ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

AS OF DECEMBER 31, 2016

Beiersdorf

Our Brands

With strong brands as well as innovative, high-quality skin and body care products, Beiersdorf inspires millions of consumers all over the world each day.

The NIVEA brand has enjoyed market success for over 100 years and is the world's largest skin care brand* today. Our success in all skin care categories and market segments is attributable not only to NIVEA but also to our other leading brands: Eucerin for medical skin care and La Prairie for luxurious anti-aging care. Other outstanding brands – including Hansaplast/Elastoplast, Labello, 8x4, Hidrofugal, Florena, atrix, SLEK, Maestro, and Aquaphor – round out our portfolio. Beiersdorf's brands are specially geared towards local markets, individual consumer needs, and specific areas of application. Their continuous further development is the foundation for Beiersdorf's long-term success.

* Source: Euromonitor International Limited; NIVEA by umbrella brand name in the categories Body Care, Face Care, and Hand Care; in retail value terms, 2015.

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Report by the Supervisory Board

Dear Shareholders,

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

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

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

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

FULL SUPERVISORY BOARD

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

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

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

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

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

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

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

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

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

COMMITTEES

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

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

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

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

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

ANNUAL FINANCIAL STATEMENTS AND AUDIT

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

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

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

Hamburg, February 24, 2017
For the Supervisory Board

REINHARD PÖLLATH
CHAIRMAN

Corporate Governance Report 2016

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

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

Declaration of Compliance

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

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

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

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

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

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

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

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

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

Hamburg, December 2016

For the Supervisory Board

PROF. DR. REINHARD PÖLLATH
Chairmann of the Supervisory Board

For the Executive Board

STEFAN F. HEIDENREICH
Chairmann of the Executive Board

JESPER ANDERSEN
Member of the Executive Board

Management Structure

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

1. SUPERVISORY BOARD

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

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

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

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

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

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

a) Specification and Achievement of Objectives

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

International Focus

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

Representation of Women

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

Regular Limits on Age and Length of Membership

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

Independent Focus

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

Potential Conflicts of Interest

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

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

Diversity Officers

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

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

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

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

b) Committees

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

Presiding Committee

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

Audit Committee

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

Finance Committee

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

Mediation Committee

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

Nomination Committee

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

The composition of the Supervisory Board and its committees can be found on our website at WWW.BEIERSDORF.COM/BOARDS and on page 64 f. of this report.

2. EXECUTIVE BOARD

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

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

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

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

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

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

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

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

3. ANNUAL GENERAL MEETING

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

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

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

Directors' Dealings and Shareholdings of the Executive and Supervisory Boards

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

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

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

2. SHAREHOLDINGS (SECTION 6.2 OF THE CODE)

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

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

Further Information on Corporate Governance

Detailed information on the work of the Supervisory Board and its committees, as well as on the cooperation between the Supervisory Board and the Executive Board, can be found in the Report by the Supervisory Board on page 4 f. of this report.

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

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

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

Hamburg, February 24, 2017
Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board

Remuneration Report

The remuneration report explains the structure and amount of the remuneration paid to the members of the Executive Board and the Supervisory Board. It takes into account the legal requirements and the recommendations of the German Corporate Governance Code and is a component of the annual financial statements of, and the management reports for, Beiersdorf AG and the Group.

1. REMUNERATION OF THE EXECUTIVE BOARD

a) Supervisory Board Resolutions

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

b) Overview

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

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

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

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

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

aa) Fixed Remuneration

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

bb) Variable Bonus

The members of the Executive Board receive a Variable Bonus that is based on the performance of the Consumer Business Segment. As specified by the Supervisory Board and depending on the level of goal achievement in each case, 15% of the Variable Bonus for fiscal year 2016 is determined by the EBIT margin (EBIT component), 20% by sales growth (sales component), 30% by market share, 20% by the achievement of human resources goals, and 15% by the achievement of specific personal goals by individual Executive Board members (personal component). The size of the EBIT component is calculated on the basis of the return on sales. In the process, the Supervisory Board makes adjustments for special factors and deviations from plan for marketing and research and development expenses. The sales component is calculated on the basis of sales growth, with the Supervisory Board again taking special factors into account. The personal component is mostly composed of two personal goals, which depend on the functional and, if applicable, regional responsibilities of each individual Executive Board member. These are set annually by the Supervisory Board for each individual Executive Board member. Following due assessment of the circumstances, the Supervisory Board lays down percentages for target achievement for each of the components, with intermediate figures being extrapolated on a straight-line basis. The individual components lapse if goal achievement is less than 70%. No further increases are made for any of the components if the goals are exceeded by more than 200% (cap). The Supervisory Board may increase or decrease the Variable Bonus by up to 20% in order to take extraordinary developments into account. Bonus entitlements can also be transferred to the long-term Enterprise Value Component (see section cc)).

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

cc) Enterprise Value Component

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

General Meeting approving the Executive Board member's actions during and after the expiration of the bonus period.

The enterprise value is calculated as a multiple of sales and EBIT as reported in the consolidated financial statements. The increase in value is the increase in enterprise value from the beginning to the end of the bonus period. In each case, this is calculated as an average over three years. The increase in enterprise value corresponds to the percentage share of the Executive Board member's (notionally allocated) Enterprise Value Component that will be paid to him, with the amount being prorated by the ratio of his term of office to the bonus period. EBIT, which is taken into account alongside sales, is adjusted for, among other things, any deviations from the plan for marketing expenses compared with the start of the bonus period. In individual cases, the Supervisory Board is entitled to make adjustments following due assessment of the circumstances, for instance by adjusting for special factors or for inflation (where this exceeds 10% in the reference period), or by increasing or decreasing the Enterprise Value Component for objective reasons by up to 20%.

In addition, the Executive Board members can share in the enterprise's performance by making a personal investment and acquiring Covered Virtual Units. This personal investment is made by retaining bonus payments due under the Variable Bonus, by the Executive member providing collateral (e.g. by pledging assets of a suitable value), or by way of allocation.* The Covered Virtual Units participate in positive and negative percentage changes in the value of the Enterprise Value Component. They vest immediately. If they are retained or allocated, they are paid out in full or in part, or not paid out, after being adjusted on the basis of the enterprise value performance. For Covered Virtual Units, the Executive Board member receives a further Enterprise Value Component in the same amount (Matching Virtual Unit), corresponding to the Base Virtual Units. The Supervisory Board has resolved that from the 2016 fiscal year, payment from Matching Virtual Units will no longer be linked to specific market shares in the core skin care categories for the key European markets being reached or exceeded.

As a rule, the Enterprise Value Component is limited to a maximum amount for each member of the Executive Board (200% cap, corresponding to around 10% p.a.). This does not apply to Covered Virtual Units, since the Executive Board member is also exposed to a risk of loss in this case. If an Executive Board member is active for a period shorter than his period of appointment, the Supervisory Board should reduce his Enterprise Value Component pro rata. There is no legal entitlement to payment of the corresponding increase in value in the event that an Executive Board member's contract is terminated prematurely at the request of the Executive Board member, or by the company for good cause.

dd) Other

As in previous years, the remuneration of the Executive Board for fiscal year 2016 did not contain any stock option program or comparable securities-based incentives. Equally, the members of the Executive Board did not receive any additional remuneration for their membership of supervisory bodies of Group companies and investees. Private use of company cars and accident insurance are taxed as non-cash benefits. There were no ongoing pension commitments for the Executive Board members active in fiscal year 2016.

In the event that an Executive Board member's term of office is terminated prematurely for reasons for which the Executive Board member concerned is not responsible, the contracts of service limit the severance payment to two annual salary payments (severance pay cap). Each member of the Executive Board receives a lump-sum payment of their Variable Bonus (with the amount depending on what they are entitled to) on premature termination of his office other than for good cause for which the Executive Board member is responsible; in this case, the Enterprise Value Component is calculated up until the date of departure and paid on a pro rata basis. No other commitments exist in relation to the premature termination of membership of the Executive Board. Members of the Executive Board did not receive any loans or advances from the company, nor were any contingent liabilities entered into in their favor.

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

ee) Overviews of Individual Executive Board Remuneration

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

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

1 The amount of €540 thousand indicated in the previous year included an additional amount of €40 thousand granted in fiscal year 2015 as fixed basic remuneration for fiscal year 2014. The prior-year figure and the total amounts were adjusted to allow for a better comparability between the reporting year and the previous year.

2 Starting with the 2016 fiscal year, the Variable Bonus will be awarded as a one-year variable bonus. For presentation reasons, the Bonus and Multi-year Bonus reported separately in 2015 have been combined in the prior-year figure. Without this combination, the short-term benefits amounted to €7,378 thousand and the long-term benefits amounted to €11,548 thousand. As in the previous years, the pro rata Variable Bonus awarded to Dr. Ulrich Schmidt for 2016 was granted as a Bonus and Multi-year Bonus and is shown as a combined figure for presentation reasons only.

3 Other remuneration includes the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits, such as the provision of a company car and insurance in line with standard market terms, including any taxes assumed on these items. In 2016, other remuneration for Stefan F. Heidenreich included a once-only payment of €500 thousand (see the Declaration of Compliance of December 2016 in the Corporate Governance Report on page 7), which is to be paid out following the Annual General Meeting in 2017. In 2015, the other remuneration of Stefan F. Heidenreich included a bonus of €313 thousand following his reappointment, and the other remuneration of Stefan De Loecker a bonus of €350 thousand following his appointment.

4 Payment of the amounts set aside for Enterprise Value Components included in the total remuneration is linked to a number of preconditions, and in particular to a corresponding sustainable increase in the company's enterprise value and to approval of the Executive Board member's actions (see page 12 f., section cc)).

5 €1,303 thousand of this amount (previous year: €1,754 thousand) was granted to Stefan De Loecker as remuneration for his activities at Group companies.

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

VIRTUAL UNITS AND PROVISIONS (IN € THOUSAND)

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

6 This figure includes both the Covered Virtual Units acquired by way of personal investment and the Covered Virtual Units granted by way of allocation (see page 13, section cc)).

7 This figure includes a guaranteed base amount which has been awarded to the Chairman of the Executive Board. It is below the current amount set aside for the Enterprise Value Components granted to him (see the Declaration of Compliance of December 2016 in the Corporate Governance Report on page 7).

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

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

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

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

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

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

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

9 The allocations indicated for the reporting year include fixed basic remuneration and other remuneration as well as the Variable Bonus paid once actions have been approved by the following year's Annual General Meeting. Multi-year bonuses (which were awarded for fiscal years up to and including 2015) and LTP are reported as allocations in the fiscal year in which the relevant term or bonus period expires; actual payment takes place only once actions have been approved by the following year's Annual General Meeting.

10 The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).

11 The planned terms of the LTP are as follows: for Stefan F. Heidenreich from 2012 to after the 2021 Annual General Meeting; for Jesper Andersen from 2015 to after the 2020 Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

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

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

[17] See footnote 9 on the reporting of remuneration components as "allocation." The fixed remuneration reported as allocation for Stefan De Loecker in 2015 included an additional amount of €40 thousand granted in fiscal year 2015 for fiscal year 2014 but paid out in fiscal year 2015.

[18] The ancillary benefits include the costs of/non-cash benefits arising from non-cash remuneration components and other ancillary benefits (see footnote 3).

[19] The planned terms of the LTP are as follows: for Zhengrong Liu from 2014 to after the 2021 Annual General Meeting; for Stefan De Loecker from 2014 to after the 2020 Annual General Meeting.

[20] See footnote 12 on the reporting of the Covered Virtual Units.

[21] Of these total amounts, €1,199 thousand/target amount (previous year: €1,522 thousand), €562 thousand/min. p.a. (previous year: €886 thousand), and €1,808 thousand/max. p.a. (previous year: €2,128 thousand) were granted and €966 thousand/allocation (previous year: €1,087 thousand) paid to Stefan De Loecker as remuneration for his activities at Group companies.

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

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

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

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

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

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

2. REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

Business and Strategy

Structure and Organization

Based in Hamburg, Germany, Beiersdorf AG is a leading international branded goods company whose Consumer Business Segment develops and markets skin and body care products. Its products are sold under the core brands NIVEA, Eucerin, La Prairie, Hansaplast/Elastoplast, Labello, Florena, 8x4, Hidrofugal, atrix, Aquaphor, SLEK, and Maestro.

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 150 affiliates worldwide. Beiersdorf AG 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.

STRATEGY

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

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

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

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

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

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

BRANDS

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

INNOVATIONS

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

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

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

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

* Reader's Digest, Trusted Brands Study, 2016

MARKETS

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

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

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

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

PEOPLE

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

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

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

Management and Control

The Executive Board manages Beiersdorf AG and is also responsible for managing the Beiersdorf Group. It is dedicated to sustainably increasing the enterprise 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" on page 65.

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

Value Management and Performance Management System

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

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

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

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

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

Economic Environment

General Economic Situation

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

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

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

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

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

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

Sales Market Trends

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

Procurement Market Trends

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

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

Overall Assessment of the Economic Environment

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

Results of Operations – Beiersdorf AG

(IN € MILLION)

	2015	2016
Sales	**1,161**	**1,190**
Other operating income	127	41
Cost of materials	–273	–269
Personnel expenses	–273	–252
Depreciation and amortization of property, plant, and equipment, and intangible assets	–19	–19
Other operating expenses	–574	–545
Operating result	**149**	**146**
Net income from investments	252	174
Net interest expense	–8	12
Other financial result	18	21
Financial result	**262**	**207**
Profit before tax	**411**	**353**
Income taxes	–74	–84
Profit after tax	**337**	**269**
Transfer to other retained earnings	–161	–93
Net retained profits	**176**	**176**

Beiersdorf AG's sales rose by €29 million to €1,190 million in the year under review (previous year: €1,161 million) primarily due to the redefinition of sales under the rules of the *Bilanzrichtlinien-Umsetzungsgesetz* (German Accounting Directive Implementation Act, *BilRUG*). Product sales of NIVEA Deo, NIVEA Creme and NIVEA Sun were particularly encouraging. Sales of €925 million (previous year: €917 million) were generated in Germany and €265 million (previous year: €244 million) abroad.

Other operating income declined by €86 million compared with the previous year. This decline was primarily due to the changes made in the year under review to the recognition of services within sales in connection with the *BilRUG* rules as well as a decrease of €34 million in income from the disposal of fixed assets.

The financial result decreased by €55 million over the prior year to €207 million (previous year: €262 million). This decline was due to significantly lower net income from investments of €78 million, which was mostly caused by a reduction in foreign dividend income. This was offset by a €20 million increase in net interest expense and a €3 million increase in other financial result.

At €353 million, profit before tax was €58 million down on the previous year. In this connection, operating result declined by €3 million and financial result by €55 million.

Profit after tax amounted to €269 million (previous year: €337 million), a decline of €68 million.

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

Net Assets and Financial Position – Beiersdorf AG

(IN € MILLION)

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

Equity and liabilities	Dec. 31, 2015	**Dec. 31, 2016**
Equity	**2,435**	**2,545**
Provisions for pensions and other post-employment benefits	475	469
Other provisions	235	236
Provisions	**710**	**705**
Liabilities	**1,543**	**2,092**
	4,688	**5,342**

ASSETS AND LIABILITIES

The sharp increase of €813 million in financial assets reflects the addition of long-term government and corporate bonds. Investments of €9 million in property, plant, and equipment were accompanied by depreciation of €10 million. Receivables include receivables from affiliated companies of €451 million (previous year: €462 million). The acquisition of securities with longer maturities caused the value of securities recognized as current assets to decline by €94 million. As of December 31, 2016, Beiersdorf AG had invested a total of €2,033 million (previous year: €2,127 million) in short-term government and corporate bonds, commercial paper, near-money market retail funds, equities, and equity funds. €565 million (previous year: €831 million) of the securities have a remaining maturity of up to one year, and €1,202 million (previous year: €1,296 million) have a remaining maturity of between one and four years.

Pension provisions declined by €6 million due to the statutory duty to apply the ten-year average interest rate for the first time in discounting post-employment benefit obligations. Offsetting plan assets against defined contribution pension obligations led to an excess of plan assets over post-employment benefit liability of €1 million (previous year: €0 million) in the year under review. Liabilities include liabilities to affiliated companies of €2,031 million (previous year: €1,475 million). This sharp increase relates primarily to financial liabilities. Of the total assets reported in the balance sheet of €5,342 million (previous year: €4,688 million), €2,545 million (previous year: € 2,435 million) or 48% (previous year: 52%) are financed by equity.

FINANCING AND LIQUIDITY PROVISION

The primary goal of financial management at Beiersdorf is to safeguard liquidity. The type and volume of transactions are in line with the Group's basic operating and financial business. Scenarios and rolling 12-month cash flow planning are used to establish liquidity requirements.

Overall Assessment of Beiersdorf AG's Economic Position

Beiersdorf AG's sales reached €1,190 million (previous year: €1,161 million). This was higher than the figure seen in 2015. If the new definition of sales under *BilRUG* had been applied retroactively, sales in the previous year would have been €1,220 million.

The operating result decreased to €146 million (previous year: €149 million). After adjustment for special factors, the normalized operating result was €136 million (previous year: €146 million). Excluding special factors, the EBIT margin was therefore 11.4% (previous year: 12.6%; adjusted to the new definition of sales under *BilRUG*: 12.0%). The financial result declined to €207 million (previous year: €262 million) as a result of significantly lower income from investments.

	Forecast for 2016 in 2015 Management Report	**Result in 2016**
Sales	Moderate increase in sales	€30 million below prior year
Operating result*	Operating margin at prior-year level	11.4% compared with 12.0% in prior year
Financial result	Dividend income slightly above prior-year level	€66 million below prior year

* Normalized operating result

Applying the provisions of *BilRUG* retroactively, sales performance in fiscal year 2016 differed from the forecast due to a decline in other sales. The normalized operating result declined in comparison with the previous year. Due to a reduction in distributions by foreign subsidiaries, there was a considerable fall in dividend income in fiscal year 2016 in comparison with the previous year.

Research and Development

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

We invested a total of €130 million (previous year: €125 million) in our research and development in the reporting period. As of December 31, 2016, 551 people* were employed in the Research and Development area (previous year: 498).

LEADING SKIN CARE EXPERTISE

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

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

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

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

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

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

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

WE OPEN INNOVATION

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

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

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

EXCHANGE OF MEDICAL KNOWLEDGE

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

CLOSE TO CONSUMERS AND MARKETS

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

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

- In Latin America, Beiersdorf developed the high-quality NIVEA Creme Care Soap with a caring formula customized for the Brazilian market. The launch strengthened NIVEA as a caring brand in the locally important shower soap segment. Beiersdorf also launched a body lotion with sun protection factor (SPF) 15. This body lotion was developed in our laboratory in Silao (Mexico) and targets the demand by the Mexican market for body products with SPF due to high sun exposure in daily life.
- For the Middle East and North Africa (MENA) region, we introduced the body lotion range NIVEA Skin Delight, which has formulas with rose and lavender scent. The body lotions address the regional consumer wish for rich and caring formulas with delicate fragrances.
- Our development laboratory in Wuhan (China) developed the NIVEA MEN Oil Control series that responds to the specific skin needs of Asian men. Also for the Chinese market, we developed the efficacious NIVEA Make Up Clear, which is specially adapted to remove long-lasting and waterproof make-up.

INNOVATIONS

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

- **NIVEA Deo Protect & Care** encompasses a new range of products in the deodorants and antiperspirants segment. The innovative products combine effective 48-hour protection with the ingredients of NIVEA Creme. They are characterized by the unique NIVEA scent and are mild and well-tolerated by the delicate underarm skin.
- **NIVEA Cellular Anti-Age Volume Filling Pearls** actively counteracts signs of aging skin. The patented pearls formula is based on the highest concentration of hyaluronic acid within the NIVEA Face Care range, plus creatine and a “collagen booster” (in vitro evidence). The new product actively improves the regeneration processes of the skin for more firmness and elasticity.
- With **NIVEA Creme Care Facial Cleansing**, Beiersdorf has introduced cleansing products that combine mild and caring, but thorough cleansing. The cleansing products come in three different application formats: milk, cream, and wipes. They contain selected ingredients as well as the scent of the NIVEA Creme and are suitable for all skin types.
- For effective sun protection, Beiersdorf introduced a new application: **NIVEA Sun Protection Roll-On**. The roll-on is easy to handle and offers a quick application of sun protection on the skin. The product has a fast-absorbing, non-sticky formula, which works immediately and ensures reliable, highly effective UVA and UVB protection.
- In Europe, Beiersdorf relaunched the NIVEA MEN Active Energy series and extended it with additional products. One of them is **NIVEA MEN Active Energy Morning Fix Face Gel**, which relies on an innovative micropigment technology to reduce the effects of tiredness and delivers a fresh skin feeling.
- The **NIVEA Professional** product series was strengthened with a relaunch of existing products and new line extensions. The product line offers premium products to counteract signs of skin aging. Consisting of four sublines, the products include optimally dosed ingredients such as vitamins E and C, hyaluronic acid and Bioxilift®.
- With **NIVEA Care Shower Silk Mousse,** Beiersdorf entered a new sub-segment in the shower category. Three variants of the shower mousses are offered based on an extra-mild formula with silk extracts. The creamy foam of the mousses delivers a silky skin feeling.

- **NIVEA Hairmilk Care Shampoo** and **Conditioner** are designed for dry hair and stand for mild, rich hair care. They contain milk proteins, macadamia oil and Eucerit®, which is also used in NIVEA Creme. The products enrich the hair without weighing it down.
- The **Eucerin Elasticity+Filler range** is developed for mature skin that suffers from deep wrinkles and decreasing elasticity. The formulas with ingredients like silymarin, hyaluronic acid and argan oil nourish and strengthen fragile skin and plump up wrinkles.
- **ABC Heat Plaster 4.8 mg** contains capsaicin from natural chili, is extra thin and has a backing of 100% viscose. The plaster offers long-lasting pain relief while ensuring high wearing comfort so that the user can actively move and thereby supports the healing process.
- The **Cellular Radiance Perfecting Fluide Pure Gold** by **La Prairie** contains an exclusive combination of pure gold, golden reflecting agents, and collagen-boosting peptide. The fluid calms the skin's appearance and imparts a fine finish. Over the long term, skin firmness is improved and the texture continuously smoothed.
- **La Prairie** also further expanded its successful Skin Caviar Collection with the **Skin Caviar Essence-in-Lotion**. Leaving the skin refined and perfectly moisturized, the lotion offers an ideal opening and improvement of the daily skin care ritual.

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

Sustainability

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

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

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

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

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

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

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

PRODUCTS

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

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

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

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

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

PLANET

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

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

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

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

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

PEOPLE

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

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

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

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

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

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

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

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

People at Beiersdorf

Beiersdorf AG employed 1,984 people as of December 31, 2016 (previous year: 1,971). The number of vocational trainees and trainees was 215 (previous year: 212).

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

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

- Employee engagement: Our independent, global employee survey took place for the fourth year in a row. Employee satisfaction and emotional engagement have once again increased significantly worldwide.
- Employee retention: Stability at our affiliates is above the local industry average in most markets. In Europe, employee turnover stood at 4.5% in 2016, and at less than 3% in Germany.
- Lean structures: The Group management hierarchy has been reduced from nine management groups to five.
- Internal promotions: 74% of the posts newly filled in 2016 in the top two management groups went to internal candidates, of whom 23% are women.
- Internationalization: 65% of managers at the first management level below the Executive Board have completed at least one foreign assignment that lasted several years. At the end of 2016, 21% of employees in the first three management groups were on an international assignment lasting several years.
- Vocational training in Germany: 90% of apprentices who expressed their interest in a position received an employment offer.

A RESPONSIBLE EMPLOYER

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

Beiersdorf is renowned as a responsible employer in the markets in which we operate. We are determined to support and promote the personal and professional growth of our employees in many ways. We therefore offer special programs and services to our employees at global, regional, and national levels, tailored to their personal needs and specific local requirements. These include training and development, childcare, health management, sport, catering, mobility, and, of course, flexible working models. Our employees use more than 350 different working arrangements in Germany alone, such as working from home and flexible part-time work. Other options include job sharing, which is also practiced by managers.

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

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

CORE VALUES

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

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

CULTURE OF LEARNING AND SOCIAL COLLABORATION

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

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

LEADERSHIP CULTURE

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

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

- Authenticity: Self-awareness and self-reflection are essential traits for leaders at Beiersdorf. Only those who are truthful to themselves and who actively request and accept feedback can develop trust and act as role models in their day-to-day management activities.
- Inspiration: Managers who take colleagues seriously, practice what they preach, and take responsibility for their own mistakes earn the trust of their employees. By acting as a role model, working in trustful partnership, and providing great freedom to act and individual support, managers increase the willingness of all employees to contribute actively, give their best, and learn from others.
- Enablement: Managers lead with a clear vision and embody the values for which Beiersdorf stands. They enable their team to deal with uncertainty, solve conflicts and make the right decisions for the long-term success of Beiersdorf.

PERSONNEL DEVELOPMENT AND GUIDING CAREER GROWTH

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

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

HIGH EMPLOYEE ENGAGEMENT

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

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

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

PROMOTING NEW TALENTS

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

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

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

JOB SHARING

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

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

DIVERSITY

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

Further progress was made regarding diversity in 2016, including:

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

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

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

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

* Employees covered by collective pay agreements not included.

Risk Report

Integrated Risk and Opportunity Management

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

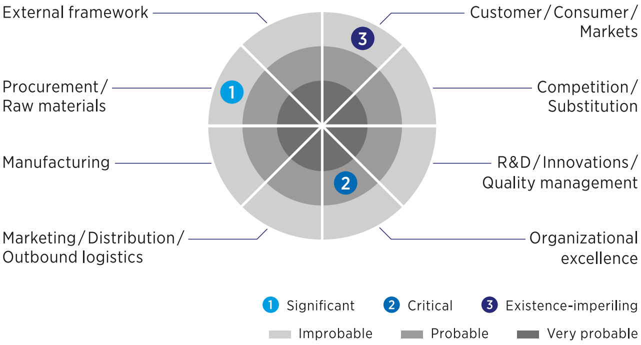
Risk management is an integral part of central and local planning, management, and control processes, and conforms to consistent standards across the Group. Our open communications policy, the risk inventory carried out at regular intervals, and the planning and management system ensure that our risk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

Transparent Presentation of Risks

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

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

BEIERSDORF RISK RADAR
Schematic diagram



Accounting-related Internal Control System

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

Shared service centers handle the core accounting processes at Beiersdorf AG. The basic principles and processes and the reporting structure for accounting are documented in an accounting and financial control manual. Legislation, accounting standards, and pronouncements are analyzed for their relevance and impact and taken into account as necessary.

Independent Monitoring

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

Our Risk Profile

STRATEGIC AND SECTOR-SPECIFIC RISKS

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

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

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

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

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

SUPPLY CHAIN AND IT RISKS

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

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

FINANCIAL RISKS

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

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

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

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

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

Further information on the extent of the currency, interest rate, default, and liquidity risks described above can be found in Note 23 of the notes to the annual financial statements, "Derivative Financial Instruments."

LEGAL RISKS

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

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

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

External tax audits can result in additional tax payments at individual companies, potentially with financial penalties and interest payments.

Further information can be found in Note 22 of the notes to the annual financial statements, "Contingent Liabilities, Other Financial Obligations, and Legal Risks."

Overall Assessment of Beiersdorf AG's Risk Situation

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

Remuneration of the Executive and Supervisory Boards

For information on the principles of the system governing Executive and Supervisory Board remuneration and the amount of the members' individual remuneration, please refer to the remuneration report in the chapter entitled "Corporate Governance," starting on page 6. The remuneration report forms part of the management report and the annual financial statements.

Report by the Executive Board on Dealings among Group Companies

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

Report on Post-Balance Sheet Date Events

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

Disclosures Required by Takeover Law (§ 289 (4) *HGB*)

The disclosures required under § 289 (4) *Handelsgesetzbuch* (German Commercial Code, *HGB*) are presented below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Expected Developments

Expected Macroeconomic Developments

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

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

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

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

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

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

Procurement Market Trends

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

Sales Market Trends

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

Our Market Opportunities

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

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

Business Developments

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

On this basis, we expect a moderate increase in sales at Beiersdorf AG in 2017.

With respect to Beiersdorf AG's normalized operating result, we are planning for an operating margin on a level with the previous year in 2017.

We expect dividend income to be slightly above the prior-year level. It should be noted in this context that both Beiersdorf AG's operating result and its financial result are influenced by effects arising from its provision of typical holding company services to Group companies.

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

Hamburg, February 6, 2017
Beiersdorf AG

The Executive Board

Income Statement – Beiersdorf AG

(IN € MILLION)

	Note	2015	2016
Sales	01	**1,161**	**1,190**
Other operating income	02	127	41
Cost of materials	03	–273	–269
Personnel expenses	04	–273	–252
Depreciation and amortization of property, plant, and equipment, and intangible assets	05	–19	–19
Other operating expenses	06	–574	–545
Operating result		**149**	**146**
Net income from investments	07	252	174
Net interest expense	08	–8	12
Other financial result	09	18	21
Financial result		**262**	**207**
Profit before tax		**411**	**353**
Income taxes	10	–74	–84
Profit after tax		**337**	**269**
Transfer to other retained earnings	30	–161	–93
Net retained profits		**176**	**176**

Balance Sheet – Beiersdorf AG

(IN € MILLION)

Assets	Note	Dec. 31, 2015	**Dec. 31, 2016**
Intangible assets	12	12	2
Property, plant, and equipment	13	96	96
Financial assets	14	1,623	2,436
Fixed assets		**1,731**	**2,534**
Inventories		5	5
Receivables and other assets	15	645	615
Securities	16	2,127	2,033
Cash and cash equivalents	17	155	133
Current assets		**2,932**	**2,786**
Prepaid expenses		**6**	**5**
Deferred tax assets	10	**19**	**16**
Excess of plan assets over post-employment benefit liability	19	**–**	**1**
		4,688	**5,342**

Equity and liabilities	Note	Dec. 31, 2015	**Dec. 31, 2016**
Share capital		252	252
Own shares		–25	–25
Issued capital		227	227
Additional paid-in capital		47	47
Retained earnings		1,985	2,095
Net retained profits		176	176
Equity	18	**2,435**	**2,545**
Provisions for pensions and other post-employment benefits	19	475	469
Other provisions	20	235	236
Provisions		**710**	**705**
Liabilities to banks		–	–
Trade payables		61	55
Other liabilities		1,482	2,037
Liabilities	21	**1,543**	**2,092**
Deferred tax liabilities		**–**	**–**
		4,688	**5,342**

Basis of Preparation of Beiersdorf AG's 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*) in consideration of the new provisions introduced by the *Bilanzrichtlinien-Umsetzungsgesetz* (German Accounting Directive Implementation Act, *BilRUG*). The *BilRUG* provisions were first applied to the annual financial statements for fiscal year 2016. In keeping with the transitional guidelines set forth under *BilRUG*, the prior-year figures have not been adjusted to the new accounting rules. The recommendations of the German Corporate Governance Code that are relevant to the annual financial statements were taken into account.

The financial statements comprise the balance sheet, the income statement, and the notes. The income statement was prepared using the total cost (nature of expense) method. Where items in the balance sheet and the income statement have been summarized to aid clarity, they are disclosed and explained separately in the notes. The annual financial statements are prepared in euros (€); amounts are given in millions of euros (€ million).

As a parent company, Beiersdorf AG prepares its own consolidated financial statements. Beiersdorf's consolidated financial statements are also included in the consolidated financial statements of maxingvest ag, Hamburg, which prepares the consolidated financial statements for the largest group of companies. Both sets of consolidated financial statements are published in the *Bundesanzeiger* (Federal Gazette).

Notes to the Income Statement

01 Sales

Beiersdorf AG is responsible for business in Germany with branded consumer products for skin and body care, which are bundled in the Consumer Business Segment. It also provides typical holding company services to affiliates in the course of its activities. Beiersdorf AG's sales increased by €29 million to €1,190 million (previous year: €1,161 million).

If the new definition of sales under *BilRUG* had been applied retroactively, sales in the previous year would have been €1,220 million.

SALES BY REGION (IN € MILLION)

	2015	2016
Germany	917	925
Rest of Europe	133	138
Americas	47	51
Africa/Asia/Australia	64	76
	1,161	**1,190**

02 Other Operating Income

(IN € MILLION)

	2015	2016
Income from the disposal of fixed assets	34	–
Income from reversals of write-downs on receivables	–	2
Income from the reversal of provisions	16	24
Currency translation gains on trade receivables and payables	7	3
Income from services provided to affiliated companies	61	5
Other income	9	7
	127	**41**

Other operating income declined by €86 million compared with the previous year. This decline was primarily due to the changes made in the year under review to the recognition of services within sales in connection with the *BilRUG* rules as well as a decrease of €34 million in income from the disposal of fixed assets.

03 Cost of Materials

The cost of materials of €269 million (previous year: €273 million) includes the acquisition cost of the goods sold.

04 Personnel Expenses

(IN € MILLION)

	2015	2016
Wages and salaries	210	215
Social security contributions and other benefits	24	25
Pension expenses	39	12
	273	**252**

The pension expenses in the previous year included €37 million in expenses from the change in the discount rate. To standardize presentation of the overall effect on earnings from the discounting of the post-employment benefit obligations, the effects from changes in the discount rate will be reported in the financial result starting in this fiscal year. The change in the discount rate in the fiscal year yielded income of €7 million.

05 Depreciation and Amortization of Property, Plant, and Equipment, and Intangible Assets

In addition to depreciation and amortization, no significant impairment losses were recognized on property, plant, and equipment in the fiscal year (previous year: also €0 million).

06 Other Operating Expenses

(IN € MILLION)

	2015	2016
Marketing expenses	349	323
Maintenance costs	8	8
Outgoing freight	7	7
Write-downs of receivables	–	1
Currency translation losses on trade receivables and payables	9	5
Third-party services	27	25
Legal and consulting costs	18	20
Other personnel expenses	16	17
Costs of services invoiced by affiliated companies	91	89
Other taxes	2	1
Other expenses	47	49
	574	**545**

07 Net Income from Investments

(IN € MILLION)

	2015	2016
Income from investments	152	100
(thereof from affiliated companies)	(152)	(100)
Income from profit transfer agreements	88	74
Reversals of write-downs of financial assets and securities classified as current assets	11	–
Income from the disposal of shares in affiliated companies and other equity investments	1	–
	252	**174**

08 Net Interest Expense

(IN € MILLION)

	2015	2016
Other interest and similar income	21	27
(thereof from affiliated companies)	(4)	(6)
Interest and similar expenses	–8	–3
(thereof to affiliated companies)	(–2)	(–3)
Expenses from unwinding of discounts on provisions for pensions and other long-term obligations	–21	–12
	–8	**12**

This fiscal year, the effects from the change in the discount rate for pension provisions are being recognized for the first time in the expenses from unwinding of discounts on provisions for pensions and other long-term obligations (income of €7 million). This is in order to show the entire effect on earnings caused by the discounting of the post-employment benefit obligations together in this line item. In the previous year, the effects from changes in the discount rate for post-employment benefit obligations were reported under personnel expenses (expenses of €37 million).

09 Other Financial Result

(IN € MILLION)

	2015	2016
Other financial income	169	162
Other financial expenses	–151	–141
	18	**21**

Other financial income comprises currency translation gains on financial items of €141 million (previous year: €148 million) and income from the sale of securities of €20 million (previous year: €19 million). Other financial expenses comprise currency translation losses on financial items of €128 million (previous year: €140 million) and miscellaneous financial expenses of €13 million (previous year: €7 million).

10 Income Taxes

Corporation tax, the solidarity surcharge, trade tax, and paid withholding tax are reported as income tax expenses. Deferred tax expenses and income are also included in this item. Any aggregate tax liability resulting from differences between the carrying amounts in the financial statements of assets, liabilities, or items of prepaid expenses and deferred income, and their tax base that are expected to reverse in future fiscal years must be recognized as deferred tax liabilities. Any resulting aggregate tax benefit may be recognized as deferred tax assets. The amounts are measured using the company's individual tax rate of 31.8% (previous year: 31.6%).

Beiersdorf AG is the consolidated income tax group parent of various consolidated tax group subsidiaries. A consolidated income tax group exists if a consolidated tax group subsidiary within the meaning of § 14 (1) sentence 1 in conjunction with § 17 (1) sentence 1 *Körperschaftssteuergesetz* (German Corporate Income Tax Act, *KStG*) undertakes by way of a profit transfer agreement within the meaning of § 291 (1) *AktG* to transfer its entire profit to a single other commercial enterprise. As a result, the income of the consolidated tax group subsidiary is attributable to the entity's parent (consolidated tax group parent). Future tax liabilities or benefits resulting from temporary differences between the carrying amounts of assets and liabilities or items of prepaid expenses and deferred income in the annual financial statements of the consolidated tax group subsidiaries and their corresponding tax base are therefore recognized in Beiersdorf AG's annual financial statements.

Deferred tax assets of €24 million (previous year: €26 million) were recognized for pension provisions as a result of the higher liabilities recognized in the financial statements as against the tax base. Other deferred tax assets of €4 million (previous year: €6 million) were due to certain other provisions not being recognizable for tax purposes, or to lower values being recognized. Deferred tax liabilities mainly result from differences in the carrying amounts of fixed assets of €14 million (previous year: €17 million).

Overall, Beiersdorf AG expects an aggregate future tax benefit of €16 million (previous year: €19 million) from its own temporary accounting differences and those relating to companies in its consolidated tax group as of December 31, 2016. The tax result for the fiscal year includes expenses of €3 million from deferred taxes (previous year: income of €10 million).

11 Other Taxes

Other taxes are reported under other operating expenses. They amounted to €1 million (previous year: €2 million).

Notes to the Balance Sheet

12 Intangible Assets

(IN € MILLION)

	Purchased patents, licenses, trademarks, and similar rights and assets	Advance payments	Total
Cost			
Opening balance Jan. 1, 2016	**392**	**–**	**392**
Additions	–	–	–
Disposals	–2	–	–2
Transfers	–	–	–
Closing balance Dec. 31, 2016	**390**	**–**	**390**
Amortization			
Opening balance Jan. 1, 2016	**380**	**–**	**380**
Write-downs	9	–	9
Reversals of write-downs	–	–	–
Disposals/transfers	–1	–	–1
Closing balance Dec. 31, 2016	**388**	**–**	**388**
Carrying amount Dec. 31, 2016	**2**	**–**	**2**
Carrying amount Dec. 31, 2015	12	–	12

Purchased intangible assets are carried at cost less straight-line amortization. Intangible assets are generally amortized over a period of five years, and in exceptional cases over three to ten years. Internally generated intangible assets and research and development expenses are not capitalized.

Write-downs for impairment are recognized if more than temporary impairments in value are likely to occur. Write-downs are reversed up to amortized cost if the reasons for the impairment no longer apply.

13 Property, Plant, and Equipment

(IN € MILLION)

	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Cost					
Opening balance Jan. 1, 2016	**198**	**2**	**117**	**7**	**324**
Additions	–	–	5	4	9
Disposals	–	–	–4	–	–4
Transfers	3	–	2	–5	–
Closing balance Dec. 31, 2016	**201**	**2**	**120**	**6**	**329**
Depreciation					
Opening balance Jan. 1, 2016	**128**	**2**	**98**	**–**	**228**
Depreciation	3	–	7	–	10
Disposals/transfers	–	–	–5	–	–5
Closing balance Dec. 31, 2016	**131**	**2**	**100**	**–**	**233**
Carrying amount Dec. 31, 2016	**70**	**–**	**20**	**6**	**96**
Carrying amount Dec. 31, 2015	70	–	19	7	96

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' expected useful lives. Buildings are depreciated on a straight-line basis over a useful life of 25 to 50 years. Assets acquired since 2010 are depreciated on a straight-line basis as the principle that tax dictates financial accounting no longer applies. In the years prior to 2010, additions were generally depreciated using the declining-balance method at first to the extent permitted by law and subsequently using the straight-line method of depreciation. The useful life of technical equipment and machinery, and office and other equipment, is generally ten years, and in exceptional cases three to 15 years.

Low-value assets up to €150 are written of in full in the year of acquisition. Assets costing between €150 and €1,000 are pooled and written down over five years.

Write-downs for impairment are recognized if more than temporary impairments in value are likely to occur. Write-downs are reversed up to amortized cost if the reasons for the impairment no longer apply.

14 Financial Assets

(IN € MILLION)

	Investments in affiliated companies	Other equity investments	Long-term securities	Total
Cost				
Opening balance Jan. 1, 2016	**1,625**	**–**	**–**	**1,625**
Additions	6	–	807	813
Disposals	–	–	–	–
Transfers	–	–	–	–
Closing balance Dec. 31, 2016	**1,631**	**–**	**807**	**2,438**
Write-downs				
Opening balance Jan. 1, 2016	**2**	**–**	**–**	**2**
Write-downs/reversals of write-downs	–	–	–	–
Disposals/transfers	–	–	–	–
Closing balance Dec. 31, 2016	**2**	**–**	**–**	**2**
Carrying amount Dec. 31, 2016	**1,629**	**–**	**807**	**2,436**
Carrying amount Dec. 31, 2015	1,623	–	–	1,623

Investments in affiliated companies are recognized at cost. Write-downs to a lower value at the balance sheet date are recognized if the impairment is expected to be more than temporary. Write-downs are reversed up to cost if the reasons for permanent impairment no longer apply.

The additions to investments in affiliated companies stem from capital increases at existing subsidiaries, especially W5 Immobilien GmbH & Co. KG, Hamburg.

The additions to long-term securities include long-term government and corporate bonds with a remaining maturity of more than 4 years at the time of their acquisition. Long-term securities are measured at net book value. Write-downs for impairment to the lower fair value on the balance sheet date are recognized even if the impairment is expected to be temporary.

15 Receivables and Other Assets

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Trade receivables	107	57
(thereof due after more than one year)	(–)	(–)
Receivables from affiliated companies	462	451
(thereof due after more than one year)	(–)	(–)
Other assets	76	107
(thereof due after more than one year)	(–)	(–)
	645	**615**

Receivables and other assets are carried at their nominal value. Appropriate individual valuation adjustments are charged for identifiable individual risks. General valuation adjustments are charged to take account of general credit risk.

Receivables and assets in foreign currency due within one year are translated at the middle spot rate on the balance sheet date. Hedged foreign currency receivables are carried at the hedge rate. There are no receivables and assets in foreign currency due after more than one year.

Receivables from affiliated companies comprise financial receivables of €329 million (previous year: €340 million) and trade receivables of €122 million (previous year: €122 million).

In addition to a large number of individual items such as payroll receivables and advance payments, the other assets item largely comprises a deposit guarantee, tax receivables, and interest receivables on securities.

16 Securities

As of December 31, 2016, Beiersdorf AG had invested a total of €2,033 million (previous year: €2,127 million) in short-term listed government and corporate bonds, commercial paper, near-money market retail funds, equities, and equity funds. These investments classified as current assets are carried at the lower of amortized cost or fair value. €565 million (previous year: €831 million) of the bonds have a remaining maturity of up to one year, and €1,202 million (previous year: €1,296 million) have a remaining maturity of between one and four years. As of the balance sheet date, bonds lent to banks in short-term securities lending transactions amounted to €148 million (previous year: €0 million). The sale of shares in equity funds resulted in gains of €20 million (previous year: €19 million).

17 Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances, cash-on-hand, checks, and short-term liquid investments such as overnight funds and money market funds.

18 Equity

The following changes in equity were recorded in fiscal year 2016:

(IN € MILLION)

	Dec. 31, 2015	Utilization of 2015 net retained profits	2016 profit after tax	**Dec. 31, 2016**
Share capital	*252*	–	–	*252*
Own shares	*–25*	–	–	*–25*
Issued capital	227	–	–	227
Additional paid-in capital	47	–	–	47
Legal reserve	4	–	–	4
Other retained earnings	1,981	17	93	2,091
Net retained profits	176	–176	176	176
	2,435	**–159**	**269**	**2,545**

SHARE CAPITAL

The share capital amounts to €252 million and is composed of 252 million no-par value shares.

OWN SHARES

Since the settlement of the share buyback program on February 3, 2004, and following implementation of the share split in 2006, Beiersdorf AG has held 25,181,016 no-par value shares, corresponding to 9.99% of the company's share capital. The notional interest in own shares (€25 million) is deducted from the share capital on the face of the balance sheet.

AUTHORIZED CAPITAL

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

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

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);
2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf Aktiengesellschaft, or companies in which it holds a direct or indirect majority interest, rights to subscribe for new shares in the amount to which they would be entitled after exercising their conversion or option rights, or after fulfilling their conversion obligation (Authorized Capital I, II, III);
3. if the total amount of share capital attributable to the new shares for which preemptive rights are to be disapplied does not exceed 10% of the share capital existing at the time this authorization comes into effect or, in the event that this amount is lower, at the time the new shares are issued and the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed. If, during the term of the authorized capital, other authorizations to issue or sell shares in the company or to issue rights that enable or oblige the holder to subscribe for shares in the company are exercised while disapplying preemptive rights pursuant to or in accordance with § 186 (3) sentence 4 *AktG*, this must be counted toward the above-mentioned 10% limit (Authorized Capital II);
4. in the case of capital increases against non-cash contributions for the purpose of acquiring companies, business units of companies, or equity interests in companies (Authorized Capital III).

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

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

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.

ADDITIONAL PAID-IN CAPITAL

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

RETAINED EARNINGS

The Annual General Meeting on March 31, 2016, resolved to transfer €17 million from net retained profits for fiscal year 2015 to other retained earnings. €93 million of the profit after tax for fiscal year 2016 was transferred to other retained earnings.

DISCLOSURES ON AMOUNTS SUBJECT TO RESTRICTIONS ON DISTRIBUTION

A non-distributable amount of €489 thousand (previous year: €35 thousand) was produced on the difference resulting from the measurement of assets whose fair value exceeds cost, after deduction of the deferred tax liabilities recognized for this purpose.

The difference between provisions for post-employment benefit obligations based on the average market interest rate of the past ten fiscal years and provisions based on the average market interest rate of the past seven fiscal years resulted in a non-distributable amount of €51,599 thousand.

The excess of deferred tax assets over deferred tax liabilities (excluding the deferred tax liabilities recognized in accordance with § 246 (2) *HGB*) resulted in an additional non-distributable amount of €15,960 thousand.

This total amount of €68,048 thousand (previous year: €19,412 thousand) in non-distributable funds stands in contrast to the freely available reserves of €2,091 million (previous year: €1,981 million). Consequently, the net retained profits of €176 million are not subject to any restrictions on distribution.

19 Provisions for Pensions and Other Post-employment Benefits

Pension provisions cover benefit obligations to former and current employees.

Pension obligations are measured using the projected unit credit method, taking into account future wage, salary, and pension increases. Following the revision of § 253 (2) *HGB*, provisions for post-employment benefit obligations are to be discounted starting in fiscal year 2016 at the average market interest rate of the past ten years. Like the previous seven-year average interest rate, the ten-year average interest rate is calculated and published by the Deutsche Bundesbank based on an assumed remaining maturity of 15 years. The applied discount rate was 4.01% (previous year: 3.89%), the wage and salary growth figure 3.5% (previous year: 3.5%), and the pension growth figure 1.75% (previous year: 1.75%). Heubeck's 2005 G mortality tables were used as a basis for calculation.

The amount needed for the provisions for post-employment benefit obligations based on the average market interest rate of the past seven fiscal years (3.24%) exceeded the applied amount needed for pension provisions based on the average market interest rate of the past ten fiscal years (4.01%) by €52 million. This difference is blocked from distribution under § 253 (6) *HGB* (new version).

Assets that serve solely to settle liabilities from post-employment benefit obligations and that are exempt from attachment by all other creditors are offset against the provisions at their fair values. If the fair value of the assets exceeds the amount of liabilities, the excess amount is reported as an "excess of plan assets over post-employment benefit liability." The fair value of assets invested in mixed-use funds, which has been offset against the amount needed to satisfy the obligations, was €32 million as of the balance sheet date (previous year: €26 million; cost: €31 million). The current year's excess assets of €1 million (previous year: €0 million) are reported as an "excess of plan assets over post-employment benefit liability" on the assets side of the balance sheet.

20 Other Provisions

(IN € MILLION)

	Dec. 31, 2015	**Dec. 31, 2016**
Provisions for taxes	19	23
Miscellaneous provisions	216	213
(thereof for personnel expenses)	(82)	(92)
(thereof for marketing and selling expenses)	(88)	(66)
(thereof other)	(46)	(55)
	235	**236**

Other provisions include all identifiable future payment obligations, risks, and uncertain obligations of the company. They are measured using the settlement amount dictated by prudent business judgment to fund future payment obligations. Provisions expected to be settled after more than one year are discounted at the average market interest rate for the past seven years corresponding to their remaining maturity.

Provisions for personnel expenses primarily comprise provisions for obligations relating to flextime account balances, annual bonuses, vacation pay, severance agreements, and anniversary payments. Obligations relating to flextime account balances are offset against the corresponding dedicated asset – mixed-use funds of €16 million (previous year: €14 million) – in this item.

The provisions for marketing and selling expenses relate in particular to cooperative advertising allowances, rebates, and returns.

The other provisions relate in particular to outstanding invoices, litigation risks, and provisions for expected losses from derivatives.

21 Liabilities

(IN € MILLION)

	Dec. 31, 2015	**Dec. 31, 2016**
Trade payables	61	55
Liabilities to affiliated companies	1,475	2,031
Other liabilities	7	6
(thereof tax liabilities)	(5)	(4)
(thereof social security liabilities)	(1)	(1)
	1,543	**2,092**

Liabilities are recognized at their settlement amount at the balance sheet date.

Liabilities in foreign currency due within one year are translated at the middle spot rate on the balance sheet date. Non-current foreign currency liabilities are recognized at the closing rate on the balance sheet date or at the higher rate at the transaction date. Hedged foreign currency liabilities are carried at the hedge rate. There are no liabilities in foreign currency due after more than one year.

Liabilities to affiliated companies comprise financial liabilities of €1,987 million (previous year: €1,430 million) and trade payables of €44 million (previous year: €45 million).

Of the other liabilities, none (previous year: €0 million) are due in more than one year. The liabilities are not collateralized.

Other Disclosures

22 Contingent Liabilities, Other Financial Obligations and Legal Risks

(IN € MILLION)

	Dec. 31, 2015	Dec. 31, 2016
Contingent liabilities		
Obligations under guarantees and letters of comfort	2	36
(thereof for affiliated companies)	(2)	(36)
Other financial obligations		
Obligations under rental agreements and leases	7	7
Obligations under purchase commitments for investments	1	1
	8	**8**

OTHER FINANCIAL OBLIGATIONS

Obligations from rental agreements and leases are reported at the total amount due until the earliest termination deadline.

The risk of contingent liability claims being asserted is considered to be low.

LEGAL RISKS

In October 2016, Beiersdorf AG was served with a claim for damages from the liquidator of Anton Schlecker e.K. in connection with German antitrust proceedings already concluded. Claims have been made against six other companies in addition to Beiersdorf. The claim, which involves joint and several liability of all defendants, totals approximately €180 million plus interest. In December 2016, further retailers filed claims for damages or announced claims out of court against Beiersdorf AG in connection with these antitrust proceedings. Beiersdorf contests these claims. Assessments of the course and results of legal disputes are associated with considerable difficulty and uncertainty. Based on the currently available information, we do not expect these disputes to result in significant charges for Beiersdorf.

23 Derivative Financial Instruments

Beiersdorf AG's Corporate Treasury department is responsible for central currency and interest rate management within the Beiersdorf Group, and hence for all transactions involving financial derivatives. Derivative financial instruments are used to hedge the operating business and significant financial transactions that are important to the company. Beiersdorf AG is not exposed to any additional risks as a result. The transactions are conducted exclusively with marketable instruments.

Because of the small volume of non-current financial liabilities, interest rate risk is of no more than minor significance for the Beiersdorf Group. As a result, no interest rate hedges are entered into at present.

Beiersdorf AG uses currency forwards to hedge the risk of changes in exchange rates. Currency hedges relate primarily to intragroup deliveries of goods and services. In general, 75% of the planned net cash flows are hedged externally using currency forwards around three to six months before the start of the year; these currency forwards are then largely passed on at matching maturities to Group companies. 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.

All these transactions are centrally recorded, measured, and managed in the treasury management system.

The notional value of the currency forwards at the balance sheet date was €2,455 million (previous year: €1,869 million). Of this amount, €2,415 million is due within one year. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not netted.

The fair value of the currency forwards at the balance sheet date was €–6 million (previous year: €5 million). The fair value is calculated by measuring the outstanding items at market prices at the balance sheet date. At Beiersdorf AG, the derivatives entered into with banks and the offsetting transactions passed on to the subsidiaries or the contracts representing the underlyings form hedges, which are not recognized in the balance sheet.

Provisions of €8 million were established at the balance sheet date for expected losses for derivative financial instruments that are not included in hedge accounting (previous year: €1 million).

The positive fair values of derivatives are exposed in principle to default risk relating to the non-fulfillment of contractual obligations by counterparties. Our external counterparties are banks for which we consider the risk of default to be extremely low.

24 Employees by Function

AVERAGE NUMBER DURING THE YEAR

	2015	2016
Research and development	495	555
Supply chain	372	318
Sales and marketing	506	521
Other functions	593	589
	1,966	**1,983**

The annual average number of vocational training and trainee positions, which are not included in the employee figures, was 216 (previous year: 197).

25 Disclosures on the Supervisory and Executive Boards

For fiscal year 2016, the members of the Supervisory Board received remuneration totaling €1,431 thousand (previous year: €1,414 thousand) and the Executive Board received remuneration (including additions to provisions for Enterprise Value Components) totaling €17,797 thousand (previous year: €18,926 thousand). For information on the system of Executive and Supervisory Board remuneration and the amount of members' individual remuneration, please refer to the remuneration report in the section entitled "Corporate Governance." The remuneration report forms part of the annual financial statements and management report. Payments to former members of the Executive Board and their surviving dependents totaled €2,500 thousand (previous year: €2,283 thousand). Provisions for pension commitments to former members of the Executive Board and their surviving dependents totaled €43,568 thousand (previous year: €40,381 thousand).

Members of the Executive and Supervisory Boards did not receive any loans from the company.

26 Auditors' Fees

The Annual General Meeting on March 31, 2016, elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2016. The total fees invoiced by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for the fiscal year are contained in the relevant notes to the consolidated financial statements.

27 List of Shareholdings

The following list shows those companies and equity interests in which Beiersdorf AG holds shares and/or voting rights of more than 5% on the balance sheet date.

BEIERSDORF AG'S SHAREHOLDINGS

Germany

Name of the company	Registered office	Equity interest (in %)	Equity as of Dec. 31, 2016 (in accordance with IFRSs) in € thousand	Profit/loss for fiscal year 2016 (in accordance with IFRSs) in € thousand
La Prairie Group Deutschland GmbH[1]	Baden-Baden	100.00	3,643	0
Produits de Beauté Logistik GmbH[1]	Baden-Baden	100.00	33,359	0
Produits de Beauté Produktions GmbH[1]	Baden-Baden	100.00	12,244	0
Beiersdorf Manufacturing Berlin GmbH[1]	Berlin	100.00	4,269	0
GUHL IKEBANA GmbH	Darmstadt	10.00	15,985	6,182
Beiersdorf Beteiligungs GmbH	Gallin	100.00	595,564	54,719
Tape International GmbH	Gallin	100.00	56	15
Beiersdorf Customer Supply GmbH	Hamburg	100.00	98,305	12,909
Beiersdorf Dermo Medical GmbH[3]	Hamburg	100.00	203	144
Beiersdorf Hautpflege GmbH[3]	Hamburg	100.00	3,394	41
Beiersdorf Health Care AG & Co. KG[2]	Hamburg	100.00	0	0
Beiersdorf Immo GmbH[3]	Hamburg	100.00	36	2
Beiersdorf Immobilienentwicklungs GmbH[3]	Hamburg	100.00	777	373
Beiersdorf Manufacturing Hamburg GmbH[1]	Hamburg	100.00	21,029	0
Beiersdorf Shared Services GmbH[1]	Hamburg	100.00	29,129	0
Phanex Handelsgesellschaft mbH[1/3]	Hamburg	100.00	28	0
tesa Converting Center GmbH[1]	Hamburg	100.00	360	0
tesa Grundstücksverwaltungsgesellschaft mbH & Co. KG	Hamburg	100.00	17,004	8,153
tesa Werk Hamburg GmbH[1]	Hamburg	100.00	14,168	0
Ultra Kosmetik GmbH[1]	Hamburg	100.00	89	0
W5 Immobilien GmbH & Co. KG	Hamburg	100.00	5,153	–33
tesa scribos GmbH[1]	Heidelberg	100.00	1,848	0
tesa Labtec GmbH	Langenfeld	100.00	–3,746	–2,324
one tesa Bau GmbH	Norderstedt	100.00	322	933
tesa SE	Norderstedt	100.00	536,081	143,841
tesa Werk Offenburg GmbH[1]	Offenburg	100.00	–3,527	0
Beiersdorf Manufacturing Waldheim GmbH[1]	Waldheim	100.00	20,386	0

1 Since these companies have entered into a profit and loss transfer agreement, the accounting profit is presented after the transfer of profit and loss.
2 Figures for 2016 were not available at the date of publication.
3 Preliminary data.

Europe

Name of the company	Registered office	Equity interest (in %)	Equity as of Dec. 31, 2016 (in accordance with IFRSs) in € thousand	Profit/loss for fiscal year 2016 (in accordance with IFRSs) in € thousand
Beiersdorf CEE Holding GmbH	AT, Vienna	100.00	315,025	28,199
Beiersdorf Ges mbH	AT, Vienna	100.00	24,207	8,548
La Prairie Group Austria GmbH	AT, Vienna	100.00	699	102
tesa GmbH	AT, Vienna	100.00	705	377
SA Beiersdorf NV	BE, Brussels	100.00	132,855	11,296
tesa sa-nv	BE, Brussels	100.00	2,240	262
Beiersdorf Bulgaria EOOD	BG, Sofia	100.00	3,004	1,329
tesa tape Schweiz AG	CH, Bergdietikon	100.00	1,990	556
Beiersdorf AG	CH, Reinach	100.00	27,681	18,009
La Prairie Group AG	CH, Volketswil	100.00	106,786	32,374
Laboratoires La Prairie SA	CH, Volketswil	100.00	17,945	8,379
Beiersdorf spol. s.r.o.	CZ, Prague	100.00	7,172	4,511
tesa tape s.r.o.	CZ, Prague	100.00	2,099	465
tesa A/S	DK, Birkerød	100.00	4,457	414
Beiersdorf A/S	DK, Copenhagen	100.00	2,298	568
Beiersdorf Manufacturing Argentona, S.L.	ES, Argentona	100.00	17,453	2,074
tesa tape S.A.	ES, Argentona	100.00	2,723	724
La Prairie Group Iberia S.A.U.	ES, Madrid	100.00	533	441
Beiersdorf Holding S.L.	ES, Tres Cantos	100.00	112,605	25,645
Beiersdorf Manufacturing Tres Cantos, S.L.	ES, Tres Cantos	100.00	34,461	6,796
Beiersdorf S.A.	ES, Tres Cantos	100.00	20,549	13,514
Beiersdorf Oy	FI, Turku	100.00	5,228	3,072
tesa Oy	FI, Turku	100.00	336	114
La Prairie Group France S.A.S.	FR, Boulogne-Billancourt	100.00	3,616	–630
Beiersdorf Holding France	FR, Paris	100.00	105,197	320
Beiersdorf s.a.s.	FR, Paris	99.91	64,946	22,408
tesa s.a.s.	FR, Savigny-le-Temple	100.00	2,406	960
BDF Medical Ltd.	GB, Birmingham	100.00	0	0
Beiersdorf UK Ltd.	GB, Birmingham	100.00	69,523	34,185
La Prairie (UK) Limited	GB, London	100.00	1,178	705
tesa UK Ltd.	GB, Milton Keynes	100.00	3,543	620
Beiersdorf Hellas A.E.	GR, Gerakas	100.00	22,817	3,020
tesa tape A.E.	GR, Gerakas	100.00	1,487	383
Beiersdorf d.o.o.	HR, Zagreb	100.00	6,247	4,169
Beiersdorf Kft.	HU, Budapest	100.00	7,642	3,200
Tartsay Beruházó Kft.	HU, Budapest	100.00	1,207	59
tesa tape Ragasztószalag Termelö és Kereskedelmi Kft.	HU, Budapest	100.00	1,896	288
Beiersdorf ehf	IS, Reykjavík	100.00	1,236	835
Comet SpA	IT, Concagno Solbiate	100.00	19,423	4,065
Beiersdorf SpA	IT, Milan	100.00	27,224	14,939
La Prairie SpA	IT, Milan	100.00	6,404	1,191
tesa SpA	IT, Vimodrone	100.00	3,864	584
Beiersdorf Kazakhstan LLP	KZ, Almaty	100.00	3,477	3,069
tesa tape UAB	LT, Vilnius	100.00	1,017	235
Guhl Ikebana Cosmetics B.V.	NL, Almere	10.00	10,118	1,186
Beiersdorf Holding B.V.	NL, Amsterdam	100.00	1,094,488	121,264
Beiersdorf NV	NL, Amsterdam	100.00	20,836	17,076
tesa Western Europe B.V.	NL, Amsterdam	100.00	593	497
tesa BV	NL, Hilversum	100.00	832	449
Beiersdorf AS	NO, Oslo	100.00	32	2,123

Europe (continued)

Name of the company	Registered office	Equity interest (in %)	Equity as of Dec. 31, 2016 (in accordance with IFRSs) in € thousand	Profit/loss for fiscal year 2016 (in accordance with IFRSs) in € thousand
tesa AS	NO, Oslo	100.00	406	215
Beiersdorf Manufacturing Poznan Sp. z o.o.	PL, Poznan	100.00	28,249	4,039
NIVEA Polska Sp. z o.o.	PL, Poznan	100.00	54,979	18,942
tesa tape Sp. z o.o.	PL, Poznan	100.00	1,777	766
Beiersdorf Portuguesa, Limitada	PT, Queluz	100.00	12,764	6,929
tesa Portugal - Produtos Adesivos, Lda.	PT, Queluz	100.00	770	162
Beiersdorf Romania s.r.l.	RO, Bucharest	100.00	4,518	3,260
tesa tape s.r.l.	RO, Cluj-Napoca	100.00	742	294
Beiersdorf d.o.o.	RS, Belgrade	100.00	4,113	3,014
Beiersdorf LLC	RU, Moscow	100.00	8,549	11,616
La Prairie Group (RUS) LLC	RU, Moscow	100.00	1,789	528
tesa tape OOO	RU, Moscow	100.00	2,236	890
Beiersdorf Aktiebolag	SE, Gothenburg	100.00	10,131	6,394
Beiersdorf Nordic Holding AB	SE, Gothenburg	100.00	121,272	9,712
tesa AB	SE, Kungsbacka	100.00	855	294
Beiersdorf d.o.o.	SI, Ljubljana	100.00	117,657	4,593
tesa tape posrednistvo in trgovina d.o.o.	SI, Ljubljana	100.00	870	298
Beiersdorf Slovakia, s.r.o.	SK, Bratislava	100.00	5,012	3,217
tesa Bant Sanayi ve Ticaret A.S.	TR, Istanbul	100.00	5,408	2,514
Beiersdorf Ukraine LLC	UA, Kiev	100.00	1,692	2,135

Americas

Name of the company	Registered office	Equity interest (in %)	Equity as of Dec. 31, 2016 (in accordance with IFRSs) in € thousand	Profit/loss for fiscal year 2016 (in accordance with IFRSs) in € thousand
Beiersdorf S.A.	AR, Buenos Aires	100.00	11,792	3,742
tesa tape Argentina S.R.L.	AR, Buenos Aires	100.00	1,644	465
Beiersdorf S.R.L.	BO, Santa Cruz de la Sierra	100.00	3,334	1,489
tesa Brasil Ltda.	BR, Curitiba	100.00	1,646	–202
Beiersdorf Indústria e Comércio Ltda.	BR, Itatiba	100.00	29,569	1,750
BDF NIVEA LTDA.	BR, São Paulo	100.00	75,757	3,547
Beiersdorf Canada Inc.	CA, Saint-Laurent	100.00	15,239	3,058
Beiersdorf Chile S.A.	CL, Santiago de Chile	100.00	12,587	4,228
Beiersdorf S.A.	CL, Santiago de Chile	100.00	29,695	–3,827
tesa tape Chile S.A.	CL, Santiago de Chile	100.00	1,147	424
Beiersdorf S.A.	CO, Bogotá	100.00	9,227	3,215
tesa tape Colombia Ltda.	CO, Santiago de Cali	100.00	3,530	971
BDF Costa Rica, S.A.	CR, San José	100.00	5,272	2,545
Beiersdorf, SRL	DO, Santo Domingo	100.00	1,483	350
Beiersdorf S.A.	EC, Quito	100.00	4,666	1,797
BDF Centroamérica, S.A.	GT, Guatemala City	100.00	5,739	3,186
tesa tape Centro América S.A.	GT, Guatemala City	100.00	2,074	742
BDF Corporativo, S.A. de C.V.	MX, Mexico City	100.00	2,547	423
BDF México, S.A. de C.V.	MX, Mexico City	100.00	18,823	1,698
Technical Tape México S.A. de C.V.	MX, Mexico City	100.00	5,843	2,024
tesa tape México, SRL de CV	MX, Mexico City	100.00	0	0
Beiersdorf Manufacturing México, S.A. de C.V.	MX, Silao	100.00	35,866	–1,906
Beiersdorf Manufacturing México Servicios, S.A. de C.V.	MX, Silao	100.00	719	430
BDF Panamá, S.A.	PA, Panama City	100.00	3,824	2,400
HUB LIMITED S.A.	PA, Panama City	100.00	–2,038	–797
Beiersdorf S.A.C.	PE, Lima	99.81	3,632	1,163
Beiersdorf S.A.	PY, Asunción	100.00	2,579	891
BDF El Salvador, S.A. de C.V.	SV, San Salvador	100.00	–409	–856
tesa tape inc.	US, Charlotte, NC	100.00	37,292	16,891
LaPrairie.com LLC	US, Edison, NJ	100.00	0	0
La Prairie, Inc.	US, New York City, NY	100.00	11,938	2,581
Beiersdorf, Inc.	US, Wilton, CT	100.00	90,761	21,064
Beiersdorf North America Inc.	US, Wilton, CT	100.00	197,255	17,192
Beiersdorf S.A.	UY, Montevideo	100.00	1,753	207
Beiersdorf S.A.	VE, Caracas	100.00	–6,095	–8,319

Africa/Asia/ Australia Name of the company	Registered office	Equity interest (in %)	Equity as of Dec. 31, 2016 (in accordance with IFRSs) in € thousand	Profit/loss for fiscal year 2016 (in accordance with IFRSs) in € thousand
Beiersdorf Middle East FZCO	AE, Dubai	100.00	63,569	25,965
Beiersdorf Near East FZ-LLC	AE, Dubai	100.00	984	1,010
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.00	28,861	14,400
La Prairie Group Australia Pty. Ltd.	AU, Rosebery, NSW	100.00	5,295	1,489
tesa tape Australia Pty. Ltd.	AU, Sydney, NSW	100.00	2,860	99
Beiersdorf Daily Chemical (Guangzhou) Co., Ltd.	CN, Guangzhou	100.00	4,089	–135
Beiersdorf Hong Kong Limited	CN, Hong Kong	100.00	0	–459
La Prairie Hong Kong Limited	CN, Hong Kong	100.00	10,249	4,428
tesa tape (Hong Kong) Limited	CN, Hong Kong	100.00	26,863	11,462
La Prairie (Shanghai) Co. Ltd.	CN, Shanghai	100.00	2,419	553
NIVEA (Shanghai) Company Limited	CN, Shanghai	100.00	–38,883	3,265
tesa tape (Shanghai) Co., Ltd.	CN, Shanghai	100.00	57,498	51,382
tesa Plant (Suzhou) Co., Ltd.	CN, Suzhou	100.00	25,693	1,556
Beiersdorf Daily Chemical (Wuhan) Co., Ltd.	CN, Wuhan	100.00	–5,690	697
Beiersdorf Personal Care (China) Co., Ltd.	CN, Xiantao	100.00	–31,653	–3,697
Beiersdorf Ghana Limited	GH, Accra	100.00	1,022	302
P.T. Beiersdorf Indonesia	ID, Jakarta	80.00	–375	–734
Beiersdorf India Pvt. Limited	IN, Mumbai	51.00	2,435	1,150
NIVEA India Pvt. Ltd.	IN, Mumbai	100.00	37,043	–1,427
tesa tapes (India) Private Limited	IN, Navi Mumbai	100.00	2,179	284
Beiersdorf Holding Japan Yugen Kaisha	JP, Tokyo	100.00	89,349	16,604
La Prairie Japan K.K.	JP, Tokyo	100.00	–4,741	–107
Nivea-Kao Co., Ltd.	JP, Tokyo	60.00	39,069	36,777
tesa tape K.K.	JP, Tokyo	100.00	6,284	849
Beiersdorf East Africa Limited	KE, Nairobi	100.00	3,702	–377
Alkynes Co. Ltd.[2]	KR, Gyeonggi-do	25.01	0	0
Beiersdorf Korea Limited	KR, Seoul	100.00	1,889	–155
La Prairie Korea Limited	KR, Seoul	100.00	7,520	4,676
tesa tape Korea Limited	KR, Seoul	100.00	6,678	2,609
Beiersdorf S.A.	MA, Casablanca	100.00	2,470	–78
tesa tape (Malaysia) Sdn. Bhd.	MY, Kajang	100.00	4,880	218
tesa tape Industries (Malaysia) Sdn. Bhd.	MY, Kajang	99.99	1,416	161
Beiersdorf (Malaysia) SDN. BHD.	MY, Petaling Jaya	100.00	–5,675	1,111
Beiersdorf Nivea Consumer Products Nigeria Limited	NG, Lagos	100.00	1,330	–1,406
Beiersdorf Philippines Incorporated	PH, Bonifacio Global City	100.00	3,976	581
Turath Al-Bashara for Trading Limited (Skin Heritage for Trading)	SA, Jeddah	70.00	15,176	7,594
Beiersdorf Singapore Pte. Ltd.	SG, Singapore	100.00	–1,784	406
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100.00	37,137	66,594
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.00	114,998	31,835
tesa tape (Thailand) Limited	TH, Bangkok	90.57	1,864	1,420
Beiersdorf Manufacturing (Thailand) Co., Ltd.	TH, Samutprakarn	100.00	35	0
NIVEA Beiersdorf Turkey Kozmetik Sanayi ve Ticaret A.S.	TR, Istanbul	100.00	20,821	4,349
NIVEA (Taiwan) Ltd.	TW, Taipei	100.00	–782	–425
Beiersdorf Vietnam Limited Liability Company	VN, Ho Chi Minh City	100.00	–168	–3,078
Beiersdorf Consumer Products (Pty.) Ltd.	ZA, Umhlanga	100.00	32,570	10,590

[1] Since these companies have entered into a profit and loss transfer agreement, the accounting profit is presented after the transfer of profit and loss.
[2] Figures for 2016 were not available at the date of publication.
[3] Preliminary data.

28 Shareholdings in Beiersdorf AG

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

1.

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

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

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

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

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

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

The chains of controlled companies are as follows:

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

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

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).**

** 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.

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

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

29 Declaration of Compliance with the German Corporate Governance Code

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

30 Proposal on the Utilization of Beiersdorf AG's Net Retained Profits

(IN €)	2016
Profit after tax of Beiersdorf AG	269,458,855.12
Transfer to other retained earnings	93,058,855.12
Net retained profits	**176,400,000.00**

The Executive Board and the Supervisory Board will propose to the Annual General Meeting that the net retained profits for fiscal year 2016 of €176,400,000.00 should be utilized as follows:

(IN €)	2016
Distribution of a dividend of €0.70 per no-par value share bearing dividend rights (226,818,984 no-par value shares)	158,773,288.00
Transfer to other retained earnings	17,626,712.00
Net retained profits	**176,400,000.00**

The amounts specified for the total dividend and for the transfer to other retained earnings reflect the shares bearing dividend rights at the time of the Executive Board's proposal on the utilization of the net retained profits. The own shares held by the company do not bear dividend rights in accordance with § 71b *AktG*.

If the number of own shares held by the company at the time of the resolution by the Annual General Meeting on the utilization of the net retained profits is higher or lower than at the time of the Executive Board's proposal on the utilization of the net retained profits, the total amount to be distributed to the shareholders shall be reduced or increased by the portion of the dividend attributable to the difference in the number of shares. The amount to be appropriated to the other retained earnings shall be adjusted inversely by the same amount. In contrast, the dividend to be distributed per no-par value share bearing dividend rights remains unchanged. If necessary, an appropriately modified proposal for resolution will be presented to the Annual General Meeting.

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

Beiersdorf AG Boards

SUPERVISORY BOARD

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

* The Supervisory Board's diversity officers.

SUPERVISORY BOARD COMMITTEES

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

EXECUTIVE BOARD*

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

* In connection with their Group management and supervisory duties, the members of the Executive Board of Beiersdorf AG also hold offices in comparable supervisory bodies at Group companies and investees.

** Chairman of the Supervisory Board: tesa SE, Hamburg (intragroup).

Hamburg, February 6, 2017

Beiersdorf AG

The Executive Board

Auditors' Report

We have issued the following audit opinion for the annual financial statements and the management report:

"We have audited the annual financial statements, comprising the income statement, the balance sheet, and the notes to the annual financial statements, together with the bookkeeping system and the management report of Beiersdorf Aktiengesellschaft, Hamburg, for the fiscal year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 *Handelsgesetzbuch* (German Commercial Code, *HGB*) and the German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany, *IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements, and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the statutory requirements and give a true and fair view of the net assets, financial position, and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

Hamburg, February 7, 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

GRUMMER
German Public Auditor

LUDWIG
German Public Auditor

Responsibility Statement by the Executive Board

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

Hamburg, February 6, 2017
The Executive Board

Contact Information

→ Published by

Beiersdorf Aktiengesellschaft
Unnastrasse 48
20245 Hamburg
Germany

→ Editorial Team and Concept

Corporate Communications
Telephone: +49 40 4909-2001
E-mail: cc@beiersdorf.com

→ Additional Information

Corporate Communications
Telephone: +49 40 4909-2001
E-mail: cc@beiersdorf.com

Investor Relations
Telephone: +49 40 4909-5000
E-mail: investor.relations@beiersdorf.com

Beiersdorf on the Internet
www.beiersdorf.com

The Annual Financial Statements and Management Report of Beiersdorf AG are also available in German.

The online versions of the Beiersdorf financial publications are available at WWW.BEIERSDORF.COM/FINANCIAL_REPORTS.

Financial Calendar

2017

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

2018

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