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

Integrated Risk and Opportunity Management System

The risk and opportunity management system at Beiersdorf is an integral part of the central and 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 corporate strategy and helps Beiersdorf identify and make optimal use of its potential. Regularly analyzing customers and the competition, for example, enables a swift response to dynamic market developments. Specific market opportunities and risks are derived from the information obtained.

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

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

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

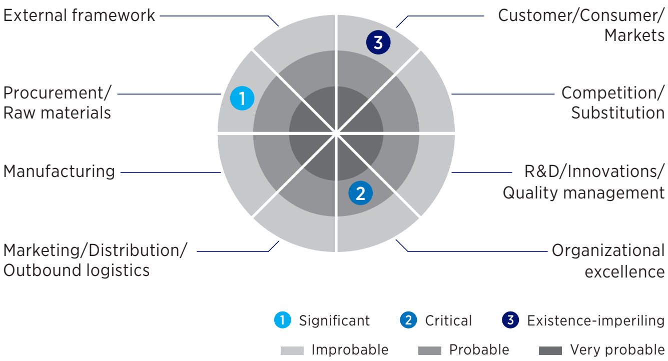
Appropriate observation periods are assigned to these risk categories. A period of up to five years generally applies for strategic risks. For functional risks, the period is up to two years as a rule, and for short-term operational risks around one year.

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

The Executive and Supervisory Boards are regularly updated on the risk situation at Consumer and tesa Business Segment levels and at Group level. Direct lines of communication ensure that sudden, unforeseen material risks are reported

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%	

immediately to top management. The latest information on risk development is fed into the management and planning systems of the corporate units throughout the year and becomes part of the decision-making and control processes. By directly integrating the risk inventory and planning process, the risk management system is continuously developed further and risk awareness is embedded throughout the company.

Description of the Material Risks and Opportunities

STRATEGIC AND FUNCTIONAL RISKS

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

Our compliance with high standards regarding the quality, safety, and environmental sustainability of our products and packaging is the basis for our consumers' continued trust in our brands. Our products are subject to the strict criteria of our quality management system throughout the entire procurement, production, and distribution process. When creating new products, we perform indepth 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.

With the aid of the "Consumer Insights" process, we promptly identify constantly changing consumer wishes and successfully reflect them in our product development. Direct communication with consumers via digital social media is becoming an increasingly important aspect of this. In response, we are comprehensively reviewing and re-orienting our use of media and marketing. However, we still regard the risks from changes in consumer behavior as critical and probable.

Strong brands that balance innovation and continuity and have a clear benefit for consumers are our response to the ever-intensifying global competition on price, cost, quality, and innovation. This response also counteracts the growing retail concentration and the increasing significance of rival brands at local and regional level, whose emergence we regard overall as critical and very probable.

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

Our management focus on the sustainable success of our market activities ensures that we invest in promising markets in terms of brands, products, and regions. Activities in this context range from the screening of new business fields and selective participation in start-ups to the establishment of new affiliates or partnerships in countries not previously covered. At the same time, we ensure that we are generating the funds needed for these activities in the long term. Without this management, we would regard the risk of investing also in less promising markets as critical and probable.

We counter procurement risks relating to delivery reliability and price for raw materials, commodities, and services by continuously monitoring our markets and suppliers and using appropriate contract management. 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 lasting 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 general, we regard the strategic and functional risks in this context as of average significance but rather improbable.

In order to further increase the security, availability, reliability, and efficiency of our IT systems against external and internal attacks, we had started a large-scale project last year. This project has a timeframe of several years and we have continued to pursue it as planned this year with various measures. In parallel, we have continued our efforts to establish a Group-wide business continuity management system that is integrated into our IT and business processes to secure operations at all times. Irrespective of these measures, we still categorize risks to Beiersdorf in connection with the setup and functionality of our IT as critical and rather probable.

Specifically in Europe and in advance of the General Data Protection Regulation that is mandatory since May 25, 2018, we took several measures to adapt our structural and process organization. These help us to ensure safe handling of our company's sensitive data as well as those of our business partners and consumers, such as when developing and using our social media presence or creating new software solutions. At the same time, they allow us to implement the increased information and documentation requirements.

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

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

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

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

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

SHORT-TERM OPERATIONAL RISKS AND OPPORTUNITIES

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

This applies in particular to the risks associated with Brexit. Coordinated by a task force, we are working on all the relevant processes and preparing for a variety of scenarios. However, statements on the probability of their occurrence are not possible. The effects of Brexit – even an unregulated Brexit – on the business of our sales company in England, for example through higher customs duties or changes in exchange rates, are not considered to be critical for the Group as a whole. It is not possible to estimate the effects on the Group of the slowdown in economic development in Great Britain and Europe that would be caused by an unregulated Brexit.

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 highly unlikely that these disputes will result in significant charges for the Group.

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

Summary of the Risk Situation

Compared with the previous year, there has been no significant structural change in our assessment of the likelihood of occurrence and/or potential financial impact of the above risks and opportunities. Overall, even considering the updated estimations, there is no fundamental change to the risk situation. Based on the current assessment, the Beiersdorf Group is 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 handling 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 could limit the effectiveness and reliability of the internal control system.

Independent Monitoring

The supervisory bodies and the Internal Audit department are integrated into the Beiersdorf Group's internal control system with audit activities that are independent of the Group's operations. Internal Audit systematically evaluates the integrity of financial accounting, the effectiveness of the accounting-related internal control system and of the risk and opportunity management system, and compliance. As a process-independent organizational unit, it uses a risk-based approach to reviewing the business processes, the systems and controls that have been put in place, 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

For 2019, we expect **global economic growth** to fall short of the prior-year level as a result of the diminishing stimulus from the US tax reform, further trade restrictions, and a normalization of monetary policy in the United States. Geopolitical unrest, Eurosceptic movements in European countries, and uncertainty about the long-term consequences of Brexit as well as the future economic policy of the United States are continuing to generate uncertainty with regard to the development of the global economy.

In **Europe**, we expect growth falling slightly short of the prior-year level. Low interest rates and a slightly expansionary fiscal policy will continue to bolster growth, and production is expected to increase further – albeit at a more moderate pace than in the previous year. The long-term impact of Brexit, trade conflicts, Italian budgetary policy, and a possible change in course by the European Central Bank are a source of uncertainty.

In **Germany**, we anticipate further growth, though slightly below the previous year's level. However, investment and increased government spending are likely to be the key factors supporting growth. With a slightly rising inflation rate, consumer spending is likely to contribute to growth through further rises in employment and wages.

We expect a slightly reduced growth rate for the **US economy**, particularly given the interest rate hikes by the Federal Reserve and the ebbing fiscal stimulus in the wake of the 2018 tax cut. The potential impact of economic policy is difficult to predict.

In **Japan**, we expect a return to growth in 2019 despite a difficult 2018. A VAT rise is planned for the fall of 2019, which could lead consumers to bring purchases forward, followed by a downturn in consumption and short-term higher inflation. The continued expansionary monetary policy of the Bank of Japan will prop up growth.

In the **emerging markets**, we expect demand overall to be slightly weaker than in the previous year. For the **Chinese economy**, we expect growth to be slightly below the prior-year level, underpinned again by an expansionary fiscal policy. The risk of a depreciating renminbi, the continued high level of indebtedness in state-owned enterprises, and the impact of trade policy continue to cause uncertainty. In **India**, we expect growth to remain strong, albeit slightly below the previous year. In the **Middle East**, we expect trade barriers and other protectionist measures to continue to slow economic growth in the region. For the **Southeast Asian** emerging markets, we expect growth to be slightly down on the previous year's level due to lower growth in production and poorer financing conditions following the normalization of monetary policy in the United States. In **Brazil**, we expect the economy to stabilize further, with growth increasing year-on-year. This trend will be underpinned by consumer spending. There is uncertainty about the effectiveness of the new government's efforts to stimulate growth. In **Russia**, we anticipate growth slightly below the prior-year level, with no dynamic recovery for now.

Procurement Market Trends

The situation on the commodity markets is likely to remain tight in 2019. This is due to very volatile oil prices, partly as a result of the output reduction decided by the Organization of the Petroleum Exporting Countries (OPEC), and a host of political uncertainties such as the current trade dispute between the United States and China, the United States and the European Union, as well as Brexit. Limited refinery capacity, especially in the chemical industry, is also causing tight commodity markets. This means that prices are increasingly decoupling from base materials. Prices for natural preliminary raw materials appear to be stabilizing at their current low levels and could mitigate opposing trends.

Beiersdorf will continue to work intensively on programs to achieve lasting reductions in procurement costs. This includes continuously optimizing the overall cost structure of our products. On the whole, however, we expect the cost of materials to rise slightly in 2019.

Sales Market Trends

We believe that the global growth rate in the cosmetics market – the market relevant for Beiersdorf – will remain at the prior-year level in 2019. We expect only modest growth in the major European and North American markets. The emerging markets will contribute positively to the overall performance.

For tesa, we continue to expect largely stable sales trends in Europe, though political developments represent an element of unpredictability. In North America, we again expect a more positive development particularly from the automotive industry in 2019. After weak growth in 2018, we anticipate a mainly positive trend in Latin America. In Asia, we anticipate moderate growth, which will be coupled very closely to the performance of the Chinese economy. Alongside the automotive segment, we also expect the electronics industry to stimulate growth again in the year ahead. 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 2019 and competition will continue to increase in some markets. With further key strategic steps and a new, expanded management team, we want to meet the challenges ahead of us to unlock Beiersdorf's potential and to be able to further deliver a sustainable growth. We see strong opportunities both in systematically expanding our presence in the emerging markets and in consolidating our position in European markets.

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

tesa expects to bolster its market position with continued investment in research and development, and therefore in innovative products. The electronics industry in Asia remains an attractive business; however, its project-based nature still entails a high risk of volatility. tesa considers Automotive 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 on consumer business.

Business Developments

Our assessment of business developments in the coming year is based on the above assumptions in conjunction with our specifically defined measures.

Beiersdorf anticipates sales growth in the **Consumer** Business Segment to outperform the market at 3 – 5% in fiscal year 2019. The EBIT margin from operations is expected to be in the range of 14.0 – 14.5%.

In the **tesa** Business Segment, we expect sales growth of 3 – 4% in 2019. 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 around 3 – 5%. The consolidated EBIT margin from operations is expected to be around 14.5%.

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 26, 2019
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 and consolidated financial statements as well as the combined management report 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 1, February 22, April 25, June 21, September 4, December 4, 2018 and February 1, 2019. On February 21, 2019, the Supervisory Board determined the remuneration of the Executive Board for fiscal year 2018. 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 2018 continued to comprise essentially four components:

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

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

C) REMUNERATION OF THE EXECUTIVE BOARD IN 2018 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 2018 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 incorporate succession planning and diversity, including targets for the proportion of women at senior management levels and for the proportion of international assignments among employees. 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/her share of the percentage increase in the Enterprise Value Component during his/her term of office once his/her 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/her. For the Executive Board members appointed before 2017, the enterprise value is calculated as a multiple of sales and EBIT as reported in the consolidated financial statements. The increase in value is the increase in enterprise value from the beginning to the end of the bonus period. In each case, this is calculated as an average over three years. For Executive Board members appointed from 2017 onwards, enterprise value is calculated solely from the increase in sales from the beginning to the end of the bonus period, unless EBIT deviates by more than 10% from plan.

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 Board member providing collateral (e.g. by pledging a suitable asset), or by way of allocation.* The Covered Virtual Units participate in positive and negative percentage changes in the value of the Enterprise Value Component. They vest immediately. If they are retained or allocated, they are paid out in full or in part, or not paid out, after being adjusted on the basis of the enterprise value performance. For Covered Virtual Units, the Executive Board member receives a further Enterprise Value Component in the same amount (Matching Virtual Units), corresponding to the Base Virtual Units.

As a rule, the Enterprise Value Component is limited to a maximum amount for each member of the Executive Board (200% cap, corresponding to around 10% p.a.). This does not apply to Covered Virtual Units, since the Executive Board member is also exposed to a risk of loss in this case. If an Executive Board member is active for a period shorter than his/her period of appointment, the Supervisory Board should reduce his/her Enterprise Value Component pro rata. 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 2018 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/her 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.

Stefan F. Heidenreich, who resigned from the Executive Board by mutual agreement as of December 31, 2018, will receive his fixed remuneration and Variable Bonus until the end of his contract of service on December 31, 2019. His long-term bonus (LTP) is granted for the seven-year period until the end of his office. The provisions for his LTP will not increase in 2018; the payout amount is covered by the provisions already recognized.

* Annually: Jesper Andersen €30 thousand; Stefan De Loecker €75 thousand; Ralph Gusko €150 thousand; Thomas Ingelfinger €60 thousand; Zhengrong Liu €125 thousand; Dessi Temperley €75 thousand; Vincent Warnery €75 thousand.

ee) Overviews of Individual Executive Board Remuneration

TOTAL REMUNERATION OF THE EXECUTIVE BOARD FOR ACTIVITIES IN FISCAL YEAR 2018 (IN € THOUSAND)

	Fixed basic remuneration		Variable Bonus		Other remuneration[1]		Sum		Change in provisions for Enterprise Value Component		Total[2]	
	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**
Stefan De Loecker (Chairman of the Executive Board from January 1, 2019)	500	500	572	1,385[3]	188	371	1,260	2,256	478	1,327	1,738	3,583[4]
Stefan F. Heidenreich (Chairman of the Executive Board until December 31, 2018)	1,250	1,250	1,783	1,188	10	12	3,043	2,450	3,243	–1,262[5]	6,286	1,188
Jesper Andersen (until June 30, 2018)	480	240	457	135	18	9	955	384	257	–53	1,212	331
Ralph Gusko	500	500	582	360	119	118	1,201	978	1,486	–826[5]	2,687	152
Thomas Ingelfinger	450	450	507	315	11	8	968	773	712	432	1,680	1,205
Zhengrong Liu	475	500	448	285	390	40	1,313	825	554	1,061	1,867	1,886
Dessi Temperley (from July 1, 2018)	–	240	–	158	–	182	–	580	–	182	–	762
Vincent Warnery	458	500	423	375	133	33	1,014	908	1,327	1,232	2,341	2,140
Total	**4,113**	**4,180**	**4,772**	**4,201**	**869**	**773**	**9,754**	**9,154**	**8,057**	**2,093**	**17,811**	**11,247**

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)

	2017				**2018**			
	Base Virtual Unit	Covered Virtual Unit[6]	Matching Virtual Unit	Total amount set aside in fiscal year 2017	**Base Virtual Unit**	**Covered Virtual Unit[6]**	**Matching Virtual Unit**	**Total amount set aside in fiscal year 2018**
Stefan De Loecker (Chairman of the Executive Board from January 1, 2019)	10,000	1,175	1,175	2,320	12,000	1,250	2,250	661[7]
Stefan F. Heidenreich (Chairman of the Executive Board until December 31, 2018)	10,000	10,000	40,000	22,262	10,000	10,000	40,000	21,000[5]
Jesper Andersen (until June 30, 2018)	5,000	579	579	838	5,000	594	594	785
Ralph Gusko	10,000	1,750	1,750	5,610[8]	10,000	1,900	1,900	4,784[5/8]
Thomas Ingelfinger	5,500	1,210	1,210	1,773	5,500	1,270	1,270	2,205
Zhengrong Liu	9,000	325	–	2,144	10,000	1,950	1,500	3,205
Dessi Temperley (from July 1, 2018)	–	–	–	–	6,000	438	438	182
Vincent Warnery	10,000	1,069	2,069	1,327[9]	10,000	1,144	2,144	2,559[9]
Total	**59,500**	**16,108**	**46,783**	**36,274**	**68,500**	**18,546**	**50,096**	**35,381**

[1] Other remuneration includes the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits, such as the provision of a company car and insurance in line with standard market terms, including any taxes assumed on these items, and relocation expenses, if any. The other remuneration of Zhengrong Liu in 2017 included a bonus of €350 thousand following his reappointment.
[2] Payment of the amounts set aside for Enterprise Value Components included in the total remuneration is linked to a number of preconditions, and in particular to a corresponding sustainable increase in the company's enterprise value and to approval of the Executive Board member's actions (see section cc) above). The amount set aside for Vincent Warnery already includes an increase in the Enterprise Value Component, which will be awarded to him from February 1, 2020 with effect as of contract commencement (see also footnote 8).
[3] This figure includes an amount of €1,000 thousand (target amount) awarded to Stefan De Loecker as a multi-year bonus in fiscal year 2018. Target achievement is calculated based on the average annual growth rate determined for the Latin America and Near East regions in fiscal years 2017 to 2018.
[4] €1,383 thousand of this amount (previous year: €1,187 thousand) was granted to Stefan De Loecker as remuneration for his activities at Group companies up until June 30, 2018.
[5] The total amounts set aside up to and including 2017 for the Enterprise Value Components awarded to Stefan Heidenreich and Ralph Gusko were less than the final amounts payable to them on their departure. The provisions were thus reversed accordingly in 2018.
[6] This figure includes both the Covered Virtual Units acquired by way of personal investment and the Covered Virtual Units granted by way of allocation (see section cc) above).
[7] Stefan De Loecker was paid a share of the Enterprise Value Component amounting to €2,986 thousand in 2018, as contractually agreed. This is taken into account in the total amount for which a provision has been recognized.
[8] This figure includes the personal investments made in the form of retained bonus payments due under the Variable Bonus.
[9] 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 2018 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 De Loecker
Chairman of the Executive Board (since January 1, 2019)
Date joined: July 1, 2014

	Benefits granted				Allocation[10]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits[11]	188	371	371	371	188	371
Total	**688**	**871**	**871**	**871**	**688**	**871**
Variable Bonus	400	400	–	800	572	460
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	165	–
Multi-year-Bonus 2018 (term January 1, 2017 – December 31, 2018)	–	1,000	525	1,200	–	925
LTP – Base Virtual Unit[12]	500	550	–	1,100	–	2,250
LTP – Covered Virtual Unit[12/13]	109	139	–	203	–	480
LTP – Matching Virtual Unit[12]	59	39	–	78	–	256
Total fixed and variable remuneration	**1,756**	**2,999**	**1,396**	**4,252**	**1,425**	**5,242**
Service cost	–	–	–	–	–	–
Total remuneration[14]	**1,756**	**2,999**	**1,396**	**4,252**	**1,425**	**5,242**

Stefan F. Heidenreich
Chairman of the Executive Board (until December 31, 2018)
Date joined: January 1, 2012 (Chairman from April 26, 2012)

	Benefits granted				Allocation[10]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	1,250	1,250	1,250	1,250	1,250	1,250
Fringe benefits/ancillary benefits[11]	10	12	12	12	10	12
Total	**1,260**	**1,262**	**1,262**	**1,262**	**1,260**	**1,262**
Variable Bonus	1,250	1,250	–	2,500	1,783	1,188
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	524	–
LTP – Base Virtual Unit[12]	500	500	–	1,000	–	3,500
LTP – Covered Virtual Unit[12/13]	500	500	–	1,000	–	3,500
LTP – Matching Virtual Unit[12]	2,000	2,000	–	4,000	–	14,000
Total fixed and variable remuneration	**5,510**	**5,512**	**1,262**	**9,762**	**3,567**	**23,450**
Service cost	–	–	–	–	–	–
Total remuneration	**5,510**	**5,512**	**1,262**	**9,762**	**3,567**	**23,450**

[10] 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.
[11] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).
[12] The terms of the LTP are as follows: for Stefan De Loecker from 2014 to after the 2024 Annual General Meeting; for Stefan F. Heidenreich from 2012 to after the 2019 Annual General Meeting.
[13] 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%.
[14] Of these total amounts, €1,219 thousand/target amount (previous year: €1,198 thousand), €746 thousand/min. p.a. (previous year: €557 thousand), and €1,625 thousand/max. p.a. (previous year: €1,809 thousand) were granted and €2,335 thousand/allocation (previous year: €999 thousand) paid to Stefan De Loecker as remuneration for his activities at Group companies up until June 30, 2018.

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

Jesper Andersen
Member of the Executive Board/CFO (until June 30, 2018)
Date joined: May 18, 2015

	Benefits granted				Allocation[15]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	480	240	240	240	480	240
Fringe benefits/ancillary benefits[16]	18	9	9	9	18	9
Total	**498**	**249**	**249**	**249**	**498**	**249**
Variable Bonus	300	150	–	300	457	135
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	73	–
LTP – Base Virtual Unit[17]	250	125	–	250	–	–
LTP – Covered Virtual Unit[17/18]	59	30	–	45	–	–
LTP – Matching Virtual Unit[17]	29	15	–	30	–	–
Total fixed and variable remuneration	**1,136**	**569**	**249**	**874**	**1,028**	**384**
Service cost	–	–	–	–	–	–
Total remuneration	**1,136**	**569**	**249**	**874**	**1,028**	**384**

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

	Benefits granted				Allocation[15]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	500	500	500	500	500	500
Fringe benefits/ancillary benefits[16]	119	118	118	118	119	118
Total	**619**	**618**	**618**	**618**	**619**	**618**
Variable Bonus	400	400	–	800	582	360
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	150	–
LTP – Base Virtual Unit[17]	500	500	–	1,000	–	–
LTP – Covered Virtual Unit[17/18]	238	245	–	340	–	284
LTP – Matching Virtual Unit[17]	88	95	–	190	–	–
Total fixed and variable remuneration	**1,845**	**1,858**	**618**	**2,948**	**1,351**	**1,262**
Service cost	–	–	–	–	–	–
Total remuneration	**1,845**	**1,858**	**618**	**2,948**	**1,351**	**1,262**

[15] See footnote 10 on the reporting of remuneration components as "allocation."
[16] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).
[17] The terms of the LTP are as follows: for Jesper Andersen from 2015 to after the 2020 Annual General Meeting; for Ralph Gusko from 2011 to after the 2020 and 2022 Annual General Meeting.
[18] See footnote 13 on the reporting of the Covered Virtual Units.

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[19]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	450	450	450	450	450	450
Fringe benefits/ancillary benefits[20]	11	8	8	8	11	8
Total	**461**	**458**	**458**	**458**	**461**	**458**
Variable Bonus	350	350	–	700	507	315
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	115	–
LTP – Base Virtual Unit[21]	275	275	–	550	–	–
LTP – Covered Virtual Unit[21/22]	121	124	–	187	–	–
LTP – Matching Virtual Unit[21]	61	64	–	127	–	–
Total fixed and variable remuneration	**1,268**	**1,271**	**458**	**2,022**	**1,083**	**773**
Service cost	–	–	–	–	–	–
Total remuneration	**1,268**	**1,271**	**458**	**2,022**	**1,083**	**773**

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

	Benefits granted				Allocation[19]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	475	500	500	500	475	500
Fringe benefits/ancillary benefits[20]	390	40	40	40	390	40
Total	**865**	**540**	**540**	**540**	**865**	**540**
Variable Bonus	300	300	–	600	448	285
Multi-year variable remuneration						
Multi-year-Bonus 2015 (term January 1, 2016 – December 31, 2017)	–	–	–	–	117	–
LTP – Base Virtual Unit[21]	450	500	–	1,000	–	–
LTP – Covered Virtual Unit[21/22]	91	223	–	320	–	–
LTP – Matching Virtual Unit[21]	–	75	–	150	–	–
Total fixed and variable remuneration	**1,706**	**1,638**	**540**	**2,610**	**1,430**	**825**
Service cost	–	–	–	–	–	–
Total remuneration	**1,706**	**1,638**	**540**	**2,610**	**1,430**	**825**

[19] See footnote 10 on the reporting of remuneration components as "allocation."
[20] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).
[21] The terms of the LTP are as follows: for Thomas Ingelfinger from 2014 to after the 2023 Annual General Meeting; for Zhengrong Liu from 2014 to after the 2024 Annual General Meeting.
[22] See footnote 13 on the reporting of the Covered Virtual Units.

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

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

	Benefits granted				Allocation[23]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	–	240	240	240	–	240
Fringe benefits/ancillary benefits[24]	–	182	182	182	–	182
Total	**–**	**422**	**422**	**422**	**–**	**422**
Variable Bonus	–	150	–	300	–	158
Multi-year variable remuneration						
LTP – Base Virtual Unit[25]	–	150	–	300	–	–
LTP – Covered Virtual Unit[25/26]	–	49	–	60	–	–
LTP – Matching Virtual Unit[25]	–	11	–	22	–	–
Total fixed and variable remuneration	**–**	**782**	**422**	**1,104**	**–**	**580**
Service cost	–	–	–	–	–	–
Total remuneration	**–**	**782**	**422**	**1,104**	**–**	**580**

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

	Benefits granted				Allocation[23]	
	2017 Target amount	**2018 Target amount**	**2018 (min. p.a.)**	**2018 (max. p.a.)**	2017	**2018**
Fixed remuneration	458	500	500	500	458	500
Fringe benefits/ancillary benefits[24]	133	33	33	33	133	33
Total	**591**	**533**	**533**	**533**	**591**	**533**
Variable Bonus	275	300	–	600	423	375
Multi-year variable remuneration						
LTP - Base Virtual Unit[25]	500	500	–	1,000	–	–
LTP - Covered Virtual Unit[25/26]	122	132	–	189	–	–
LTP - Matching Virtual Unit[25]	103	107	–	214	–	–
Total fixed and variable remuneration	**1,591**	**1,572**	**533**	**2,536**	**1,014**	**908**
Service cost	–	–	–	–	–	–
Total remuneration	**1,591**	**1,572**	**533**	**2,536**	**1,014**	**908**

[23] See footnote 10 on the reporting of remuneration components as “allocation.”
[24] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 1).
[25] The terms of the LTP are as follows: for Dessi Temperley from 2018 to after the 2022 Annual General Meeting; for Vincent Warnery from 2017 to after the 2023 Annual General Meeting.
[26] See footnote 13 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 €3,769 thousand (previous year: €2,412 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €36,822 thousand (previous year: €39,047 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.

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

Remuneration for the period up to June 30, 2018, is subject to the provisions of the Articles of Association in the version dated March 31, 2015. In addition to being reimbursed for cash expenses, Supervisory Board members 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. 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.

Remuneration for the period since July 1, 2018, is subject to the provisions of the Articles of Association in the version dated April 25, 2018. In addition to being reimbursed for cash expenses, Supervisory Board members receive fixed remuneration of €85,000 and an attendance fee of €1,000 for Supervisory Board and committee meetings. The Chairman of the Supervisory Board receives two-and-a-half times the fixed remuneration and his deputy within the meaning of § 12 (1) sentence 1 of the Articles of Association receives one-and-a-half times the fixed remuneration.

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

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR ACTIVITIES IN FISCAL YEAR 2018 (IN €)[1/2]

	Fixed[3]		Total variable (until June 30, 2018)		Thereof 60% long term variable (until June 30, 2018)		Total	
	2017	**2018**	2017[4]	**2018[5]**	2017	**2018**	2017	**2018**
Hong Chow	29,945	85,438	31,438	22,315	18,863	13,389	61,383	107,753
Frank Ganschow	45,000	68,185	45,000	22,315	27,000	13,389	90,000	90,500
Reiner Hansert	47,918	107,767	31,438	22,315	18,863	13,389	79,356	130,082
Martin Hansson (Deputy Chairman) (since April 25, 2018)	–	89,288	–	12,390	–	7,434	–	101,678
Michael Herz	65,500	91,185	45,000	22,315	27,000	13,389	110,500	113,500
Thorsten Irtz (Deputy Chairman)	66,500	102,027	67,500	33,473	40,500	20,084	134,000	135,500
Matthias Locher	45,000	68,185	45,000	22,315	27,000	13,389	90,000	90,500
Dr. Dr. Christine Martel	88,000	142,432	45,000	22,315	27,000	13,389	133,000	164,747
Tomas Nieber	67,000	102,767	45,000	22,315	27,000	13,389	112,000	125,082
Frédéric Pflanz (Deputy Chairman) (until April 25, 2018)	72,000	21,904	67,500	21,267	40,500	12,760	139,500	43,171
Prof. Dr. Reinhard Pöllath (Chairman)	111,500	172,212	112,500	55,788	67,500	33,473	224,000	228,000
Prof. Manuela Rousseau	44,000	85,438	45,000	22,315	27,000	13,389	89,000	107,753
Poul Weihrauch	43,500	63,685	45,000	22,315	27,000	13,389	88,500	86,000
Total	**761,500[6]**	**1,200,513**	**652,500[6]**	**323,753**	**391,500[6]**	**194,252**	**1,414,000[6]**	**1,524,266**

[1] Subject to the resolution of the Annual General Meeting on April 17, 2019, concerning the dividend to be distributed for 2018 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 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).
[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 2022 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 members who left the Supervisory Board in 2017, for their activities in fiscal year 2017: Dr. Andreas Albrod – fixed: €21,582, variable: €13,562 (long-term variable: €8,137), total: €35,144; Beatrice Dreyfus – fixed: €14,055, variable: €13,562 (long-term variable: €8,137), total: €27,617.

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

Report by the Executive Board on Dealings among Group Companies

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

Disclosures Pursuant to Takeover Law

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

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

The appointment and removal from office of members of the Executive Board are governed by §§ 84 and 85 *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 members; apart from this provision, the Supervisory Board determines the number of members of the Executive Board. The Articles of Association may be amended in accordance with §§ 179 and 133 *AktG* and with § 16 of the Articles of Association. Under § 16 (1) of the Articles of Association, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Association that concern the latter's wording only. Under § 5 (6) of the Articles of Association, the Supervisory Board is authorized in particular to amend and reformulate § 5 of the Articles of Association (Share Capital) following each utilization of authorized or contingent capital.

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

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

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

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

3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be 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 to determine the further details of the capital increase and its implementation with the approval of the Supervisory Board.

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

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

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

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

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

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

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

Finally, the Executive Board was authorized to retire the own shares acquired in accordance with the above-mentioned or a prior authorization with the approval of the Supervisory Board without requiring an additional resolution by the Annual General Meeting.

The creation of the authorized and contingent capital is intended to put the company in the position of being able to react to growth opportunities and capital market 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.

3

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Income Statement

(IN € MILLION)

	Note	2017	2018
Sales	**01**	**7,056**	**7,233**
Cost of goods sold	02	–2,910	–3,075
Gross profit		**4,146**	**4,158**
Marketing and selling expenses	03	–2,471	–2,484
Research and development expenses		–196	–211
General and administrative expenses	04	–395	–404
Other operating income	05	178	194
Other operating expenses	06	–174	–156
Operating result (EBIT)		**1,088**	**1,097**
Interest income	07	35	35
Interest expense	07	–8	–9
Net pension result	07	–12	–12
Other financial result	07	–81	–63
Financial result	**07**	**–66**	**–49**
Profit before tax		**1,022**	**1,048**
Income taxes	08	–333	–303
Profit after tax		**689**	**745**
Of which attributable to			
- Equity holders of Beiersdorf AG		672	728
- Non-controlling interests		17	17
Basic/diluted earnings per share (in €)	**09**	**2.96**	**3.21**

Statement of Comprehensive Income

(IN € MILLION)*

	2017	2018
Profit after tax	**689**	**745**
Other comprehensive income that will be reclassified subsequently to profit or loss	**–107**	**–36**
Remeasurement of cash flow hedges	16	–2
Remeasurement of securities	7	–8
Exchange differences	–130	–26
Other comprehensive income that will not be reclassified subsequently to profit or loss	**40**	**–12**
Remeasurement of defined benefit pension plans	40	–12
Other comprehensive income	**–67**	**–48**
Total comprehensive income	**622**	**697**
Of which attributable to		
– Equity holders of Beiersdorf AG	607	678
– Non-controlling interests	15	19

* Net of tax.

Balance Sheet

(IN € MILLION)

Assets	Note	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	10	140	211
Property, plant, and equipment	11	1,026	1,239
Non-current securities	14	2,532	2,613
Other non-current assets		23	30
Deferred tax assets	08	205	208
Non-current assets		**3,926**	**4,301**
Inventories	12	854	986
Trade receivables	13	1,326	1,394
Other current financial assets		151	116
Income tax receivables		108	108
Other current assets		169	158
Current securities	14	770	889
Cash and cash equivalents	15	901	919
Current assets		**4,279**	**4,570**
		8,205	**8,871**

Equity and liabilities	Note	Dec. 31, 2017	Dec. 31, 2018
Share capital	17	252	252
Additional paid-in capital	20	47	47
Retained earnings	21	4,969	5,526
Accumulated other comprehensive income	22	–164	–202
Equity attributable to equity holders of Beiersdorf AG		**5,104**	**5,623**
Non-controlling interests		21	24
Equity		**5,125**	**5,647**
Provisions for pensions and other post-employment benefits	24	659	677
Other non-current provisions	25	121	124
Non-current financial liabilities		4	7
Other non-current liabilities		2	2
Deferred tax liabilities	08	74	64
Non-current liabilities		**860**	**874**
Other current provisions	25	427	426
Income tax liabilities		162	189
Trade payables	26	1,420	1,554
Other current financial liabilities	26	109	76
Other current liabilities	26	102	105
Current liabilities		**2,220**	**2,350**
		8,205	**8,871**

Cash Flow Statement

(IN € MILLION)

	2017	2018
Profit after tax	**689**	**745**
Reconciliation of profit after tax to net cash flow from operating activities		
Income taxes	333	303
Financial result	66	49
Income taxes paid	–320	–292
Depreciation and amortization	150	165
Change in non-current provisions (excluding interest components and changes recognized in OCI)	22	–11
Gain/loss on disposal of property, plant, and equipment, and intangible assets	–10	–26
Gross cash flow	**930**	**933**
Change in inventories	–115	–132
Change in receivables and other assets	–70	–60
Change in liabilities and current provisions	166	127
Net cash flow from operating activities	**911**	**868**
Investments in property, plant, and equipment, and intangible assets	–195	–358
Payments for acquisitions (net of cash acquired)	–	–87
Proceeds from the sale of property, plant, and equipment, and intangible assets	30	39
Payments to acquire securities	–1,442	–963
Proceeds from the sale/final maturity of securities	935	695
Interest received	24	31
Proceeds from dividends and other financing activities	15	8
Net cash flow from investing activities	**–633**	**–635**
Free cash flow	**278**	**233**
Proceeds from loans	48	40
Loan repayments	–47	–40
Interest paid	–7	–9
Other financing expenses paid	–22	–24
Cash dividends paid (Beiersdorf AG)	–159	–159
Cash dividends paid (non-controlling interests)	–15	–18
Net cash flow from financing activities	**–202**	**–210**
Effect of exchange rate fluctuations and other changes on cash held	–47	–5
Net change in cash and cash equivalents	29	18
Cash and cash equivalents as of Jan. 1	**872**	**901**
Cash and cash equivalents as of Dec. 31	**901**	**919**

Statement of Changes in Equity

(IN € MILLION)

	Share capital	Additional paid-in capital	Retained earnings*	Accumulated other comprehensive income: Currency translation adjustment	Accumulated other comprehensive income: Hedging instruments from cash flow hedges	Accumulated other comprehensive income: Debt and equity instruments	Total attributable to equity holders	Non-controlling interests	Total
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	–	–	–	–	–	–	–	–15	–15
Other changes	–	–	–	–	–	–	–	–	–
Dec. 31, 2017/Jan. 1, 2018	**252**	**47**	**4,969**	**–169**	**–**	**5**	**5,104**	**21**	**5,125**
Change in accounting policy due to IFRS 9	–	–	–2	–	–	–	–2	–	–2
Jan. 1, 2018 after adjustment	**252**	**47**	**4,967**	**–169**	**–**	**5**	**5,102**	**21**	**5,123**
Total comprehensive income for the period	–	–	716	–28	–2	–8	678	19	697
Dividend of Beiersdorf AG for previous year	–	–	–159	–	–	–	–159	–	–159
Change in non-controlling interests	–	–	–	–	–	–	–	–16	–16
Other changes	–	–	2	–	–	–	2	–	2
Dec. 31, 2018	**252**	**47**	**5,526**	**–197**	**–2**	**–3**	**5,623**	**24**	**5,647**

* 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)

		Consumer		tesa		Group	
		2017	2018	2017	2018	2017	2018
Net sales		5,799	5,890	1,257	1,343	7,056	7,233
Change (nominal)	(in %)	3.4	1.6	9.8	6.8	4.5	2.5
Change (organic)	(in %)	4.7	5.0	10.6	6.8	5.7	5.4
Share of Group sales	(in %)	82.2	81.4	17.8	18.6	100	100
EBITDA		990	1,006	248	256	1,238	1,262
Operating result (EBIT)		881	887	207	210	1,088	1,097
as % of sales		15.2	15.1	16.5	15.7	15.4	15.2
Operating result (EBIT, excluding special factors)*		881	903	207	210	1,088	1,113
as % of sales		15.2	15.3	16.5	15.7	15.4	15.4
Gross operating capital*		2,625	2,963	913	1,055	3,538	4,018
Operating liabilities*		1,833	1,921	251	263	2,084	2,184
EBIT return on net operating capital*	(in %)	111.3	85.2	31.4	26.6	74.9	59.9
Gross cash flow		739	741	191	192	930	933
Capital expenditure**		129	320	66	143	195	463
Depreciation and amortization		109	119	41	46	150	165
Research and development expenses		143	155	53	56	196	211
Employees	(as of Dec. 31)	14,477	15,142	4,457	4,917	18,934	20,059

Regional Reporting

(IN € MILLION)

		Europe		Americas		Africa/Asia/Australia		Group	
		2017	2018	2017	2018	2017	2018	2017	2018
Net sales		3,568	3,673	1,307	1,267	2,181	2,293	7,056	7,233
Change (nominal)	(in %)	3.1	2.9	4.4	–3.1	6.9	5.1	4.5	2.5
Change (organic)	(in %)	2.9	4.0	5.1	2.3	10.8	9.4	5.7	5.4
Share of Group sales	(in %)	50.6	50.8	18.5	17.5	30.9	31.7	100.0	100.0
EBITDA		732	757	162	151	344	354	1,238	1,262
Operating result (EBIT)		628	637	142	132	318	328	1,088	1,097
as % of sales		17.6	17.3	10.9	10.4	14.6	14.3	15.4	15.2
Operating result (EBIT, excluding special factors)*		628	637	142	132	318	344	1,088	1,113
as % of sales		17.6	17.3	10.9	10.4	14.6	15.0	15.4	15.4
Capital expenditure**		141	246	22	138	32	79	195	463
Depreciation and amortization		104	121	19	18	27	26	150	165
Employees	(as of Dec. 31)	10,965	11,709	2,909	3,011	5,060	5,339	18,934	20,059

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

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, 2018, were prepared by the Executive Board on February 26, 2019, 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, 2018, were applied.

The consolidated financial statements were prepared using the historical cost convention. Exceptions to this rule relate to financial instruments assigned to the categories “at fair value through other comprehensive income” (FVOCI) and “at fair value through profit or loss” (FVPL), and derivative financial instruments, which are all measured at fair value.

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”), impairments of financial assets (Note 27 “Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments”), 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	
	2017	**2018**	2017	**2018**
Brazilian real (BRL)	3,6428	4,3232	3,9731	4,4468
Swiss franc (CHF)	1,1163	1,1517	1,1704	1,1273
Chinese yuan (CNY)	7,6554	7,8169	7,8084	7,8807
Pound sterling (GBP)	0,8758	0,8861	0,8875	0,8950
Japanese yen (JPY)	127,2817	130,0354	135,0150	125,9000
Russian ruble (RUB)	66,1648	74,1922	69,4212	79,8760
Thai baht (THB)	38,3598	38,0637	39,1141	37,0806
US dollar (USD)	1,1369	1,1796	1,1995	1,1457

Changes in Accounting Policies

The following standards were applied for the first time in 2018:

- **IFRS 9 "Financial Instruments"**

  The new standard replaces the existing provisions of IAS 39. It harmonizes guidance on the classification and measurement of financial instruments, and introduces a new impairment model for financial assets. There are also new accounting rules for hedging transactions. The guidance on the classification and measurement of financial liabilities and the recognition and derecognition of financial instruments has largely been taken from IAS 39. The new standard has been applied retrospectively since January 1, 2018. The comparison period was not restated. The cumulative effect from the change of accounting standard is recognized in other comprehensive income. The rules on hedge accounting are applied prospectively. The first-time application of IFRS 9 at Beiersdorf results in the following changes in particular:

  Classification: IFRS 9 introduces new rules on the classification of financial assets depending on the underlying business model and the nature of cash flows. Three new categories of financial assets replace the existing categories under IAS 39:

IAS 39 measurement categories	IFRS 9 measurement categories
Loans and receivables (LaR)	At amortized cost (AC)
Held to maturity (HtM)	At fair value through other comprehensive income (FVOCI)
At fair value through profit or loss (FVPL)	At fair value through profit or loss (FVPL)
Available for sale (AfS)	

Financial assets whose cash flows consist of interest and principal payments are classified depending on the business model. If the objective of the business model is to hold the instrument to collect contractual cash flows, the instrument is placed in the AC category. All securities at Beiersdorf previously belonging to the HtM category under IAS 39 meet these criteria. They are designated as AC and continue to be measured at amortized cost. Where the business model generally aims to hold the assets but also allows them to be sold as required, the instruments are designated as FVOCI (measured at fair value through other comprehensive income). Debt instruments at Beiersdorf designated as AfS under IAS 39 are designated as FVOCI under IFRS 9 and continue to be measured at fair value through other comprehensive income.

Financial assets with cash flows that do not consist solely of interest and principal payments are designated as FVPL (measured at fair value through profit or loss). Assets such as exchange-listed equity interests, units in equity funds, or units in money market funds, which were designated as AfS under IAS 39 and whose changes in value were generally recognized in other comprehensive income, are reclassified as FVPL under IFRS 9, meaning that their changes in value are now instead recognized through profit or loss. At the time of initial application, equity interests of €102 million and financial investments of €65 million were reclassified from the AfS category to FVPL. In connection with this, no fair values were recognized in other comprehensive income that needed to be reclassified to retained earnings.

Under IFRS 9, there is an option to measure equity instruments at fair value through other comprehensive income (without recycling). This option can be exercised irrevocably on a case-by-case basis at the time of acquisition/initial application of IFRS 9. All subsequent changes in value should be recognized in other comprehensive income. If such instruments are sold, the gain or loss is reclassified directly to retained earnings and not shown in profit or loss. Beiersdorf makes use of this option for non-consolidated equity interests. Equity instruments of €3 million are designated as FVOCI (without recycling).

Under IAS 39, trade receivables, other financial assets, and cash and cash equivalents were designated as LaR and therefore measured at amortized cost. Under IFRS 9, these instruments are designated as AC.

Impairment: IFRS 9 introduces a new impairment model: the expected credit loss model. This impairment model applies to all financial assets measured at amortized cost or at fair value through other comprehensive income. Under IAS 39, impairments could only be recognized for incurred losses (incurred loss model). IFRS 9 provides a three-stage process for determining impairment losses. A risk provision is recognized based either on the expected credit losses over the next 12 months (stage 1) or on the expected credit losses over the entire lifetime of the instrument if the credit risk has significantly increased since initial recognition (stage 2) or a deterioration in creditworthiness has been identified (stage 3). IFRS 9 contains a simplified approach that allows immediate allocation to stage 1 when determining the expected credit losses of exchange-listed, investment grade-rated bonds. Beiersdorf makes use of this simplification. Expected credit losses over the next 12 months are estimated based on ratings and continually updated risk indicators. Current CDS spreads and the issuers' bond spreads are also used in the calculation. Given that historic and expected default rates are low, the new approach has no material impact on the amount of impairments. At the time of initial application, impairments of €3 million (€2 million after tax) were recognized in retained earnings.

A simplified process for determining impairments is used for financial assets that do not contain a significant financing component (e.g. trade receivables). Compared with the method previously applied, this does not result in any material change in value.

Other financial assets such as cash and cash equivalents include bank balances and very short-term liquid investments. These belong to the AC measurement category. Given the very short terms (e.g. due on demand) and the creditworthiness of our contractual partners, no impairment was identified.

Hedges: Most fundamental rules for hedge accounting remain unaffected by the provisions of IFRS 9. There remain three types of hedges: fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation. The accounting treatment depends on the nature of the hedged item. Beiersdorf primarily uses currency forwards to hedge currency risks. Unlike the previous approach, the hedging of currency risks under IFRS 9 allows net positions to be designated as hedged items in cash flow hedges. This allows Beiersdorf to hedge future cash flows in line with their internal management. The monthly net cash flows in each currency are centrally evaluated every month for the individual companies in the Group and hedged in accordance with our risk management strategy using currency forwards (cash flow hedges) following determination of a risk management objective. The market values of these derivatives are recognized in a reserve within other comprehensive income and only reclassified to profit or loss when the underlying transactions occur and affect profit or loss.

Further information on the measurement categories under IFRS 9 and a reconciliation of the carrying amounts of the financial assets from IAS 39 to IFRS 9 are contained in Note 27 of the notes: "Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments."

- **IFRS 15 "Revenue from Contracts with Customers"**
  The standard includes a five-step model that must be applied when recognizing revenue from all contracts with customers. It determines the point in time (or period over time) and amount at which revenue must be recognized. The first-time application of IFRS 15 had no material impact on the consolidated financial statements. The first-time application took place using the full retrospective method.

The following standard relevant for the Beiersdorf Group's business operations has been issued as of December 31, 2018, but is not yet required to be applied for the fiscal year then ended:

- **IFRS 16 "Leases" (from January 1, 2019)**
  The standard applies in principle to all leases and involves recognizing a right-of-use asset and associated lease 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 balance sheet extension of between €150 million and €200 million (increase in non-current assets and financial liabilities) as well as an increase in EBIT, one of our key performance indicators, in the single-digit millions (at the expense of the financial result). The first-time application of IFRS 16 will be carried out using the modified retrospective method. This means that the right-of-use assets and lease liabilities will be recognized at the same amount in the opening balance sheet and the comparative figures for 2018 will not be adjusted. 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."

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 control has transferred to the customer. 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 as long as the products are not 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 IFRS 9, cash and cash equivalents are designated as AC. Under IAS 39, they were classified as LaR.

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.

IFRS 9 has introduced a new model for classifying financial assets. The new measurement categories replace the measurement categories of IAS 39. The categories are described in detail below:

CATEGORIES OF FINANCIAL ASSETS UNDER IFRS 9

The **"at amortized cost" (AC)** category comprises financial assets whose cash flows consist of interest and principal payments and that are held as part of a business model that aims to collect contractual cash flows. Following initial recognition, they are valued at amortized cost less any impairment losses using the effective interest method.

The **"at fair value through other comprehensive income" (FVOCI)** category comprises financial assets whose cash flows consist of interest and principal payments and that are held as part of a business model that generally aims to hold the assets but also allows them to be sold as required. These assets are measured at fair value. The resulting changes in value are recognized in a special reserve 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 profit or loss. This category also contains equity instruments for which the irrevocable option to recognize fair value changes in other comprehensive income has been exercised. Later changes in value remain in other comprehensive income upon sale or impairment and are not reclassified to profit or loss.

The **"at fair value through profit or loss" (FVPL)** category comprises financial assets that do not fall under the other categories. These assets are measured at fair value. The resulting changes in value are recognized in profit or loss.

CATEGORIES OF FINANCIAL ASSETS UNDER IAS 39

The **"loans and receivables" (LaR)** category comprises 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 (HtM) 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 (AfS) are those non-derivative financial assets that do not fall under other categories. They are generally 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 reclassified to profit or loss. 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. Under IFRS 9, a risk provision is recognized based on the expected credit losses over the next 12 months (expected loss model). The estimate is based on ratings and continuously updated risk indicators. Current CDS spreads and the issuers' bond spreads are also used in the calculation. Impairment of financial assets is immediately recognized in profit or loss. For financial assets in the AC category, the impairment reduces the asset's value on the balance sheet; for financial assets in the FVOCI category, the impairment is recognized in a special reserve in other comprehensive income. A simplified process for determining impairment is used for assets that do not contain a significant financing component (e.g. trade receivables). In this approach, expected credit losses over the entire lifetime of the financial instruments are determined. The estimated impairment 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. Given the very short terms (e.g. due on demand) and the creditworthiness of our contractual partners, no impairment is identified based on expected credit losses for financial assets such as cash and cash equivalents.

Under IAS 39, impairments could only be recognized for incurred losses (incurred loss model). For financial assets in the AfS category, impairments were only recognized for significant or prolonged declines in value. Appropriate impairments were recognized for identifiable risks relating to trade receivables and other financial assets classified as LaR.

Financial liabilities are carried at amortized cost (AC) 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 profit or loss. Liabilities with remaining contractual maturities of more than one year are classified as non-current. In accordance with IFRS 9 and 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).

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 IFRS 9 or 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 profit or loss.

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.

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 2018 G (previous year: 2005 G) 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 actual tax assets against actual 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 (under IAS 39)	
“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
Financial assets (under IFRS 9)	
“Amortized cost” (AC)	(Amortized) cost
“At fair value in other comprehensive income” (FVOCI)	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 €1,463 million in 2018 (previous year: €1,437 million) and reported non-current assets (not including financial instruments, deferred taxes, and plan assets) of €868 million (previous year: €791 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.

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 €1,834 million (previous year: €1,454 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, 2017	Dec. 31, 2018
Intangible assets	140	211
Property, plant and equipment	1,026	1,239
Inventories	854	986
Trade receivables	1,326	1,394
Other receivables and other assets (not including tax receivables)	192	188
Gross operating capital	**3,538**	**4,018**
Gross non-operating assets	4,667	4,853
Total balance sheet assets	**8,205**	**8,871**

Equity and liabilities	Dec. 31, 2017	Dec. 31, 2018
Other provisions	549	550
Trade payables	1,420	1,554
Other liabilities (not including income tax liabilities)	115	80
Operating liabilities	**2,084**	**2,184**
Equity	5,125	5,647
Non-operating liabilities	996	1,040
Total balance sheet equity and liabilities	**8,205**	**8,871**

Consolidated Group, Acquisitions, and Divestments

Consolidated Group

In addition to Beiersdorf AG, the consolidated financial statements include 19 (previous year: 19) German and 154 (previous year: 147) international companies whose financial and business policies Beiersdorf AG is able to control either directly or indirectly.

In the year under review, 12 new companies were included in the consolidated financial statements. In addition, one company was sold and another four were deconsolidated.

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 following companies were acquired by tesa SE, Germany, in 2018:

Effective March 1, 2018, tesa SE acquired the Twinlock product division from Polymount International BV, based in Nijkerk (the Netherlands). With this acquisition, tesa is strengthening its printing industry products business. Polymount was founded in 2002 and the Twinlock product division employs 70 people. Effective May 18, 2018, tesa acquired Functional Coatings, Inc., based in Newburyport, Massachusetts (United States). The innovative adhesive tape and sealing products from Functional Coatings, Inc. complement the existing tesa product range in the building supply segment. The company was founded in 1989 and employs approximately 80 people.

Effective May 24, 2018, tesa also acquired FormFormForm Ltd., based in London (United Kingdom), along with the kneadable glue Sugru. FormFormForm was founded in 2004. In 2017, it employed 60 people and generated more than half of its sales online. Sugru is also available in retail stores in Europe, the United States, and Canada.

The acquired companies contributed €29 million to Group sales in 2018. The sales of the acquired companies for the whole year 2018 totaled €42 million.

tesa ACQUISITIONS IN 2018 (IN € MILLION)

	Provisional fair value
Intangible assets	57
Property, plant and equipment	7
Inventories	5
Trade receivables	6
Cash and cash equivalents	1
Other current assets	2
Total assets	**78**
Non-current liabilities	15
Other current provisions/liabilities	1
Trade payables	5
Current liabilities	6
Total liabilities	**27**

RECONCILIATION BETWEEN PURCHASE PRICE AND PROVISIONAL GOODWILL (IN € MILLION)

Purchase price	**92**
Purchase price adjustment based on provisions of the purchase agreement	–1
Fair value of acquired assets and liabilities	51
Provisional goodwill	**41**

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 2018:

- 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

Notes to the Income Statement

01 Sales

Sales amounted to €7,233 million in fiscal year 2018 (previous year: €7,056 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 €3,075 million (previous year: €2,910 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 €2,484 million (previous year: €2,471 million). The item includes expenditure on advertising, retail (point of sale) marketing, and similar items amounting to €1,532 million (previous year: €1,522 million).

04 General and Administrative Expenses

General and administrative expenses amounted to €404 million in the past fiscal year (previous year: €395 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)

	2017	2018
Gains on disposals of plant and equipment, and other assets	20	28
Income from the reversal of provisions	46	50
Miscellaneous other income	112	116
	178	**194**

Gains on disposals of plant and equipment, and other assets were attributable to the sale of no longer required land and other fixed assets. 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)

	2017	2018
Restructuring expenses	14	13
Exchange result on operating activities	5	–3
Losses on disposal of non-current assets	9	2
Impairment intangible assets	–	16
Miscellaneous other expenses	146	128
	174	**156**

Restructuring expenses were largely attributable to ongoing restructurings. Exchange losses on operating activities include an effect of €0 million (previous year: €10 million) representing the net gain or loss on the fair value measurement of derivative financial instruments that was previously recognized in other comprehensive income. Impairment of intangible assets relates to the extraordinary amortization on a Chinese hair care brand. Miscellaneous other expenses include additions to provisions for litigation and other risks, as well as miscellaneous other operating expenses.

07 Financial Result

(IN € MILLION)

	2017	2018
Interest income	35	35
Interest expense	–8	–9
Net pension result	–12	–12
Other financial result	–81	–63
	–66	**–49**

Interest income primarily results from “cash and cash equivalents,” “current securities,” and “non-current securities.” The net income from financial investments recognized at amortized cost contained in this item amounted to €17 million (previous year: €20 million). The net income from financial investments recognized at fair value through other comprehensive income amounted to €8 million (previous year: €3 million). Interest expense includes amongst others 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. Other financial result included net loss from financial assets recognized at fair value through profit or loss and negative effects from movements in exchange rates.

08 Income Taxes

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

(IN € MILLION)

	2017	2018
Current income taxes		
Germany	112	95
International	229	228
	341	**323**
Deferred taxes	–8	–20
	333	**303**

RECONCILIATION TO EFFECTIVE TAX EXPENSE

Given an effective tax rate of 28.9% (previous year: 32.6%), the effective tax expense is €43 million (previous year: €71 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 24.8% (previous year: 25.6%).

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

EFFECTIVE TAX EXPENSE (IN € MILLION)

	2017	2018
Expected tax expense given a tax rate of 24.8% (previous year: 25.6%)	262	260
Prior-year taxes	18	1
Tax deductions due to tax-free income	–3	–6
Tax increases due to other non-deductible expenses	41	46
Tax decreases due to the utilization/recognition of previously unrecognized tax loss carryforwards	–8	–11
Tax increases due to non-recognition of tax loss carryforwards	5	7
Other tax effects	18	6
Effective tax expense	**333**	**303**

No deferred tax assets have been recognized for tax loss carryforwards and unused tax credits of €154 million (previous year: €161 million), whose expiration dates are given below.

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

	Dec. 31, 2017	Dec. 31, 2018
Expiration date within		
1 year	9	41
2 years	42	5
3 years	4	8
more than 3 years	75	67
Unlimited carryforward period	31	33
	161	**154**

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, 2017	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**
Non-current assets	13	12	49	57
Inventories	17	22	–	–
Receivables and other current assets	11	18	21	17
Provisions for pensions and other post-employment benefits	68	69	13	9
Other provisions	48	47	43	44
Liabilities	85	93	1	4
Retained earnings	–	–	12	16
Loss carryforwards	28	30	–	–
	270	**291**	**139**	**147**
Offset deferred taxes	–65	–83	–65	–83
Deferred taxes recognized in the balance sheet	**205**	**208**	**74**	**64**

Total net deferred tax assets amounted to €144 million for the year under review (previous year: €131 million). Of the year-on-year increase of €13 million (previous year: decrease of €26 million), €12 million was recognized directly in other comprehensive income, increasing equity (previous year: decrease in equity of €26 million). €20 million (previous year: €8 million) was recognized in profit or loss. Currency effects reduced this item by €4 million (previous year: reduction by €8 million). A further reduction by €15 was recognized within the scope of tesa's acquisitions.

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 €16 million (previous year: €12 million) were recognized for this in the reporting period.

09 Basic/Diluted Earnings per Share

Earnings per share for 2018 amounted to €3.21 (previous year: €2.96). 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, 2017	**397**	**151**	**78**	**626**
Currency translation adjustment	–1	–	–11	–12
Changes to the consolidated Group/acquisitions	–	–	–	–
Additions	31	–	7	38
Disposals	–37	–	–	–37
Transfers	6	–	–	6
Dec. 31, 2017/Jan. 1, 2018	**396**	**151**	**74**	**621**
Currency translation adjustment	–2	–	–2	–4
Changes to the consolidation Group/acquisitions	57	–	41	98
Additions	8	–	–	8
Disposals	–4	–	–	–4
Transfers	2	–	–	2
Dec. 31, 2018	**457**	**151**	**113**	**721**

AMORTIZATION/IMPAIRMENT LOSSES (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Jan. 1, 2017	**362**	**130**	**15**	**507**
Currency translation adjustment	–1	–	–5	–6
Changes to the consolidated Group/acquisitions	–	–	–	–
Additions	17	–	–	17
Disposals	–37	–	–	–37
Transfers	–	–	–	–
Dec. 31, 2017/Jan. 1, 2018	**341**	**130**	**10**	**481**
Currency translation adjustment	–	–	–2	–2
Changes to the consolidation Group/acquisitions	–	–	–	–
Additions	17	16	–	33
Disposals	–2	–	–	–2
Transfers	–	–	–	–
Dec. 31, 2018	**356**	**146**	**8**	**510**

CARRYING AMOUNTS (IN € MILLION)

	Finite-lived intangible assets	Indefinite-lived intangible assets	Goodwill	**Total**
Dec. 31, 2017	**55**	**21**	**64**	**140**
Dec. 31, 2018	**101**	**5**	**105**	**211**

INDEFINITE-LIVED INTANGIBLE ASSETS

The indefinite-lived intangible assets include the Chinese hair care brands allocated to the Consumer Business Segment 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 resulted in a write-down of €16 million in the carrying amount of these trademarks due to the negative business performance of one of the brands. The carrying amount as of December 31, 2018, was €5 million (previous year: €21 million).

GOODWILL

The total carrying amount of goodwill was €105 million (previous year: €64 million). The increase resulted from acquisitions by the tesa Business Segment. The remainder of this item largely comprises the goodwill of €52 million (previous year: €50 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. As the business situation at Beiersdorf AG (Switzerland) remained favorable and unchanged, a detailed impairment test was forgone.

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, 2017	**808**	**968**	**621**	**127**	**2,524**
Currency translation adjustment	–14	–12	–8	–3	–37
Changes to the consolidated Group/acquisitions	–	–	–	–	–
Additions	12	24	47	74	157
Disposals	–13	–56	–40	–11	–120
Transfers	13	44	9	–72	–6
Dec. 31, 2017/Jan. 1, 2018	**806**	**968**	**629**	**115**	**2,518**
Currency translation adjustment	–	–1	–1	1	–1
Changes to the consolidated Group/acquisitions	1	6	–	–	7
Additions	55	33	49	213	350
Disposals	–12	–27	–28	–1	–68
Transfers	15	27	10	–55	–3
Dec. 31, 2018	**865**	**1,006**	**659**	**273**	**2,803**

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, 2017	**369**	**670**	**439**	**–**	**1,478**
Currency translation adjustment	–6	–6	–6	–	–18
Changes to the consolidated Group/acquisitions	–	–	–	–	–
Additions	22	53	58	–	133
Disposals	–12	–52	–37	–	–101
Transfers	–	–1	1	–	–
Dec. 31, 2017/Jan. 1, 2018	**373**	**664**	**455**	**–**	**1,492**
Currency translation adjustment	–	–	–	–	–
Changes to the consolidated Group/acquisitions	–	–	–	–	–
Additions	23	50	59	–	132
Disposals	–7	–26	–26	–	–59
Transfers	–	–	–1	–	–1
Dec. 31, 2018	**389**	**688**	**487**	**–**	**1,564**

* Accumulated prior-year acquisition cost and depreciation adjusted (carrying amount unchanged).

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, 2017	**433**	**304**	**174**	**115**	**1,026**
Dec. 31, 2018	**476**	**318**	**172**	**273**	**1,239**

* Accumulated prior-year acquisition cost and depreciation adjusted (carrying amount unchanged).

The carrying amounts of property, plant, and equipment amounted to €1,239 million (previous year: €1,026 million). Investments in property, plant, and equipment totaled €350 million (previous year: €157 million). They primarily related to the plants of the two business segments, Consumer and tesa, as well as the construction of the new Group headquarters. The tesa acquisitions increased fixed assets by €7 million. Depreciation and impairment losses amounted to €132 million (previous year: €133 million).

12 Inventories

(IN € MILLION)

	Dec. 31, 2017	Dec. 31, 2018
Raw materials, consumables and supplies	179	220
Work in progress	55	58
Finished goods and merchandise	616	705
Advance payments	4	3
	854	**986**

Inventories increased by €132 million compared with the previous year to €986 million, €186 million of which (previous year: €172 million) was carried at net realizable value. Write-downs of inventories amounted to €81 million as of the reporting date (previous year: €60 million).

13 Trade Receivables

(IN € MILLION)

	Dec. 31, 2017	Dec. 31, 2018
Carrying amount	**1,326**	**1,394**
Of which past due:		
1 to 30 days	84	149
31 to 60 days	–	11
more than 60 days	8	21

Under IFRS 9, trade receivables belong to the “at amortized cost” measurement category. Under IAS 39, they were classified as “loans and receivables.” They continue to be measured at cost less impairment.

The following changes in valuation allowances on receivables were recorded:

VALUATION ALLOWANCES (IN € MILLION)

	2017	2018
Jan. 1 under IAS 39	**49**	**42**
IFRS 9 restatement	–	–
Jan. 1 under IFRS 9	**49**	**42**
Currency translation adjustment	–3	–
Additions	13	12
Utilized	–2	–1
Reversals	–15	–10
Dec. 31	**42**	**43**

Further information on calculation is contained in Note 27 of the notes: “Additional Disclosures on Financial Instruments, Financial Risk Management, and Derivative Financial Instruments.”

14 Securities

(IN € MILLION)

	Dec. 31, 2017	Dec. 31, 2018
Non-current securities	2,532	2,613
Held to maturity	2,532	–
Amortized cost	–	2,613
Current securities	770	889
Held to maturity	261	–
Amortized cost	–	457
Available for sale	509	–
Fair value through other comprehensive income	–	386
Fair value through profit and loss	–	46
	3,302	**3,502**

In total, the Beiersdorf Group holds €3,502 million (previous year: €3,302 million) in listed government and corporate bonds, commercial paper, near-money market retail funds, equities, and equity funds. Securities with a carrying amount of €2,613 million (previous year: €2,532 million) are expected to be realized more than 12 months after the reporting date. Non-current securities have a term of up to eight years. At the balance sheet date, bonds lent to banks in short-term securities lending transactions amounted to €368 million (previous year: €157 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.

Impairments on securities measured at amortized cost and at fair value through other comprehensive income are recognized based on expected credit losses over the next 12 months. At the end of the period, total impairment was €7 million. 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, 2017	**Dec. 31, 2018**
Cash	861	875
Cash equivalents	40	44
	901	**919**

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. Given the very short terms (e.g. due on demand) and the creditworthiness of our contractual partners, no impairment was identified based on expected credit losses.

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, 2018, the equity ratio was 64% (previous year: 62%), while the EBIT return on net operating capital was 60% (previous year: 75%). The total dividends distributed in fiscal year 2018 amounted to €177 million (previous year: €174 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 in 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 holds 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 to increase the share capital with the approval of the Supervisory Board in the period until March 30, 2020, by up to a total of €92 million (Authorized Capital I: €42 million; Authorized Capital II: €25 million; Authorized Capital III: €25 million) by issuing new no-par-value bearer shares on one or several occasions. In this context, the dividend rights for new shares may be determined 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 to determine the further details of the capital increase and its implementation with the approval of the Supervisory Board.

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 obligations 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.

RESERVE FOR THE FAIR VALUE MEASUREMENT OF CASH FLOW HEDGES

Changes in the fair value of financial instruments used to hedge future cash flows are reported under this item. As of the reporting date, changes in fair value amounting to €–2 million (previous year: €0 million) after deduction of deferred taxes were recognized in other comprehensive income.

RESERVE FOR CHANGES IN FAIR VALUE OF DEBT AND EQUITY INSTRUMENTS

Fair value changes amounting to €5 million on securities in the “available for sale” category were recognized in the previous year after deduction of deferred taxes. With the first-time application of IFRS 9, securities with cash flows not consisting solely of interest and principal payments were recategorized to FVPL. In connection with this, there were no fair values recognized in other comprehensive income that needed to be reclassified to retained earnings. This item also includes impairment of securities in the “at fair value through other comprehensive income” category.

Changes in the fair value of equity instruments allocated to the “at fair value through other comprehensive income” category under IFRS 9 are also recognized here. At the time of the initial application of IFRS 9, there were no changes in fair values to be recognized in other comprehensive income. As of the balance sheet date, the value remained unchanged.

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 25, 2018, a dividend of €0.70 per no-par value share bearing dividend rights was distributed in 2018 from the net retained profits for fiscal year 2017.

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)

	2017			**2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Current service cost	35	9	44	35	8	43
Past service cost	–	–	–	–	–1	–1
Defined benefit expense (EBIT)	**35**	**9**	**44**	**35**	**7**	**42**
Net interest result attributable to defined benefit plans (pension expense (+)/pension income (–))	**11**	**1**	**12**	**11**	**1**	**12**
Total expenses for defined benefit plans	**46**	**10**	**56**	**46**	**8**	**54**
Defined contribution expense (EBIT)	39	20	59	37	20	57
Total pension expense	**85**	**30**	**115**	**83**	**28**	**111**

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 can be found at the German companies.

International defined benefit plans are largely spread across the sites in 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, 2017			**Dec. 31, 2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Present value of defined benefit obligations	1,384	207	1,591	1,399	208	1,607
Fair value of plan assets	–752	–193	–945	–742	–203	–945
Net obligation	**632**	**14**	**646**	**657**	**5**	**662**
Amounts not recognized due to asset ceiling	–	–	–	–	–	–
Other recognized amounts	–	13	13	–	15	15
Provisions for pensions and other post-employment benefits	**632**	**27**	**659**	**657**	**20**	**677**

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

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

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

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

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

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

Measurement is based on the following assumptions:

ACTUARIAL ASSUMPTIONS (IN %)

	2017		**2018**	
	Germany	Other countries	**Germany**	**Other countries**
Discount rates	1.85	2.03	1.95	2.30
Projected wage and salary growth	3.49	2.68	3.49	2.73
Projected pension growth	1.75	2.03	1.76	2.04
Projected staff turnover	2.14	7.83	2.14	8.14

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 shown in the table below. The change in actuarial gains and losses due to changes in demographic assumptions is mainly attributable to the use of new mortality tables in Germany.

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (IN € MILLION)

	2017			**2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Jan. 1	**1,389**	**217**	**1,606**	**1,384**	**207**	**1,591**
Current service cost	35	9	44	35	8	43
Net interest expense	24	4	28	25	4	29
Actuarial gains (–) and losses (+)	–29	–	–29	–10	–7	–17
Of which experience adjustments	–5	2	–3	–1	1	–
Of which due to changes in financial assumptions	–24	–1	–25	–24	–8	–32
Of which due to changes in demographic assumptions	–	–1	–1	15	–	15
Contributions by plan participants	7	2	9	7	2	9
Pension benefits paid	–42	–10	–52	–42	–12	–54
Currency translation adjustment	–	–15	–15	–	4	4
Other changes	–	–	–	–	2	2
Dec. 31	**1,384**	**207**	**1,591**	**1,399**	**208**	**1,607**

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, 2017			**Dec. 31, 2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Partly or wholly funded defined benefit obligations	1,377	191	1,568	1,392	193	1,585
Unfunded defined benefit obligations	7	16	23	7	15	22
Present value of defined benefit obligations	**1,384**	**207**	**1,591**	**1,399**	**208**	**1,607**

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

FAIR VALUE OF PLAN ASSETS (IN € MILLION)

	2017			**2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Jan. 1	**718**	**192**	**910**	**752**	**193**	**945**
Return on plan assets	13	3	16	14	3	17
Actuarial gains (+) and losses (–)	16	10	26	–29	–7	–36
Actual return on plan assets	**29**	**13**	**42**	**–15**	**–4**	**–19**
Employer contributions	7	8	15	6	15	21
Contributions by plan participants	6	2	8	7	2	9
Pension benefits paid	–8	–9	–17	–8	–11	–19
Currency translation adjustment	–	–13	–13	–	4	4
Other changes	–	–	–	–	4	4
Dec. 31	**752**	**193**	**945**	**742**	**203**	**945**

In fiscal year 2019, employer contributions to plan assets are expected to amount to €10 million. The breakdown of the plan assets as of the reporting date was as follows:

COMPOSITION OF PLAN ASSETS (IN € MILLION)

	Dec. 31, 2017			**Dec. 31, 2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Equity instruments	177	74	251	142	78	220
Debt instruments	325	72	397	368	81	449
Real estate	177	22	199	170	24	194
Cash and cash equivalents	34	12	46	25	9	34
Other	39	13	52	37	11	48
Total plan assets	**752**	**193**	**945**	**742**	**203**	**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, 100% are attributable to the mature markets.

Debt instruments may comprise investments in funds and direct investments in bonds. In general, these have quoted market prices in a liquid market. In Germany 73% are attributable to corporate bonds and 27% 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. As of the reporting date, the portfolio included buildings held and used in the amount of €42 million.

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, 2017			**Dec. 31, 2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Duration of the present value of the pension obligations (in years)	**18**	**17**	**18**	**18**	**16**	**18**
Maturity analysis of the expected pension payments (in € million)						
Up to 1 year	44	6	50	45	5	50
More than 1 and up to 2 years	46	5	51	47	5	52
More than 2 and up to 5 years	143	18	161	147	17	164
More than 5 and up to 10 years	262	38	300	273	34	307

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, 2017			**Dec. 31, 2018**		
	Germany	Other countries	Group	**Germany**	**Other countries**	**Group**
Discount rate						
+0.50%	–113	–14	–127	–113	–12	–125
–0.50%	130	17	147	130	14	144
Projected wage and salary growth						
+0.25%	6	1	7	6	1	7
–0.25%	–6	–1	–7	–6	–1	–7
Projected pension growth						
+0.25%	32	5	37	31	4	35
–0.25%	–31	–3	–34	–30	–2	–32
Projected staff turnover						
+0.25%	–	–	–	–	–	–
–0.25%	–	–	–	–	–	–
Life expectancy						
Increase of one year	57	4	61	61	3	64
Decrease of one year	–57	–4	–61	–57	–3	–60

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

25 Other Provisions

(IN € MILLION)

	Personnel	Marketing and selling	Legal disputes and similar risks	Miscellaneous	Total
Jan. 1, 2018	**262**	**51**	**121**	**114**	**548**
Of which non-current	70	–	40	11	121
Currency	–1	–	–3	–2	–6
Additions	186	27	17	68	298
Utilized	151	45	5	39	240
Reversals	16	2	18	14	50
Dec. 31, 2018	**280**	**31**	**112**	**127**	**550**
Of which non-current	74	–	37	13	124

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 €20 million (previous year: €24 million) and for risks relating to other legal disputes (mainly with tax and customs authorities) of €92 million (previous year: €97 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, 2017	Dec. 31, 2018
Trade payables (AC)	**1,420**	**1,554**
Other current financial liabilities	**109**	**76**
Other financial liabilities (AC)	61	60
Negative fair value of derivatives (DFI)	48	16
Other current liabilities	**102**	**105**
Other tax liabilities	87	90
Social security liabilities	11	10
Other miscellaneous liabilities	4	5
	1,631	**1,735**

Other financial liabilities primarily comprise short-term bank loans amounting to €18 million (previous year: €14 million) and other financial obligations in the amount of €42 million (previous year: €47 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 12 months as of the reporting date, their carrying amounts at the balance sheet date correspond approximately to their fair value.

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

The new IFRS 9 standard has been applied retrospectively since January 1, 2018. In line with the option to simplify initial application, the comparison figures for prior-year periods are presented in accordance with IAS 39. The table below shows the carrying amounts and fair values of the Group's financial instruments in accordance with IAS 39 for the figures as of December 31, 2017, and in accordance with IFRS 9 for the figures as of December 31, 2018:

(IN € MILLION)

		Measurement category under IAS 39			
2017	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)	*2,365*	*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 (AC)	*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)	–	–	–	–	–

		Measurement category under IFRS 9			
2018	Carrying amount Dec. 31	Amortized cost	Fair value recognized in OCI	Fair value through profit or loss	**Fair value Dec. 31**
Assets					
Amortized cost (AC)	*5,499*	*5,499*	–	–	*5,504*
Non-current financial assets	13	13	–	–	13
Trade receivables	1,394	1,394	–	–	1,394
Other current financial assets	103	103	–	–	103
Cash and cash equivalents	919	919	–	–	919
Securities	3,070	3,070	–	–	3,075
Fair value through other comprehensive income (FVOCI)	*390*	–	*390*	–	*390*
Non-current financial assets	4	–	4	–	4
Securities	386	–	386	–	386
Fair value through profit and loss (FVPL)	*46*	–	–	*46*	*46*
Securities	46	–	–	46	46
Derivative financial instruments used for hedges (DFI)	*13*	–	*10*	*3*	*13*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–	–
Liabilities					
Other financial liabilities (AC)	*1,621*	*1,621*	–	–	*1,621*
Non-current financial liabilities	7	7	–	–	7
Trade payables	1,554	1,554	–	–	1,554
Other current financial liabilities	60	60	–	–	60
Derivative financial instruments used for hedges (DFI)	*16*	–	*12*	*4*	*16*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–	–

A reconciliation of the carrying amounts of financial assets and financial liabilities from IAS 39 as of December 31, 2017, to IFRS 9 as of January 1, 2018, is shown in the table below:

RECONCILIATION OF FINANCIAL ASSETS FROM IAS 39 TO IFRS 9 (IN € MILLION)

	Carrying amount under IAS 39 at Dec. 31, 2017	Reclassifications	Remeasurements	**Carrying amount under IFRS 9 at Jan. 1, 2018**
Assets				
Amortized cost (LaR/AC)	*2,365*	*2,788*	*–3*	*5,150*
Non-current financial assets	11	–	–	11
Trade receivables	1,326	–	–	1,326
Other current financial assets	127	–5	–	122
Cash and cash equivalents	901	–	–	901
Securities – debt instruments	–	2,793	–3	2,790
Available for sale financial assets (AfS)	*520*	*–520*	–	–
Non-current financial assets	11	–11	–	–
Securities	509	–509	–	–
Held to maturity financial investments (HtM)	*2,793*	*–2,793*	–	–
Securities	2,793	–2,793	–	–
Fair value through other comprehensive income (FVOCI)	–	*345*	–	*345*
Non-current financial assets	–	3	–	3
Securities – debt instruments	–	342	–	342
Fair value through profit and loss (FVPL)	–	*172*	–	*172*
Non-current financial assets	–	–	–	–
Securities – equity instruments	–	102	–	102
Securities – money market funds	–	65	–	65
Other current financial assets	–	5	–	5
Derivative financial instruments used for hedges (DFI)	*24*	–	–	*24*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–
Liabilities				
Other financial liabilities (AC)	*1,485*	–	–	*1,485*
Non-current financial liabilities	4	–	–	4
Trade payables	1,420	–	–	1,420
Other current financial liabilities	61	–	–	61
Derivative financial instruments used for hedges (DFI)	*48*	–	–	*48*
Derivative financial instruments not included in a hedging relationship (FVPL)	–	–	–	–

The first-time application of IFRS 9 had the following effects on the Group's retained earnings and other comprehensive income:

EFFECTS OF FIRST-TIME APPLICATION OF IFRS 9 ON GROUP EQUITY (IN € MILLION)

Retained earnings	
December 31, 2017 under IAS 39	4,969
Change in default risk for financial instruments (after deferred taxes)	–2
January 1, 2018 under IFRS 9	4,967
Reserves for available for sale financial assets	
December 31, 2017 under IAS 39	5
Reclassification to reserves for debt instruments measured at fair value through other comprehensive income (after deferred taxes)	–5
January 1, 2018 under IFRS 9	0
Reserves for changes in fair value of debt instruments	
December 31, 2017 under IAS 39	0
Reclassification from reserves for available for sale financial assets (after deferred taxes)	5
January 1, 2018 under IFRS 9	5

The table below shows the original measurement categories and carrying amounts for financial assets and financial liabilities under IAS 39 and the new measurement categories and carrying amounts of these financial assets and financial liabilities in accordance with IFRS 9:

MEASUREMENT CATEGORIES RECONCILIATION FROM IAS 39 TO IFRS 9 (IN € MILLION)

Assets	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount under IAS 39 as of Dec. 31, 2017	**Carrying amount under IFRS 9 as of Jan. 1, 2018**
Non-current financial assets	KuF	AC	11	11
Trade receivables	KuF	AC	1,326	1,326
Other current financial assets	KuF	AC	122	122
Other current financial assets	KuF	FVPL	5	5
Cash and cash equivalents	KuF	AC	901	901
Non-current financial assets	zVv	FVOCI	3	3
Securities – Equity instruments	zVv	FVPL	102	102
Securities – Financial investments	zVv	FVPL	65	65
Securities – Debt instruments	zVv	FVOCI	342	342
Securities – Debt instruments	zEh	AC	2,793	2,790
Derivative financial instruments used for hedges (DFI)	n.a.	n.a.	24	24
Liabilities				
Non-current financial liabilities	AC	AC	4	4
Trade payables	AC	AC	1,420	1,420
Other current financial liabilities	AC	AC	61	61
Derivative financial instruments used for hedges (DFI)	n.a.	n.a.	48	48

The individual valuation categories are explained in detail in the notes to the consolidated financial statements in the section "Significant Accounting Policies."

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, 2017	Level 1	Level 2	Level 3	**Total**
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)	*–*	*–*	*–*	*–*
Dec. 31, 2018				
Assets				
Fair value through other comprehensive income (FVOCI)	*386*	*–*	*4*	*390*
Non-current financial assets	–	–	4	4
Securities	386	–	–	386
Fair value through profit and loss (FVPL)	*46*	*–*	*–*	*46*
Securities	46	–	–	46
Derivative financial instruments used for hedges (DFI)	*–*	*13*	*–*	*13*
Derivative financial instruments not included in a hedging relationship (FVPL)	*–*	*–*	*–*	*–*
Liabilities				
Derivative financial instruments used for hedges (DFI)	–	16	–	16
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.

Fair value hierarchy Level 3 mainly comprises fair values of equity investments. Under IFRS 9, these are allocated to the "at fair value through other comprehensive income" category (FVOCI). Under IAS 39, they were allocated to the "available for sale" category and measured at cost.

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

Financial instruments that are not measured at fair value predominantly have remaining contractual maturities of less than 12 months as of the reporting date. Therefore, their carrying amounts at the balance sheet date correspond approximately to their fair value. Securities belonging to the "at amortized cost" (AC) category under IFRS 9 and the "held to maturity financial investments" (HtM) category under IAS 39 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. These risks are countered by active treasury management based on a global directive. They are managed and hedged centrally to a very large extent.

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 for the next 12 months 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 €–3 million (previous year: €0 million), and their notional value was €1,860 million (previous year: €1,741 million). As in the previous year, all of the forward contracts have a remaining maturity of up to one year. 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, 2018, the fair values of the currency forwards recognized directly within the hedging reserves in equity would have increased by €49 million (previous year: €55 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 €65 million (previous year: €68 million). An appreciation or depreciation of the euro would not have a material impact on the consolidated financial statements when valuing currency forwards recognized in profit and loss. This is because the resulting changes in the hedged items would compensate for the effects of any changes in the market values.

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. 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: €8 million) higher (lower). This would have had no impact on accumulated other comprehensive income within equity.

DEFAULT RISK

The Beiersdorf Group is exposed to default risk within the scope of its financing activities and in its operations. 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 €5,948 million as of December 31, 2018 (previous year: €5,702 million).

IFRS 9 introduces a new impairment model based on expected credit losses. This model applies to all financial assets measured at amortized cost or at fair value through other comprehensive income.

The simplified process is used for determining impairments on trade receivables under IFRS 9. In this approach, expected credit losses over the entire lifetime of the financial instruments are determined. Expected losses are estimated based on analyses of historical defaults and the age structure of the receivables as well as current economic developments and an assessment of the credit quality of individual customers.

Given that historical and expected default rates are low, the new calculation of impairments does not have a material impact on assets or equity. 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.

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).

Impairments based on expected credit losses over the next 12 months are recognized on securities measured at amortized cost or at fair value through other comprehensive income. The estimate is based on ratings and continuously updated risk indicators. Current CDS spreads and the issuers' bond spreads are also used in the calculation.

VALUATION ALLOWANCES (IN € MILLION)

	2018
Securities in the "at amortized cost" category	6
Securities in the "at fair value through other comprehensive income" category	1
	7

Given the low-risk financial assets in our portfolio, the new calculation of impairments does not have a material impact on assets or equity. Impairments were recognized in retained earnings at the time of initial application.

Financial assets such as cash and cash equivalents include bank balances and very short-term liquid investments. These belong to the measured "at amortized cost" category. Given the very short terms (e.g. due on demand) and the creditworthiness of our contractual partners, no impairment was identified based on expected credit losses.

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, 2017	Dec. 31, 2018
Contingent liabilities		
Liabilities under guarantees	141	134
Other financial obligations		
Obligations under rental and lease agreements	141	135
Due within the next year	55	48
Due in 1 to 5 years	84	81
Due after more than 5 years	2	6
Obligations under purchase commitments	349	279
Due within the next year	236	154
Due in 1 to 5 years	113	125

OTHER FINANCIAL OBLIGATIONS

The aggregate nominal amount of the other financial obligations was €414 million (previous year: €490 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 €83 million in fiscal year 2018 (previous year: €80 million).

LEGAL RISKS

The claim for damages from the liquidator of Schlecker e. K. with reference to German antitrust proceedings already concluded, which has been pending since 2016, was rejected by the court of first instance. The plaintiff has appealed this judgment. The proceedings are also directed against six other companies. The claim for compensation, which involves joint and several liability of all defendants, totals approximately €200 million plus interest. A further claim in connection with these antitrust proceedings was also dismissed in the instance. Decisions are still pending on other claims for damages made in and out of court in connection with concluded antitrust proceedings. Beiersdorf contests these claims.

The state of São Paulo is demanding retroactive tax payments of €110 million (previous year: €124 million) from our Consumer Business Segment's Brazilian affiliates for the years 2005 to 2009. The amount was lower than in the previous year due to the exchange rate and a reduction in surcharges and interest in the course of proceedings. 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 2014 to 2017. Potential claims for back taxes for the years 2010 to 2013 are now time-barred.

The Brazilian tax authorities also issued further, in our view unjustified, VAT demands on a similar scale in relation to various matters. Our affiliates are appealing these claims through official processes. 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:

NUMBER OF EMPLOYEES (AS OF DEC. 31)

	2017	**2018**
Production, supply chain and quality management	7,198	7,766
Marketing and sales	6,997	7,343
Research and development	1,290	1,389
Other functions	3,449	3,561
	18,934	**20,059**

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2017	**2018**
Production, supply chain and quality management	7,017	7,587
Marketing and sales	6,884	7,215
Research and development	1,243	1,362
Other functions	3,451	3,495
	18,595	**19,659**

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting. Personnel expenses amounted to €1,340 million (previous year: €1,266 million).

30 Auditor's Fees

The Annual General Meeting on April 25, 2018, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of Beiersdorf AG and the Beiersdorf Group for fiscal year 2018.

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

FEES PAID TO THE GROUP AUDITORS (IN € THOUSAND)

	2017	**2018**
Audit services	1,077	926
Other assurance services	67	380
Tax advisory services	178	119
Other services	36	47
	1,358	**1,472**

Non-audit services in fiscal year 2018 mainly comprised the voluntary limited assurance engagement on the combined non-financial report, voluntary audits of the annual financial statements, reviews, particularly of the condensed interim consolidated financial statements and interim Group management report for the period from January 1, 2018 to June 30, 2018, agreed-upon procedures, and other legally prescribed, contractually agreed, or voluntarily requested assurance services.

31 Declaration of Compliance with the German Corporate Governance Code

In December 2018, 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 2018 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 2018, the members of the Supervisory Board received remuneration totaling €1,524 thousand (previous year: €1,414 thousand) and the members of the Executive Board received remuneration totaling €11,247 thousand (previous year: €17,811 thousand). €2,093 thousand (previous year: €8,057 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 €9,154 thousand (previous year: €9,754 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 €3,769 thousand (previous year: €2,412 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €36,822 thousand (previous year: €39,047 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 fiscal year 2018. 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 2018, 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 and sourced products from each other at standard market terms to an extent that is not material. There was also limited collaboration in various areas.

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 26, 2019).* In each case, the disclosures represent the disclosers' most recent notification to the company, to the extent that additional notifications are not required to be provided for reasons of transparency.

1.

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

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

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

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

The chains of controlled companies are as follows:

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

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

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

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

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

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

c) Voting right notification in accordance with § 21 (1) *WpHG* (former version) dated 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*.

Report on Post-Balance Sheet Date Events

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

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

Beiersdorf AG Boards

SUPERVISORY BOARD

Name	Profession	Memberships
Hong Chow	General Manager, Roche Pharmaceuticals, Shanghai, China	
Frank Ganschow	Chairman of the Works Council of tesa SE	Member of the Supervisory Board: – tesa SE (intragroup)
Reiner Hansert	Director Legal Affairs Europe and Director Corporate Brand Protection, Beiersdorf AG	
Martin Hansson Deputy Chairman (since April 25, 2018)	Member of the Executive Board of maxingvest ag	Member of the Supervisory Board: – Tchibo GmbH
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*	Global Commercial Manager, Nestrade S.A., Switzerland, Nestlé Group	
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 (until April 25, 2018)	Member of the Board of Directors of Aryzta AG, Switzerland	
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	Members of the Personnel Committee
– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Martin Hansson** (since April 25, 2018) – **Michael Herz** – **Thorsten Irtz** – **Frédéric Pflanz** (until April 25, 2018)	– **Dr. Dr. Christine Martel** (Chairwoman) – **Reiner Hansert** – **Martin Hansson** (since April 25, 2018) – **Tomas Nieber** – **Frédéric Pflanz** (until April 25, 2018) – **Prof. Dr. Reinhard Pöllath**	– **Frédéric Pflanz** (Chairman) (until April 25, 2018) – **Martin Hansson** (Chairman) (since April 25, 2018) – **Reiner Hansert** – **Dr. Dr. Christine Martel** – **Tomas Nieber** – **Prof. Dr. Reinhard Pöllath**	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Hong Chow** – **Martin Hansson** since April 25, 2018) – **Dr. Dr. Christine Martel** – **Frédéric Pflanz** (until April 25, 2018)	– **Prof. Dr. Reinhard Pöllath** (Chairman) – **Reiner Hansert** – **Martin Hansson** (since April 25, 2018) – **Thorsten Irtz** – **Frédéric Pflanz** (until April 25, 2018)	– **Martin Hansson** (Chairman) – **Hong Chow** – **Reiner Hansert** – **Prof. Manuela Rousseau**

EXECUTIVE BOARD*

Name	Function/responsibilities		Memberships**
Stefan F. Heidenreich (until December 31, 2018)	Chairman	Internal Audit Germany/Switzerland, Japan	
Stefan De Loecker	Chairman (since January 1, 2019)	Corporate Development, Strategy/Supply Chain Research and Development/Internal Audit Germany/Switzerland, Japan North and Latin America (interim) Africa, India, Russia (interim)	
Jesper Andersen (until June 30, 2018)	Finance & Quality	Finance/Controlling/Legal/Compliance/IT Quality Assurance	
Ralph Gusko	Asia Pacific	East Asia (excluding Japan), Australia/Pacific	
Thomas Ingelfinger	Europe	Europe (excluding Germany/Switzerland)	Member of the consiglio di amministrazione: – Davide Campari-Milano S.p.A., Italy
Zhengrong Liu	Human Resources & Corporate Communications	Human Resources/Corporate Communication/ Sustainability/General Services & Real Estate – Labor Relations Director –	
Asim Naseer (since January 1, 2019)	Consumer Brands	Brand Management Consumer/Digital	
Dessi Temperley (since July 1, 2018)	Finance & Quality	Finance/Controlling/Legal/Compliance/IT Quality Assurance	
Vincent Warnery	Pharmacy & Selective	Eucerin/Plaster/La Prairie	

* In addition, with a resolution dated December 4, 2018, the Supervisory Board has appointed Mr. Ramon A. Mirt as member of the Executive Board. Mr. Mirt will start his position after the preparation of this financial statement.
** 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 other associated companies.

Hamburg, February 26, 2019
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

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, 2018, 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, 2018, 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, 2018. In accordance with the German legal requirements we have not audited the components of the group management report stated in the annex.

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 Sec. 315e (1) of the 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, 2018, and of its financial performance for the fiscal year from January 1 to December 31, 2018, 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 components of the group management report stated in the annex.

Pursuant to Sec. 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 Sec. 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 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, 2018. 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 product, less discounts, customer bonuses, and rebates, and taking into account returns, when control over the goods and products has transferred to the customer. 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 IFRS 15. 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 2018 fiscal year, checking among other things for correlation with the associated trade receivables to identify irregularities in the development of sales revenue. 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. This claim was dismissed by the court of first instance in fiscal 2018. The insolvency administrator of Anton Schlecker e.K. i.I., Ehingen, Donau, has filed an appeal against this ruling. In connection with the 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. One of these claims was likewise dismissed by the court of first instance in the 2018 fiscal year. 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, rulings by the court of first instance, 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. The executive directors are responsible for the remaining other information. Other information comprises the components of the group management report stated in the annex, as well as the other components of the annual report, with the exception of the audited consolidated financial statements, the group management report and our related auditor's report, in particular the Executive Board's Responsibility Statement in accordance with Sec. 297 (2) sentence 4 HGB, the report by the Supervisory Board in accordance with Sec. 171 (2) of the German Stock Corporation Act (AktG), and the sections "Letter from the Chairman," "Beiersdorf's Shares and Investor Relations," and "Corporate Governance Report" in the annual report. We had obtained a version of this other information by the time this auditor's report was issued.

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, with 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 Sec. 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 opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 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 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 by the EU and the additional requirements of German commercial law pursuant to Sec. 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 opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with the law, and the view of the Group'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 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 communicate 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 communicated with those charged with governance, we determine those matters that were 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 25, 2018. We were engaged by the Supervisory Board on April 26, 2018. We have been the group auditor of Beiersdorf AG without interruption since fiscal year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 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.

ANNEX TO THE AUDITOR'S REPORT: COMPONENTS OF THE GROUP MANAGEMENT REPORT THAT HAVE NOT BEEN AUDITED

We have not audited the following components of the group management report:

- The separate non-financial report

In addition, we have not audited the following disclosures that are not typical of or required in a management report. They are disclosures that are not prescribed by Sec. 315 and 315a HGB or Sec. 315b to 315d HGB.

- The section "Sustainability" in the chapter "Foundation of the Group,"

- The section "People at Beiersdorf" in the chapter "Foundation of the Group."

Hamburg, February 26, 2019
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 26, 2019
The Executive Board

STEFAN DE LOECKER
Chairman 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

ASIM NASEER
Member of the
Executive Board

DESSI TEMPERLEY
Member of the
Executive Board

VINCENT WARNERY
Member of the
Executive Board

4 ADDITIONAL INFORMATION

Ten-year Overview

(IN € MILLION)
(unless otherwise stated)

		2009[1]	2010[1/2]	2011[1]	2012[1]	2013[1]	2014[1]	2015	2016	2017	**2018[1]**
Sales		**5,748**	**5,571**	**5,633**	**6,040**	**6,141**	**6,285**	**6,686**	**6,752**	**7,056**	**7,233**
Change against prior year (nominal)	(in %)	–3.7	7.8	1.1	7.2	1.7	2.3	6.4	1.0	4.5	2.5
Consumer		5,011	4,698	4,696	5,048	5,103	5,209	5,546	5,606	5,799	5,890
tesa		737	873	937	992	1,038	1,076	1,140	1,146	1,257	1,343
Europe[4]		3,767	3,450	3,414	3,417	3,390	3,421	3,447	3,461	3,568	3,673
Americas		851	932	993	1,149	1,092	1,116	1,243	1,252	1,307	1,267
Africa/Asia/Australia[4]		1,130	1,189	1,226	1,474	1,659	1,748	1,996	2,039	2,181	2,293
EBITDA		**722**	**804**	**704**	**850**	**926**	**975**	**1,091**	**1,163**	**1,238**	**1,262**
Operating result (EBIT)[1]		**587**	**583**	**431**	**698**	**820**	**796**	**962**	**1,015**	**1,088**	**1,097**
Profit before tax[1/3]		**583**	**553**	**440**	**713**	**815**	**811**	**968**	**1,040**	**1,022**	**1,048**
Profit after tax[1/3]		**380**	**326**	**259**	**454**	**543**	**537**	**671**	**727**	**689**	**745**
Return on sales after tax[1]	(in %)	6.6	5.9	4.6	7.5	8.8	8.5	10.0	10.8	9.8	10.3
Earnings per share[1/3]	(in €)	1.65	1.40	1.10	1.96	2.35	2.33	2.91	3.13	2.96	3.21
Total dividend – equity holders		159	159	159	159	159	159	159	159	159	159
Dividend per share	(in €)	0.70	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		**45.93**	**41.53**	**43.82**	**61.88**	**73.64**	**67.42**	**84.16**	**80.60**	**97.90**	**91.16**
Market capitalization as of Dec. 31		11,574	10,466	11,043	15,594	18,557	16,990	21,208	20,311	24,671	22,972
Research and development expenses		**149**	**152**	**163**	**159**	**154**	**168**	**183**	**188**	**196**	**211**
as % of sales		2.6	2.7	2.9	2.6	2.5	2.7	2.7	2.8	2.8	2.9
Employees as of Dec. 31		**20,346**	**19,128**	**17,666**	**16,605**	**16,708**	**17,398**	**17,659**	**17,934**	**18,934**	**20,059**
Intangible assets		382	306	172	185	176	119	119	119	140	211
Property, plant, and equipment		725	716	635	685	785	964	1,054	1,046	1,026	1,239
Non-current financial assets/securities		10	438	686	712	804	1,059	1,318	1,919	2,554	2,642
Inventories		561	632	699	734	733	786	772	739	854	986
Receivables and other assets[3]		2,149	2,030	2,142	2,446	2,316	2,426	2,692	2,878	2,730	2,874
Cash and cash equivalents		767	973	941	834	984	976	918	872	901	919
Equity[3]		2,636	2,920	3,016	3,143	3,405	3,640	4,201	4,677	5,125	5,647
Liabilities[3]		1,958	2,175	2,259	2,453	2,393	2,690	2,672	2,896	3,080	3,224
Provisions[3]		750	812	824	977	997	1,166	1,074	1,242	1,207	1,227
Trade payables		699	863	946	1,036	973	1,022	1,152	1,244	1,420	1,554
Other liabilities[3]		509	500	489	440	423	502	446	410	453	443
Total equity and liabilities[3]		**4,594**	**5,095**	**5,275**	**5,596**	**5,798**	**6,330**	**6,873**	**7,573**	**8,205**	**8,871**
Equity ratio[3]	(in %)	57	57	57	56	59	58	61	62	62	64

[1] Figures include special factors.
[2] The figures for 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
tesa Grundstücksverwaltungsgesellschaft mbH & Co. KG	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 Beteiligungs-gesellschaft mbH & Co. KG	Hamburg	9.90
Phanex Handelsgesellschaft mbH	Hamburg	100.00
tesa Converting Center GmbH	Hamburg	100.00
tesa Werk Hamburg GmbH	Hamburg	100.00
Ultra Kosmetik GmbH	Hamburg	100.00
W5 Immobilien GmbH & Co. KG	Hamburg	100.00
WINGMAN-STUDIOS GmbH	Hamburg	100.00
tesa nie wieder bohren GmbH	Hanau	100.00
tesa scribos GmbH	Heidelberg	100.00
tesa Labtec GmbH	Langenfeld	100.00
tesa SE	Norderstedt	100.00
tesa Werk Offenburg GmbH	Offenburg	100.00
Polymount Deutschland GmbH	Waghäusel	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
S-Biomedic NV	BE, Berse	21.27
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
Swiss Cosmetics Production AG	CH, Berneck	35.00
Beiersdorf AG	CH, Reinach	100.00
La Prairie Group AG	CH, Volketswil	100.00
Laboratoires La Prairie SA	CH, Volketswil	100.00
Polymount Brno spol. s.r.o.	CZ, Brno	100.00
Beiersdorf spol. s.r.o.	CZ, Prague	100.00
tesa tape s.r.o.	CZ, Prague	100.00

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
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
SARL Polymount France	FR, Saint Paul en Gatine	100.00
tesa s.a.s.	FR, Savigny-le-Temple	100.00
Beiersdorf UK Ltd.	GB, Birmingham	100.00
FormFormForm Ltd.	GB, London	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
tesa TL B.V.	NL, Nijkerk	100.00
Beiersdorf AS	NO, Oslo	100.00
tesa AS	NO, Oslo	100.00
Beiersdorf Manufacturing Poznan Sp. z o.o.	PL, Poznan	100.00
NIVEA Polska Sp. z o.o.	PL, Poznan	100.00
tesa tape Sp. z o.o.	PL, Poznan	100.00
Beiersdorf Portuguesa, Limitada	PT, Queluz	100.00
tesa Portugal – Produtos Adesivos, Lda.	PT, Queluz	100.00
Beiersdorf Romania s.r.l.	RO, Bucharest	100.00
tesa tape s.r.l.	RO, Cluj-Napoca	100.00
Beiersdorf d.o.o.	RS, Belgrade	100.00
Beiersdorf LLC	RU, Moscow	100.00
La Prairie Group (RUS) LLC	RU, Moscow	100.00
tesa tape OOO	RU, Moscow	100.00
Polymount Scandinavia AB	SE, Askim	100.00
Beiersdorf Aktiebolag	SE, Gothenburg	100.00

EUROPE (continued)

Name of the company	Registered office	Equity interest (in %)
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
Functional Coatings LLC	US, Newburyport, MA	96.00
Heromelt Adhesives LLC	US, Newburyport, MA	96.00
tesa TL LLC	US, Newnan, GA	100.00
tesa Plant Sparta LLC	US, Sparta, MI	100.00
Sugru Inc.	US, Wilmington, DE	100.00
tesa Functional Coatings Inc. USA	US, Wilmington, DE	96.00
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 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
tesa tape (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 Egypt for Trading JSC	EG, Cairo	100.00
Beiersdorf LLC	EG, Cairo	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
Beiersdorf India Service Private Limited	IN, Mumbai	100,00
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	96.25
tesa tape Industries (Malaysia) Sdn. Bhd.	MY, Kajang	96.25
Beiersdorf (Malaysia) SDN. BHD.	MY, Petaling Jaya	100.00
Beiersdorf Nivea Consumer Products Nigeria Limited	NG, Lagos	100.00
Beiersdorf Pakistan (Private) Limited	PK, Lahore	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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Design / Realization
3st kommunikation, Mainz

Typesetting
Knecht GmbH, Ockenheim

This Annual Report is also available in German.
The online versions of the financial publications of Beiersdorf are available at
WWW.BEIERSDORF.COM/FINANCIAL_REPORTS.

Financial Calendar

2019

April 17 Annual General Meeting	**April 24** Dividend Payment	**April 30** Quarterly Statement January to March 2019
August 6 Half-Year Report 2019	**October 29** Quarterly Statement January to September 2019	

2020

February/March Publication of Annual Report 2019, Annual Press Conference, Financial Analyst Meeting	**April** Annual General Meeting	**May** Quarterly Statement January to March 2020
August Half-Year Report 2020	**October** Quarterly Statement January to September 2020	

Beiersdorf

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