



# Annual Report

# 2023

tesa SE, Norderstedt

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# Corporate Governance

## Corporate Governance at tesa

tesa welcomes and supports the German Corporate Governance Code. The declaration of compliance of Beiersdorf AG is available permanently at [www.Beiersdorf.com](http://www.Beiersdorf.com).

## Audit opinion

The consolidated financial statement of the tesa Group, prepared in accordance with International Financial Reporting Standards (IFRS), was audited by the audit firm Ernst & Young GmbH, which issued its certification without any reservations.

# Foreword

## Ladies and Gentlemen,

2023 was a challenging year that demanded a great deal of strength and flexibility from tesa –strength and flexibility, most of all, to accomplish something positive. tesa has successfully held its own in a difficult market environment and has continued to invest in the future. With more sustainable and innovative product solutions, a newly opened site in Vietnam, and the comprehensive expansion of our site in North America, the company has grown while also building stronger and more sustainable ties with its customers. Despite global challenges in the form of rising energy prices, inflation, and geopolitical conflicts, tesa has consistently pursued and expanded its strategy. This would have been impossible without the dedication, outstanding teamwork, and resilience of around 5,200 employees at over 60 subsidiaries in over 100 countries. I speak for the entire Executive Board when I say that we appreciate this deeply, and we would like to offer our sincere thanks to all of our employees.

The challenging conditions described above notwithstanding, tesa has achieved organic growth of 3.2%, which corresponds to sales of € 1.67 billion and an EBIT margin (excluding non-recurring effects) of 16.0%.

The growth achieved is attributable to both industrial and end consumer business. In addition to appropriate price increases implemented in coordination with our customers in 2022, this growth reflects the positive development of the automotive sector in particular. 2023 was another year of double-digit growth for tesa's Automotive segment thanks to factors including new projects with manufacturers and suppliers, as well as the prioritization of e-mobility and display applications. The Electrical Systems segment also achieved strong organic growth, with business expanding considerably thanks to a well-situated product range and efforts to raise innovation-related subjects with customers.

tesa's high-quality products remained popular in other industries, as well. We have succeeded in further expanding our business with innovative adhesive solutions for the

Electronics segment. Demand from customers in the packaging industry has intensified thanks to tesa's more sustainable paper-based adhesive solutions and innovative base materials made from PCR-PET and PLA.

Sustainability was also a key aspect of our everyday activities over the past year and is a crucial part of the corporate strategy. More sustainable solutions were developed for the top product ranges for the automotive, electronics, and construction industries, as well as for end consumer business. In this context, the focus remained on reducing non-recycled fossil plastics and increasing the use of recycled and bio-based materials. The newly introduced tesafilm® Eco & Crystal, featuring backing made from 90% recycled PET, and tesa® 4965 Next Gen Original industrial tape, which is now being manufactured with new bio-based materials using the biomass balance approach, are just two examples of our efforts to promote sustainability through our product range. Over the past fiscal year, tesa has launched more than 40 new products that contribute toward greater sustainability.

In the context of our comprehensive sustainability initiatives, tesa was also recognized with the EcoVadis Gold Medal in 2023. This means that we rank in the top 2% of companies in the industry evaluated by EcoVadis. We are not resting on our laurels, of course, and will continue to pursue this route consistently, including by requiring our business partners to fulfill their social, ecological, and economic responsibilities, as well. Since 2020, we have asked our direct suppliers to carry out self-assessments through platforms such as EcoVadis.

Both at its own plants and in dialog with partners and suppliers, tesa has laid the groundwork for offering more sustainable products to customers. Thanks to the completion of the expansion of the Sparta site in the US state of Michigan, tesa's North American manufacturing operations have been fully solvent-free since last year. With the commissioning of the new site in the Vietnamese harbor city of Haiphong, our products are now reaching our customers in

Southeast Asia even faster. 50% of the products manufactured in Haiphong are water-based adhesive tapes.

In addition to our global growth projects and sustainability initiatives, the 2023 fiscal year was marked by innovation and transformation. Particularly noteworthy in this context are new approaches we have developed in adhesive technology, including the “Debonding on Demand” concept, which allows strong adhesive bondings to be released again as needed. With this new technology of the future, we are laying crucial foundations for a successful circular economy and greater sustainability by simplifying product repairs and recycling. tesa stands to make a decisive impact on the market with this technology in the years ahead.

Through open innovation, tesa has also established new networks for ensuring competency, speed, and resource efficiency in the development of complex technologies and products. This allows us to access new technologies and trends more rapidly and to increase our capacity for innovation. In dialog with our customers, we made considerable progress with digitalization over the past fiscal year through the expansion of digital services such as digital twins and online consulting. The consistent expansion of our digital product range has increased our efficiency and improved customer loyalty.

Looking back, I believe 2023 was a positive year for us on the whole. We succeeded once again harmonizing growth, progress, and sustainability. We owe this success particularly to the dedication and expertise of our employees, who have worked tirelessly on numerous projects. We will continue pursuing this route consistently next year as well, by supporting our employees and offering them attractive opportunities for development, in order to expand tesa’s already-strong team even further. One example of this is the development center we have established specifically for high-potential employees, where we provide highly qualified personnel with opportunities for professional development through individualized measures. We also have no shortage of requests from newly hired qualified employees. There is more to the tesa brand’s strong positioning than name recognition alone. As a high-tech company that invests heavily in product development and technological development, we are an attractive employer for

candidates with backgrounds in science and engineering. Over 150 new colleagues worldwide joined us to work in these areas in the 2023 fiscal year.

On behalf of the entire Executive Board, I would like to thank all of our employees once again for their outstanding commitment and performance in 2023. We are also especially grateful to our business partners, our customers, and our shareholder Beiersdorf for their consistently reliable and successful collaboration. We are confident that our positive performance and shared commitment will continue to help us strengthen our position as an international company and successfully advance our goals together in the coming year.



Dr. Norman Goldberg  
Chairman of the Executive Board of tesa SE

# Group Management Report for 2023

## I. Business Parameters

### General information

tesa SE (referred to in the following as “tesa”) is one of the world’s leading manufacturers of innovative adhesive tapes and self-adhesive product solutions for commercial customers and end consumers. tesa SE, a 100% owned subsidiary of Beiersdorf Aktiengesellschaft, is managed as an independent subgroup that is the direct or indirect parent company of 60 tesa affiliates (previous year: 61), employs 5,189 people and operates in more than 100 countries.

In the fiscal year, tesa founded tesa Online GmbH, Norderstedt, Germany. In addition, tesa tape OOO, Moscow, Russia, and Sugru Inc., Livonia, USA, were liquidated.

### Regions and major locations

tesa operates worldwide, with its main focus on Europe, followed by the business regions of Africa/ Asia/Australia and the Americas. In addition to the German locations, the affiliates in China, the United States, Italy, and Japan are among tesa’s largest and most strategically important single companies. The production sites are located in Europe (Germany and Italy), in the Americas (USA), and in Asia (China and Vietnam). The site in Haiphong, Vietnam, was opened in October 2023. The company headquarters, which include the research and technology center, are located in Norderstedt, near Hamburg.

Significant investments will also be made in growth and innovation in 2024. Investments for tesa will be at a similar level to 2023. Notable projects for the expansion of production and warehouse capacities for tesa relate to the production site in Hamburg. Further investments in automation and digitalization are intended to increase the efficiency of the sites.

### Industry

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

Along with direct business, the technical retail trade is part of the Industry division. Through retail partners, tesa offers a wide range of products for diverse applications in various industrial sectors, including product ranges for assembly and repair, tapes to secure items during transportation, and adhesive solutions for the packaging industry.

### Consumer

The Consumer division encompasses those markets in which tesa supplies end consumers with market driven products via retail partners or retail-like channels. This includes product ranges aimed at private consumers and craftspeople. tesa also uses e-commerce business to offer products for sale directly to end customers.

The Consumer business is focused on Europe and Latin America. It sells both long-established and innovative product solutions intended for various applications, including for daily use in offices, at home, and in crafts. Under the tesa® umbrella brand, end consumers find a broad assortment of more than 300 innovative products in DIY stores and superstores as well as in paper goods and stationery shops and online. tesa provides tailor-made ranges for professional craftspeople and designs its marketing concepts for the specific target groups.

## Value management and control system

The objective of the tesa Group is to expand its market share through sustained growth while at the same time boosting its earnings base. For this purpose, tesa is integrated into the management system of the Beiersdorf Group. tesa focuses on continuous, profitable growth sales volume, with an eye to increasing its earning power over the long term. The benchmarks for this are sales growth, the operating result (EBIT) and EBIT return on sales. The company aims to generate internationally competitive returns by employing active cost management and pursuing a high degree of efficiency in its use of resources. The development of the relevant financial key performance indicators can be found in the section “Results of operations.”

## Economic environment

The global economy lost momentum. Despite a robust start to 2023, growth slowed noticeably over the summer. This was mainly due to weak industrial production and a significant rise in interest rates in most regions of the world, which inhibited investment in residential construction in particular. Another dampening factor was China’s subdued economic development, which was largely based on debt in the country’s real estate sector. Inflation fell only slowly from a very high level. Real income growth resulting from wage adjustments only made a gradual contribution to stimulating consumption. Supply chain difficulties have largely been replaced by new challenges. Although supply chains disrupted by the pandemic have largely been restored, the global manufacturing sector has shown weaknesses in the face of weak productivity growth, the expiry of COVID-19 support measures and difficult financial conditions. In addition, the shift in demand toward the service sector and increased uncertainty about the future geo-economic situation have led to a reluctance to invest.

The sentiment indicators for the corporate sector and private households in Europe often showed opposing trends over the course of 2023. The significant rise in interest rates and the associated decrease in the inflation rate caused consumers to breathe a sigh of relief. The consumer climate has gradually stabilized since the low point in autumn 2022, when the inflation rate in the eurozone reached

double digits at times. By contrast, the situation in industry is considered to be particularly critical. This sector suffered from weak global demand and a deterioration in price competitiveness, triggered by the appreciation of the euro. In the second half of the year, there were signs of a decline in new orders in industry. However, this decline has not yet been fully reflected in production, as companies were still processing many orders that had been left unfilled due to the supply bottlenecks that had occurred in the meantime. The situation in the construction industry was also poor. The significant deterioration in financing conditions and the drastic rise in construction costs had a noticeable dampening effect on demand for construction services.

The German economy remained in a difficult situation in 2023. Private consumption in particular proved to be susceptible to economic weaknesses, and exports also recorded a decline. The tensions between China and the West led to below-average growth in foreign trade. Although the burden of energy prices on companies and private households eased, this was not enough to compensate for other negative factors, as the massive interest rate hikes by most central banks put the brakes on the economy. They significantly reduced demand for industrial goods and residential construction. The fluctuations in incoming orders in industry were very pronounced. This was due to the fact that the volume of large orders varied from month to month. Despite these challenges, companies were able to keep production largely stable and thus reduce the order backlogs built up in recent years.

The US economy recorded fairly strong growth, mainly due to an unusually expansive fiscal policy. The inflation rate, which fell significantly in the first half of the year, was unable to continue the trend in the second half of the year, particularly due to a significant rise in gas prices in the meantime. Nevertheless, both private consumption and fixed asset investments recorded noticeable growth. The latter can probably be attributed to the subsidies introduced for the semiconductor industry and transformation technologies. The downturn in residential construction investment has, continued but slowed somewhat. At the end of the year, the slowing factors became increasingly noticeable. The savings rate recently reached unusually low levels.

In Japan, macroeconomic production increased sharply in the first half of 2023, mainly due to rising exports as a result of a significant devaluation of the yen. This also led to a very significant rise in inflation by Japanese standards.

Developments in the emerging markets painted a mixed picture. China surprised on the downside in the final months of the year. The end of the zero COVID policy in December 2022 only gave the economy a brief boost. The problems on the real estate market had a significant impact on the economy. In combination with uncertainties on the labor market, these developments weighed on consumer spending. In addition, industrial production, corporate investment and exports recorded a decline, which is attributable to both weakening foreign demand and geopolitical uncertainties. In Russia, overall economic production in the second quarter of 2023 returned to its level before the invasion of Ukraine. Investments increased in connection with the rise in military spending, but private consumption also increased thanks to higher real wages and social benefits. Nevertheless, there are bottlenecks in the labor market, as many workers have been drafted into the army or left the country to avoid military service since the beginning of the war. Nevertheless, overall economic development proved to be robust. The increase in growth reflected a significant fiscal stimulus, strong investment and stable consumption against the backdrop of a tight labor market. Growth was largely driven by the production of military goods, which do not benefit the population. The Brazilian economy benefited from a record harvest. High revenues from the export of crude oil and iron ore and the recovery of the service sector also boosted gross domestic product growth. The reduction in oil production led to weak development in the Middle East. However, the decline in activity in the oil sector was offset by other sectors of the economy, supported by sustained private consumption, strategic fixed investment and a supportive fiscal policy stance. The Indian economy remains a reliable growth driver for the global economy. In 2023, the high pace of the previous year was maintained. For the third year in a row, the Indian economy was characterized by a strong increase in private investment. At the same time, the previous year's record-high level of exports was maintained. The Southeast Asian emerging markets are on the upswing. Their fundamentals are stabilizing, growth is returning and corporate balance sheets look solid.

## Sales market trends

Uncertainty continued to leave its mark on the tesa Busi-

ness Segment's activities in 2023. The global recovery from the COVID-19 pandemic is slow and uneven. The Russian invasion of Ukraine continues to affect the economic situation, and economic activity remains below pre-pandemic levels. The conflict in the Middle East has also further unsettled markets. Inflation remained at a high level in 2023, albeit below the previous year's peaks.

In this environment, performance in industrial sales markets was mixed. The automotive industry was resilient and recorded an upturn globally. However, other industrial sales markets along with the distribution business saw high levels of consumer uncertainty, inventory reduction measures, and an overall downward trend. This was particularly the case in Europe and to a certain extent in North America, while growth momentum from Asia was positive.

## Procurement market trends

Offshoots of the 2021 and 2022 supply chain crisis continued to shape developments in 2023. Further supply shortages occurred particularly in the first half of the year, combined with significant inflation in many raw materials, packaging, and logistics markets. This was partly due to high levels of macroeconomic uncertainty, driven by factors such as the Russia-Ukraine war, the China-Taiwan conflict, and the sluggish recovery of Chinese manufacturing output. Energy costs also remained at a high level. Combined with inflation for other input factors, this prompted production costs to rise further. A first correction in important markets for materials and services was observed in the second half of the year, chiefly due to capacity expansion. This, together with our cross-departmental management of supply shortages and preferential position with key suppliers, enabled us to further limit the negative impact of supply difficulties on our production sites and distribution partners.

## Product and technology development<sup>1</sup>

To manufacture repairable and recyclable products, customers need adhesive bonds that can be released if neces-

<sup>1</sup> This section was not part of the audit of the Management Report.

sary, allowing the reuse of valuable individual components. Relevant EU standards on repairability and recyclability for electronic devices came into force in 2023. As part of this project, tesa has generated a set of working prototypes and supplied them to customers for testing. These are based on six new technological concepts with different release mechanisms. In the automotive sector, initial prototypes with high levels of aging and temperature stability have generated strong demand for further versions aimed at different requirements. The first product development project has successfully concluded, and further new projects have been initiated to develop removable adhesive tapes. As part of this, tesa has sent customers a host of new prototypes for diverse applications ranging from displays to electric vehicle batteries.

In its own manufacturing, too, tesa achieved important milestones in the 2023 reporting year in its efforts to further improve the environmental footprint of technologies and products. These included reducing the carbon footprint of the popular tesa® 4965 double-sided tape by 40% without compromising on the properties of this versatile high-performance product. Achieving this involved the introduction and quantitative tracing of new bio-based raw materials using the biomass balance approach. Films made from 90% recycled polyester (PCR-PET) also had to be qualified. In addition, new processes were implemented all along the development and manufacturing chain to enable calculation of key metrics such as carbon footprint at product level.

tesa continued its solvent reduction and recovery efforts in the reporting year. This meant both continuously expanding the availability of solvent-free production facilities and modifying existing ranges in technology and product development. tesa also further increased the proportion of newly developed solvent-free products.

In previous reporting years, tesa presented prototypes of high-strength adhesive bonds capable of replacing conventional welding or rivets. The resulting product development projects for applications in mobile devices progressed to market readiness in 2023 and were successfully implemented for the first customers. Another focus for adhesive tapes designed to cure at room temperature was on applications in the automotive industry. Multiple customers are currently testing these product samples, which can protect vehicle wiring harnesses or the cells of traction batteries for electric cars.

Compared with metallic joining processes, polymeric adhesives offer much greater flexibility in the choice of materials, allowing the integration of additional functions into the adhesive layers. In 2023, tesa further built on these technological possibilities to offer customers more innovative product designs incorporating functional adhesive solutions. Open innovation has systematically opened up new networks, ensuring tesa always has the necessary expertise, speed, and efficiency to develop complex new technologies and products. This is allowing tesa to work faster and access more new technologies and trends, generating a more sustainable and resilient innovative capacity.

Global innovation leaders in all markets are increasingly digitalizing their development processes. This also requires the provision of digital data on the adhesive solutions used, including digital twins for use in failure modeling. Over the past year, the strong customer appeal of certain digital services on the market has been reflected for the first time in a sharp rise in requests for digital twins and digital consulting. tesa has accelerated this development and increased customer loyalty with a concerted expansion of the digital product portfolio. The various research partnerships currently underway offer a sound basis to continue building knowledge in artificial intelligence, simulation, and digitalization.

The focus of product and technology development is on solutions for the energy transition, more of which were rolled out in the reporting period. Application areas here include the hydrogen sector, building energy management, and e-mobility. Last year's report featured the first functional prototype of a window film that can be dimmed at the touch of a button. This serves as an energy-saving measure for glazing on new and existing buildings. In 2023, the technology was optimized to such an extent that it outperforms the alternative solutions available on the market. Samples have already been produced with various partners and are being piloted with a first potential customer.

For the manufacture of modern fuel cells, we have continued to develop functional films that enable the fuel cells to be assembled particularly quickly and efficiently. The latest optimized prototypes have awakened customer interest and enabled new partnerships to be agreed with selected innovation leaders.

Large customers in the automotive industry were presented with numerous new prototypes for e-mobility in the



reporting period. A particular focus was on protection and adhesives for battery cells and their modules and housings. However, tesa also developed prototypes for completely new applications within the battery cell. For example, the formulas of the adhesive masses were precisely tailored to the complex and sensitive electrochemical processes during the many charging cycles. The aim of this was to guarantee a long battery life.

Further information on product and technology development at tesa can be found at [www.tesa.com/en/about-tesa/product-and-technology-development](http://www.tesa.com/en/about-tesa/product-and-technology-development).

## Sustainability<sup>2</sup>

Sustainability has been a fixed part of tesa's corporate strategy since 2001. Our ambition in this context is clear: We aim to advance the development of sustainable adhesive solutions and products through technological expertise and passion.

The sustainability strategy is based on five strategic action areas for which we have formulated long-term targets to be fulfilled by 2030. These action areas cover the entire value chain and comprise the reduction of emissions, responsible sourcing procurement, the use of recycled and bio-based materials, circular economy, and reduction of waste, as well as actively supporting customers with their own sustainability goals. In the course of our comprehensive sustainability initiatives, tesa was recognized with the EcoVadis Gold Medal in 2023. This means that tesa ranks in the top 2% of companies in the industry evaluated by EcoVadis in terms of sustainability.

By 2025, tesa intends to reduce Scope 1 and 2 emissions by 30% relative to 2018 in absolute terms. Between 2018 and 2023, tesa succeeded in reducing Scope 1 and 2 emissions by -38%, thus reaching the target two years early. The company plans to achieve fully climate-neutral production by 2030. Scope 3 emissions are to be reduced by 20% by 2030 in absolute terms relative to the 2018 baseline. The Science Based Targets initiative (SBTi) has confirmed tesa's climate goals for 2025 in conjunction with those of the Beiersdorf Group. In addition, tesa has adopted the long-term voluntary commitment of achieving net

zero emissions by 2050 at latest under the framework of the SBTi Business Ambition for 1.5°C. The goal of sourcing 100% of electricity for all tesa offices and production facilities worldwide from renewable energy sources was achieved in 2020.

Among other things, tesa also requires its business partners to fulfill the defined standards and to pass them on to their upstream supply chains. This pertains to both the required product quality and to transparent, fair, and responsible business practices. In this way, tesa hopes to ensure that its business partners can also fulfill their social, ecological, and economic responsibilities and that the transparency and sustainability of supply chains can be gradually improved. Since 2020, tesa has been inviting direct suppliers to undergo a self-assessment through the "EcoVadis" platform. By carrying out this assessment, suppliers can demonstrate the extent to which they ensure the observance of human rights, fair working conditions, and environmental aspects as well as the extent to which they responsibly produce and procure their products, raw materials, and services. As of the end of 2023, EcoVadis self-disclosure information was available for 70% (previous year: 54%) of tesa's direct purchasing volume for materials. This share will be gradually increased over the years ahead: The goal is to have sustainability assessments available for a total of 80% of our direct purchasing volume for materials by 2025. By 2030, 80% of tesa's purchasing volume will be directed solely to suppliers who satisfy the requirements in regard to responsible supply chains.

Every day, work is also done with the aim of achieving considerable improvements in product sustainability. A wide range of new products are in development that will contribute to sustainability in the top product ranges for the automotive, electronics, and building industries, as well as for the office and household needs of consumers. In this context, tesa is investing in the reduction of non-recycled fossil plastics and is increasingly using recycled and bio-based materials. In the Consumer segment, for example, tesafilm® Eco & Crystal has been launched. The backing film for this product consists of 90% recycled PET. For the industrial segments, a new label was developed during the reporting year in order to highlight products with more sustainable characteristics. One example of these is tesa® 4965 Original Next Gen. By using 90% post-consumer recycled PET for the backing and adhesive that employs only

<sup>2</sup> This section was not part of the audit of the Management Report.

biomass-balanced monomers, the product's carbon footprint has been reduced by 40%.

Occupational safety and health management have always been a fundamental priority at tesa. The Group-wide occupational safety policy, the "tesa Policy on Occupational Safety and Health," serves as the foundation for the internal management system in the area of occupational safety. The company's occupational health and safety management activities are focused on its ISO-14001-certified production plants. A demanding roadmap has been defined in this context: It is intended that all tesa sites that already have an ISO 14001-certified environmental management system should also obtain ISO 45001 occupational safety certification by 2025. The headquarters of tesa SE and the tesa Manufacturing Hamburg production site successfully completed initial certification under the DIN ISO 45001 occupational safety standard in 2023. This represents the successful attainment of another occupational safety milestone at tesa. Successful certification demonstrates that occupational safety has been systematically integrated into leadership responsibilities at the respective site.

Accident frequency rate (AFR) is used to document all work accidents that result in at least one lost day. At tesa, the AFR for documented accidents with at least one lost day at sites certified under ISO 14001 amounted to 2.7 per million hours worked worldwide during the reporting year (previous year: 3.6).

More detailed information can be found in the annually published sustainability report at <https://www.tesa.com/en-us/about-tesa/sustainability> as well as in the non-financial disclosure in Beiersdorf AG's annual report at <https://reports.beiersdorf.com/annual-report/2023/>

## Declaration on corporate management<sup>3</sup>

The Supervisory Board defined targets for the percentages of women on the Supervisory Board and Executive Board in accordance with Section 111 (5) of the German Stock Corporation Act in 2022, each of which are to be fulfilled by the end of the Supervisory Board's current term of office after the 2027 Shareholders' Meeting at latest. A target of 16.7% (i.e. one woman) was set for the Supervisory Board, and a target of 0% was set for the Executive Board.

When adopted in 2022, the target of 0% for the Executive Board was justified by the fact that the vacancy created by Ms. Cackovich's departure in mid-2022 was filled simultaneously with the adoption of the new targets and that no scheduled changes to the Executive Board were expected in the years ahead; industry-specific difficulties in finding women for Executive Board roles at tesa were also taken into account.

In order to fulfill the statutory requirements, the Executive Board of tesa SE adopted targets for the first and second levels of management at tesa SE in 2022 which are each to be fulfilled by June 30, 2027, at latest. A target of 30% was established for the first level of management, and a target of 35% for the second level.

As of December 31, 2023, the percentages of women at tesa were as follows: Supervisory Board: 33%, Executive Board: 0%, first management level: 11.5%, second management level: 28.1%.

## Employees<sup>4</sup>

As an international manufacturer of innovative adhesive tapes and self-adhesive product solutions, tesa positions itself as an attractive and sustainable employer. It is vital for the company to recruit and develop highly qualified staff and retain them long-term as a prerequisite for maintaining tesa's positive performance.

In 2023, tesa once again invested in training its staff and creating further attractive development opportunities for them.

Further online and in-person learning offerings were added to the development opportunities for employees and managers in the reporting year. tesa established development centers and other activities specially for its high potentials and supported these individuals with tailor-made development measures.

Managers' ability to offer employees a motivating work environment, among other things, and encourage them to express their talents is key to tesa's business success and its attractiveness as an employer. In the first quarter of 2023, tesa began the introduction of a new Management Excellence Program in collaboration with the European

<sup>3/4</sup> This section was not part of the audit of the Management Report.

School of Management and Technology Berlin (ESMT Berlin). The program aims to convey to managers important leadership skills in fields such as strategy development, sustainability, innovation, and transformation. In the reporting period, two cohorts consisting of 25 managers each already completed the program, which lasts approximately six months and includes various remote modules as well as two in-person modules.

A further focal aspect of HR work is to encourage tesa's talents. In the Competencies Review, talented people are given the opportunity to take part in exercises related to their occupation in a format similar to an assessment center. The participants then receive informed feedback on their strengths and areas for development based on the tesa Values. Major components include continuous peer feedback, a presentation by participants, and a learning path covering the ten months beyond the Competencies Review. During this time, participants receive a high level of support from their line managers and from HR.

Training and professional development of managers and employees were carried out once again as in-person events as well as remotely during the reporting period.

In addition to in-person formats and e-learning, tesa further customized the use of the external digital platform LinkedIn Learning to tesa's specific requirements and developed company-specific learning paths tailored to needs.

The topics of compliance, occupational safety, sustainability, product and technology development, sales, and the Supply Network are already included in the e-learning formats. Employees can access tesa's professional development offerings at any time via a digital tesa Learning Hub.

In 2023, a new leadership training series was further adapted to hybrid forms of working. It is divided into a "basics" and an "advanced" training program. Participants in international groups are taught fundamental management skills and how to handle management tasks in the "basics" part. In the "advanced" part, experienced managers are trained and developed in the areas of team development, change management, and coaching. The content of the management training series is focused on the challenges of the current tesa strategy.

The global employee review – tesa Performance Appraisal – takes place throughout the tesa organization. The purpose of this meeting between employee and manager

is to discuss feedback on work results and work behavior in a spirit of dialogue and to receive guidance from the manager for the coming year. Not only managers, but also all employees are urged to prepare for the appraisal using the questionnaire. Backed by this new process, tesa is strengthening individuals' personal responsibility and initiative, as well as awareness of their performance and accomplishments. A further aim is to enable employees and managers to benefit from a stronger culture of feedback and dialogue at tesa.

In the reporting year, tesa pursued further initiatives aimed at fostering an attractive working environment, because an appealing environment can contribute to employee well-being.

### **Occupational health management**

tesa's workplaces are equipped with ergonomic and contemporary furniture and equipment, such as height-adjustable desks and modern lighting and ventilation concepts. In addition, employees at the company headquarters in Nordstedt have access to a comprehensive health management program under the umbrella brand "It's for you!" This program includes ergonomic counseling, colorectal cancer screenings, a health club, and massages. Company medical care as well as internal and external psychosocial counseling and support are also part of the health management program. tesa Young Connection As part of tesa Young Connection, new employees at tesa come together to form a community. In the reporting period, there were in-person as well as remote events on various professional and team-building topics. The focus of this community is on networking, with the aim of strengthening cohesion and retaining young talents.

### **tesa Young Connection**

As part of tesa Young Connection, new employees at tesa come together to form a community. In the reporting period, there were in-person as well as remote events on various professional and teambuilding topics. The focus of this community is on networking, with the aim of strengthening cohesion and retaining young talents.

### **New Work**

tesa has further invested in IT and communications technology for hybrid working and integrated creative and social

spaces into working practices. These are inviting settings for meetings and creative collaboration. tesa also implemented its first desk-sharing concepts in selected departments to enable even greater individual freedom in the choice of working location and to better reflect working in matrix structures.

#### **Additional benefits**

In addition, employees at the headquarters in Norderstedt can, among other offerings, take advantage of a cleaning service, visit regular market stalls to purchase regional fruit and vegetables, and utilize various mobility concepts. For example, they have the ability to charge electric vehicles and e-bikes at a company charging point and park rental bikes from Hamburg's "Stadtrad" initiative at a station on-site. Employees also have the option of leasing bicycles through a subsidized program.

More detailed information can be found in the non-financial disclosure in Beiersdorf AG's annual report at: <https://reports.beiersdorf.com/annual-report/2023/>

## II. Results of operations

### Results of operations in the tesa Group

	2022	2023	Change	
	in € million	in € million	in € million	in percent
Sales	1,667.8	1,667.5	-0.3	0.0%
Costs of goods sold	-926.2	-904.6	+21.6	-2.3%
<b>Gross profit</b>	<b>741.6</b>	<b>762.9</b>	<b>+21.3</b>	<b>2.9%</b>
Marketing and selling expenses	-291.8	-316.1	-24.3	8.3%
Research and development expenses	-74.7	-79.3	-4.6	6.2%
General and administrative expenses	-92.0	-98.5	-6.5	7.1%
Other operating income	78.1	62.8	-15.3	-19.6%
Other operating expenses	-82.7	-65.6	+17.1	-20.7%
<b>Operating result (EBIT, excluding special factors)</b>	<b>278.5</b>	<b>266.2</b>	<b>-12.3</b>	<b>-4.4%</b>
Special factors	-14.9	5.3	+20.2	-135.6%
<b>Operating result (EBIT)</b>	<b>263.6</b>	<b>271.5</b>	<b>+7.9</b>	<b>3.0%</b>
Financial income	31.0	25.7	-5.3	-17.1%
Financial costs	-36.6	-34.9	+1.7	-4.6%
<b>Financial result</b>	<b>-5.6</b>	<b>-9.2</b>	<b>-3.6</b>	<b>64.3%</b>
<b>Profit before tax</b>	<b>258.0</b>	<b>262.3</b>	<b>+4.3</b>	<b>1.7%</b>
Income taxes	-87.8	-86.4	+1.4	-1.6%
<b>Profit after tax</b>	<b>170.2</b>	<b>175.9</b>	<b>+5.7</b>	<b>3.3%</b>

In the 2023 fiscal year, the tesa Group posted an operating result (EBIT, excluding non-recurring effects) of € 266.2 million, which was € 12.3 million (-4.4%) lower than in the previous year. The operating result including non-recurring effects (EBIT) increased to € 271.5 million (+3.0%). The non-recurring effects totaling € 5.3 million (previous year: € -14.9 million) largely consist of proceeds from insurance benefits pertaining to the technical incident at tesa plant Concagno worth € 24.2 million. These were offset with expenses for compensation of the damage totaling € 10.2 million. The figure also reflects expenses from the depreciation of goodwill from nie wieder bohren GmbH of € 4.2 million and the depreciation of intangible assets of tesa Twinlock B.V. of € 4.5 million which had been covered together with the goodwill in the context of the purchase price allocation in the past. The goodwill of tesa Twinlock B.V. was fully written off in the course of the 2022 fiscal year.

While gross profit from sales totaled € 762.9 million (+2.9%), the result from operating expenses and income excluding non-recurring effects changed by a total of 7.3% to € -496.7 million in 2023 (previous year: € -463.1 million).

The tesa Group completed the fiscal year with net profit of € 175.9 million (+3.3%).

Sales revenue for the year was on par with the previous year. The cost of goods sold, on the other hand, decreased by € 21.6 million (-2.3%) to € 904.6 million. This development is largely attributable to price adjustments.

The EBIT margin excluding non-recurring effects was 16.0% (previous year: 16.7%). Taking non-recurring effects into account, the EBIT margin came to 16.3% (previous year: 15.8%).

Marketing and selling expenses, research and development costs, and general administrative costs increased by a total of € 35.4 million to € 493.9 million. This increase is largely attributable to investments in innovation, sustainability, and digitalization in key strategic areas for tesa.

The financial result decreased relative to the previous year by € 3.6 million to € -9.2 million due to exchange rate effects.

The 2023 fiscal year saw taxes on income decrease by a total of € 1.4 million to € 86.4 million (previous year: € 87.8 million).

The 2023 forecasts for sales and EBIT margin were attained.

## Business development by region

tesa achieved organic sales growth of 3.2% in 2023 in a challenging market environment. Exchange rate effects reduced this development by 2.7 percentage points and structural effects by 0.5 percentage points. In nominal terms, the sales development was therefore 0.0% compared to the prior year, reaching € 1.667,5 million (previous year: € 1,667,8 million).

### Europe

In Europe, organic sales were up by 1.2%. Business in the Consumer division in particular continued to grow after a good previous year. Sales in the consumer business developed positively in all markets, including via digital sales channels. In a difficult market environment, the Industry division recorded sales growth, particularly in the automotive sector. In nominal terms, tesa generated European sales of € 797,4 million (previous year: € 795,8 million) and therefore grew by 0.2%. The region's share of Group sales rose to 47.8% (previous year: 47.7%).

### Americas

In North and South America, tesa achieved a positive sales trend with organic growth of 2.4%. The Industry division performed positively, posting sales increases in the automotive market and industrial growth markets. Sales in the end consumer business in Latin America also developed favorably. The region's sales were up by 1.0% in nominal terms to € 287,6 million (previous year: € 284,7 million). The region's share of Group sales rose to 17.3% (previous year: 17.1%).

### Africa / Asia / Australia

In Asia, tesa achieved organic sales growth of 6.3%, particularly due to new project business with products for the electronics industry. The recovery in the automotive sector led to additional business in this region, too. In nominal terms, sales in Asia decreased by 0.8% to € 582,5 million (previous year: € 587,3 million). The region's share of Group sales fell to 34.9% (previous year: 35.2%).

## Business development by division

### Industry

tesa **Industry** posted solid sales growth in the 2023 fiscal year. The price rises implemented in the previous year and the good performance in the automotive business areas made a substantial contribution to this. The Industry division recorded organic sales growth of 3.7%. Nominal sales decreased by 0.4% to € 1.292,1 million (previous year: € 1.297,1 million). The share of the Industry division in total sales was 77.5% (previous year: 77.8%).

The **automotive business** achieved double-digit growth again in 2023. The electrical systems business achieved very strong organic growth. On the back of global market growth, tesa benefited from new projects with both OEMs and their suppliers. Examples included automated adhesive tape solutions for vehicle bodywork (hole covering), security labels, and masking applications, as well as specialist adhesive tape solutions for abrasion protection and soundproofing. The focus on e-mobility and display applications also yielded further growth. tesa continued to drive its ongoing expansion of the product range in close cooperation with automotive manufacturers and suppliers in line with the transformation of the automotive industry.

In **consumer electronics**, tesa was unable to fully match the previous years' very strong growth rates. Amid a sharply contracting market environment, particularly in the first half of the year, tesa performed well and closed fiscal year 2023 with strong growth. This growth was driven by innovative adhesive tape solutions for the manufacture of smartphones and tablets. These included acrylic foams for mounting smartphone displays and rear casings, as well as the use of innovative reactive tapes.

Sales in other areas fell back in the course of 2023. In **printing and paper**, sales figures were slightly below the level of the prior year. Overall weak market demand and customers' inventory reduction measures contributed to this. The adhesive tape business in the household appliance industry declined significantly. tesa is represented here with products for securing loads during transport, for example. Positive momentum came from increased demand for more sustainable adhesive tape solutions for the packaging industry.

The industrial distribution business was also characterized by falling demand in 2023, and sales were down on the

previous year's figure. This was particularly the case in Europe and North America. Price rises due to higher material and energy costs made a positive contribution to sales performance, as did the transformation of the product range toward greater sustainability. New product generations with the same high performance but considerably reduced carbon footprints were successfully introduced to the market.

### **Consumer**

Organic sales in the Consumer division increased by 2.5% amid a challenging market environment. In nominal terms, this translated to growth of 2.3%, lifting sales to € 371,3 million (previous year: € 363,1 million). As a result, the Consumer division contributed 22.3% (previous year: 21.8%) of tesa's total sales in the reporting year.

Business with private consumers and professional craftsmen grew moderately in Europe and Latin America. This was due to significant effects from price adjustments, product launches such as the more sustainable tesafilm® Eco & Crystal, bathroom accessories, and successfully realized customer projects.

Mounting tapes and tapes for painters and repairs were the primary growth drivers in the product range, while the sale of packaging tapes declined.

In terms of sales channels, there was growth particularly in the hardware store business and in e-commerce. Against the backdrop of declining construction activity, we achieved slight growth in business with professional craftsmen. However, the stationery business was slightly below the previous year.

### III. Financial position

#### Cash flow statement

	2022	2023	Change
	in € million	in € million	in € million
<b>Cash and cash equivalents as of Jan. 1</b>	<b>244.2</b>	<b>199.3</b>	<b>-44.9</b>
Gross cash flow	267.7	252.9	-14.8
Change in net current assets	-110.8	74.2	185.0
Net cash flow from operating activities	156.9	327.1	170.2
Net cash flow from investing activities	-74.7	-178.9	-104.2
<b>Free cash flow</b>	<b>82.2</b>	<b>148.2</b>	<b>66.0</b>
Net cash flow from financing activities	-130.2	-126.9	3.3
Other changes	3.1	-8.6	-11.7
Net change in cash and cash equivalents	-44.9	12.7	57.6
<b>Cash and cash equivalents as of Dec. 31</b>	<b>199.3</b>	<b>212.0</b>	<b>12.7</b>

\*of which € 2.8 million are subject to foreign currency transfer restrictions as of 12/31/2022

**Cash flow from operating activities** increased by € 170.2 million relative to the previous year to € 327.1 million.

**Cash flow from investing activities** accounted for a net outflow of € 178.9 million. This is primarily attributable to investments in intangible assets and property, plant and equipment (€ 98.6 million) as well as loans extended to affiliated companies (€ 107.2 million). The investments in property, plant and equipment (€ 87.2 million) mainly resulted from production expansions amounting to € 69.6 million, of which € 33.7 million was invested in Germany (see “Investments” section). **Free cash flow** increased by a total of € 66.0 million to € 148.2 million.

**Negative cash flow from financing activities** was attributable mainly to a dividend payment to shareholders totaling € 85.1 million.

As of the end of the fiscal year, **cash and cash equivalents** had increased by a total of € 12.7 million to € 212.0 million.

#### Key financial indicators

**Sales growth** was 0.0% (previous year: 11.3%).

The **EBIT margin** without non-recurring effects was 16.0% (previous year: 16.7%). With non-recurring effects included, this figure decreased relative to the previous year to 16.3% (previous year: 15.8%).

**Return on capital employed** including non-recurring effects was 30.7% (previous year: 27.9%).

**Net profit** – as measured according to sales – increased relative to the previous year from 10.2% to 10.5%.

**Earnings per share** increased to € 6.82 (previous year: € 6.59).

The **equity ratio** was 66.8% (previous year: 65.4%).

Capitalized right-of-use assets from leases accounted for under IFRS 16 totaled € 53.2 million (previous year: € 62.2 million). These are offset by lease liabilities of a comparable amount.

Excluding the capitalized right-of-use assets accounted for under IFRS 16, the equity ratio increased to 68.8% (previous year: 67.8%). The ratio of equity to non-current assets was 189.0% (previous year: 182.8%).

#### Capital expenditure

During the reporting year, tesa invested a total of € 98.6 million in intangible assets and property, plant and equipment. Of this amount, capital expenditure of € 51.9 million applied to sites in Germany.

Elsewhere, capital expenditure totaled € 5.4 million for the rest of Europe, € 14.8 million for the Americas, and € 26.5 million for Africa/Asia/Australia. The investments in Asia were largely attributable to the construction of the new site in Vietnam, which opened at the end of 2023.

The year 2023 was mainly characterized by expenditure for technology and capacity expansion in strategic large-scale projects, some of which have now been completed. In addition, tesa continued to make relevant investments to modernize the global IT infrastructure and system landscape, which will continue in the years to come.

Capital expenditure for productivity, replacements, and capacity expansions at production sites worldwide totaled € 69.6 million.



## IV. Balance sheet structure

### Balance sheet structure of the tesa Group

	31/12/22	31/12/23	Change	
	in € million	in € million	in € million	in percent
<b>Assets</b>				
Non-current assets	629.9	644.4	14.5	2.3
Inventories	424.4	329.9	-94.5	-22.3
Other current assets	506.3	638.0	131.7	26.0
Cash and cash equivalents	199.3	212.0	12.7	6.4
<b>Total</b>	<b>1,759.9</b>	<b>1,824.3</b>	<b>64.4</b>	<b>3.7</b>
<b>Equity and liabilities</b>				
Equity	1,151.5	1,218.1	66.6	5.8
Non-current provisions	179.2	182.8	3.6	2.0
Non-current liabilities	51.4	39.5	-11.9	-23.2
Current provisions	95.0	99.1	4.1	4.3
Current liabilities	282.8	284.8	2.0	0.7
<b>Total</b>	<b>1,759.9</b>	<b>1,824.3</b>	<b>64.4</b>	<b>3.7</b>

The increase on the assets side was mainly due to an increase in other current assets (€ +131.7 million). This development is attributable to an increase in intra-Group receivables (€ +106.3 million).

Thanks to active management in the area of working capital, inventories were reduced by € 94.5 million to € 329.9 million.

With regard to liabilities and shareholders' equity, equity in particular increased by € 66.6 million.

The change in equity was mainly attributable to the net profit after tax of € 175.9 million, the dividend payment to shareholders of € 85.1 million, and the difference from currency translation of € -20.1 million.

The reduction of non-current provisions by € 11.9 million to € 39.5 million was primarily attributable to the decrease in lease liabilities.

## V. Opportunity and risk report

As a global company, tesa faces a wide variety of opportunities and risks that are inseparably linked to its corporate activities. Risks and opportunities encompass specific events and developments that have a certain probability of occurring and could have material negative or positive financial and non-financial effects on the achievement of the tesa Group's objectives. Risk management, which is a component of the overall planning, oversight, and reporting systems, is aimed at consistently leveraging opportunities to add value and reducing identified risks to a controllable level for the organization or avoiding them altogether. tesa systematically records, analyzes, and monitors global risks through its planning and reporting system – both at a centralized level at tesa SE and locally in the regions.

Management of operational opportunities and risks is largely decentralized, while monitoring is centralized. Overarching international risks associated with production and safety standards, legal violations, brand management, financing, and value development within the Group are monitored centrally by tesa. Objective-driven managerial accounting practices and regular strategy reviews ensure that opportunities and risks are favorably balanced. Beiersdorf Aktiengesellschaft's internal audit department monitors compliance with the internal control system and ensures the integrity of business processes.

Digitalization continues to accelerate steadily along the entire value chain, opening up huge opportunities. In this context, tesa has made considerable efforts over the past year to significantly increase the effectiveness of its investments. At the same time, tesa has taken organizational steps to ensure that work is even better integrated across all product groups, between the functions and IT, and in close cooperation with the business. For example, in response to the rapid spread of ChatGPT and similar tools, a binding legal guideline was quickly adopted that all tesa employees must observe when using these applications. tesa will continue to work on shaping the framework conditions for the safe use of these types of tools. In part because the use cases are still limited, tesa currently continues to classify the opportunities and risks in connection with ChatGPT and similar tools as low. Over the long term, tesa will continue to monitor developments in order to take advantage of any opportunities and potential at an early stage.

Market risks (as well as market opportunities) for tesa can be encountered in both procurement and sales markets.

Price and availability risks in procurement markets are mitigated with supply agreements structured to ensure predictability, including through the agreement of long terms and price adjustment clauses. In the interest of minimizing dependencies on individual suppliers and exposure to short-term price fluctuations, tesa develops alternative sources of procurement in a targeted manner.

On the sales side, tesa is exposed to economic and supply chain-related risks in the industrial sectors where tesa generates a high proportion of its sales, especially in the automotive and electronics industries. The close collaboration with the electronics industry in Asia continues to be constructive, although the project-based nature of this collaboration continues to pose a significant risk of volatility. tesa expects to strengthen its market position by making ongoing investments in product and technology development and expanding its innovative product portfolio. Market trends are monitored intensively, both centrally and in individual regions, in order to be able to intervene at an early stage when necessary and at the same time make efficient use of opportunities. In addition, tesa is exposed to the risk of losing individual customers completely and to default risk for receivables. However, its broad sales base and diversification mean that tesa has no individual customers that account for such a high share of sales or receivables that their default or loss could threaten the company's existence. Even so, the company additionally takes out trade credit insurance to a feasible extent, via tesa Credit Management, for specific customers identified as posing an elevated risk due to their company profile or the scope of their receivables.

Customer confidence in tesa's products and the tesa® brand, in industrial and consumer segments alike, requires that we maintain high standards with regard to the quality and safety of our products. As such, they are subject to a comprehensive end-to-end quality assurance system spanning the entire procurement, production, and distribution process. tesa ensures the development of and compliance with the necessary processes by means of periodic internal and external audits in accordance with international standards. The company is fully certified in accordance with ISO 9001 and, where necessary, under IATF 16949 and ISO 14001, 45001 and 50001. Occupational health and safety risks and environmental risks are mitigated by process controls and are also ensured through external certifica-

tion. tesa has established appropriate provisions for covering the financial impact of liability risks and any potential loss or damage events by taking out insurance within the scope possible and in accordance with economic considerations.

The possibility of the complete failure of one or more production units cannot be ruled out and poses a potential risk to the long-term supply capability of the company. tesa counters this risk with a preventive maintenance system, alternative energy supply, fire safety measures, and corresponding in-depth employee training. To the extent economically feasible, tesa is also insured against loss or damage that may be incurred despite these precautions.

Continuous innovation, an additional focus on the sustainability of products and production processes, and cooperation with customers with the aim of improving production processes serve to encourage the long-term acceptance of tesa's products on the market and thus open up further opportunities. Innovative products help to counteract purely price-based competition and reduce the risk of the expansion of "private labels" in the end consumer business.

tesa reduces research and technology risks by maintaining in-house product development and technological development facilities and conducting regular exchanges and cooperations with universities and research institutes. Ongoing market observation and cross-functional decision-making processes for assessing and selecting development projects ensure that development activities are market-oriented. Technological expertise and maintenance of the tesa® brand as a guarantee of quality and innovation are of particular significance. The legal positions associated with this are protected and maintained centrally in cooperation with the operating regions.

tesa manages financial risks via active treasury management and on the basis of globally applicable guidelines through its Corporate Treasury division.

The overarching goal is to safeguard the financial capacity of the Group and to be able to meet financial obligations at all times. Through its financial management efforts, tesa ensures the solvency of the Group on a continuous basis, monitors risks related to financial instruments, and optimizes cash management for the entire Group.

Legal violations can harm tesa's good reputation and lead to penalties, sanctions, claims for damages, legal

costs, and other adverse effects. tesa minimizes the risks associated with legal violations with a risk-oriented approach to compliance. The company's compliance activities and programs currently focus on the subjects of antitrust law, the fight against corruption, and data protection. tesa strives to minimize risks systematically through guidelines, processes, and training programs geared toward the relevant risks. This is also supported by a mandatory global Code of Conduct.

Where economically advisable, tesa hedges 75% of the currency risk for freely convertible currencies. The hedges entered into in line with this policy are handled centrally at Beiersdorf Aktiengesellschaft. Potential risks associated with the investment of liquid funds are fundamentally limited by the use of counterparty limits across the Group, as managed by Beiersdorf. The development of exchange rate risks is monitored regularly.

Because of its very low volume of bank loans, both interest rate risk and liquidity risk are of minor importance for tesa.

As a matter of principle, hedges are used solely to hedge operational activities or financial transactions that are necessary for the business.

tesa constantly monitors the availability, reliability, and efficiency of its IT systems on an ongoing basis and ensures that they are consistent with modern technological standards. To limit risks involved in mobile data communication and in the use of cloud applications, tesa monitors the effectiveness of the measures taken and maintains emergency plans. Technical and organizational measures serve to prevent unauthorized access and data loss to the greatest possible extent.

Performance-based compensation systems help tesa to recruit and retain qualified specialists and management personnel, as do selected further education and training programs and the ongoing recruitment and development of young professionals and junior managers.

From today's viewpoint, no other specific risks can be identified for the coming twelve months that could either individually or collectively endanger tesa's continued existence.

## VI. Outlook

The present geopolitical risks and their effects on global economic development will have a lasting impact on tesa's business in 2024 as well. The future development of the global automotive market and the electronics industry in particular will have an impact on tesa's business activities and growth. Against the backdrop of a persistently uncertain market environment, tesa expects to see material prices decrease slightly in 2024. Energy costs are expected to increase further.

After 2023, tesa anticipates a volatile situation in Europe in 2024 as well, as the ongoing war in Ukraine may continue to have negative effects on market development despite the decrease in inflation.

In North America, less positive momentum is expected in comparison to 2023. As such, tesa's forecast for this region is more cautious. The weak market environment with moderate inflation means that lower volumes are expected for the automotive and construction industries, which are crucial to tesa. Nonetheless, with the finalization of the expansion of the tesa site in Sparta, USA, which includes new systems and a new Customer Solution Center, tesa is in an optimal position to drive progress with innovative projects in cooperation with partners and customers and thus strengthen its presence in North America.

Development in Asia is still dependent on the development of the Chinese economy. tesa expects Asia to see moderate growth in 2024 and intends to participate in this growth together with its customers from the automotive and electronics industries. That said, increasing pressure on prices may dampen sales growth somewhat in both areas. The close collaboration with the electronics industry in Asia continues to be constructive, although the project-based nature of this collaboration continues to pose a significant risk of volatility. tesa is strengthening its market position with continuous investments in the research and development of innovative products as well as the recent opening of the new plant in Vietnam.

As in 2023, tesa expects currency exchange rates to remain volatile in 2024 as well. The performance of the euro, which appreciated over the course of 2023, will presumably also have an impact on the development of tesa's business in 2024. Conventional financial instruments are used to hedge currency translation risks.

tesa will continue to invest in innovative technologies at all of its production sites worldwide in the future. The vol-

ume of capital expenditure will exceed total write-downs. Financing for capital expenditure in 2024 has been secured.

Growth is expected to outperform the market slightly in 2024. This applies to both end consumer business and industrial business. tesa expects to strengthen its market position through continued investment in product and technology development and thus in innovative products.

Due to the global challenges and the resulting high level of uncertainty regarding the future prospects for tesa's sales markets and business development, the ability to make forecasts is also subject to uncertainty.

Subject to the same uncertainty in regard to market development in 2024, tesa expects sales growth to outpace the market. Under this assumption, organic sales growth will be in the middle single-digit range. The operating EBIT margin for ongoing business, excluding non-recurring effects, will be slightly below that of the previous year.

## VII. Report by the Executive Board regarding dealings with affiliated companies

In accordance with Section 312 of the Aktiengesetz (German Stock Corporation Act), the Executive Board has issued a report regarding dealings with affiliated companies which contains the following concluding declaration: "According to the circumstances known to us at the time at which transactions were executed, or at which measures were implemented or omitted, tesa SE received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures."

Norderstedt, April 18, 2024  
Executive Board



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