



Annual Report

2021

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.

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,

tesa is able to look back on an exciting, challenging, and above all successful 2021 fiscal year. This year, we achieved a sales margin of close to 1.5 billion euros for the first time. Sales increased in all our regions and business units, which allowed tesa to maintain its positive edge in a competitive environment.

However, this year was also marked by the effects of the coronavirus pandemic, which affected all our 4,827 employees, our customers and our retail partners, and thus had a significant impact on our business activities.

We successfully took precautions to meet these challenges. Our first priority was the protection of the health of our employees operating in more than 100 countries and at our 14 production facilities and affiliates. At the same time, it was important for tesa to continue working on new innovative solutions for our industrial and end customers, even during the pandemic. Moreover, in 2021, good collaboration with suppliers as well as logistics and retail partners was important in order to guarantee that our customers were always reliably supplied with our products and system solutions under the difficult conditions.

The consequences of the pandemic posed a particular challenge during the final months of the year. Transportation and energy costs increased astronomically, and many raw materials not only became more expensive but were partially difficult or impossible to procure. We had to develop new formulations for some products. The disruption of the supply chains hit some of our customers hard, including the automotive industry, which indirectly affected us as well.

Yet it wasn't only the coronavirus that made 2021 exceptional. This was also the year in which we celebrated the 125th anniversary of the invention of technical adhesive tape. The first technical adhesive tape – a bicycle tire patch – came onto the market in 1896. Today, there are more than 7000 products in our portfolio, and new ones are constantly being added. In adding them, we focus increasingly on product sustainability and high-tech applications from the

clean room laboratory. Sustainability is now high on the agenda and will become an important pillar for continued growth in the years to come. We have developed a new strategy that will take effect in 2022 based on innovative products and energy-efficient processes, among other things.

Following rapid growth in the first six months of the year, the second six months were more challenging, not least because our customers in the automotive industry lacked chips. Despite these weaker six months, tesa's sales increased significantly in 2021 by € 173 million to € 1,499 million. The EBIT margin without one-time effects was 16.9% (previous year: 15.4%).

Also in the 2021 fiscal year, we made great progress with the consistent pursuit of our newhorizon strategy for tesa's future success. tesa worked intensively on 60 newhorizon projects during the reporting year. One of the larger projects was the merging of our 27 country-level organizations into one European region. We successfully carried out this transformation into a customer-oriented organizational structure. Today, about 50% of the 800 employees in the region have a new task or are part of a new team.

Particularly in this kind of situation, a company – or its employees – requires strong roots. As a result, we anchored our corporate values, the “tesa People Values,” even more strongly in the company in 2021. As part of the “Dare to create” initiative, we implemented an internal campaign up to the summer. It was important to us to shape the process of change courageously during the pandemic, and to keep moving ahead. This will also prepare our path to the future, which will be marked by constant change to a previously unseen extent.

To support additional growth in the future, we expanded our production capacity during the 2021 fiscal year: For instance, we largely completed our plant expansion in Suzhou, China. In September, we laid the cornerstone for our new environmentally friendly production facility in Sparta, USA. And in Vietnam, we began developing the

site and preparing the construction of our new plant in Haiphong.

Business development was highly satisfactory in all divisions in the 2021 fiscal year. Sales in the Direct Industries segment recovered significantly and achieved double-digit growth in 2021. In the Consumer Electronics segment, tesa was able to once again increase sales, especially in the Greater China region, where it positioned itself as an important provider of innovative products and solutions for the manufacture of smartphones and tablets.

The Automotive and Electrical Systems segments also developed positively in 2021 compared with the previous year, particularly in the Asian growth markets. However, the market dynamics at the start of the year slowed as a result of the bottlenecks in the semi-conductor industry during the last six months of the year. Significant growth was achieved with innovative applications in electromobility and with bonding elements for the digitalization of automobiles. There is a great deal of future potential in this area.

In the printing and paper segment, tesa further expanded sales in the flexo printing segment in particular as it continued to benefit from a global increase in the packaging industry market. The Building Industry segment also demonstrated positive dynamics based mostly on North American sales of air- and watertight bonding in the construction and construction supply industry. Conversely, sales of products to pharmaceuticals industry customers, who had benefited from the COVID-19 pandemic in 2020 and had built up risk inventories, were slightly down in 2021.

Sales in the Trade Markets segment showed noticeable organic growth; in the process, the product range in industrial trade business was further optimized and expanded. Particular mention should be made here of new product developments in sustainable adhesive tapes such as bio-based packing tape.

Following the very successful previous year, the Consumer & Craftsmen segment in Europe and Latin America grew once again. The end customer and craftsmen business is not just an important traditional business in Europe with a sales proportion of 57%. Though the building supply store sales channel was down in a number of countries due to partial lockdowns, this was compensated for by continued strong growth in digital sales channels and strong development in innovative products for professional craftsmen.

2021 was such a successful year for tesa primarily because of the extraordinary commitment of all tesa employees. I would like to extend my profound thanks to all of them. The circumstances surrounding their excellent performance were not easy in the past year, nor were they a matter of course. I am also grateful to our shareholder Beiersdorf for their usual trust, partnership and support.

In particular though, I would like to thank our customers and retail partners, who frequently also had to – and have to – deal with enormous pandemic-related challenges. Collaborative partnership is certainly one of the important criteria for success in critical times.



Dr. Norman Goldberg
Chairman of the Executive Board

Management Report

I. Business Parameters

General information

tesa SE (referred to in the following as “tesa”) is one of the world’s leading manufacturers of self-adhesive products and system solutions for industrial customers and consumers. tesa SE, a wholly-owned affiliate of Beiersdorf Aktiengesellschaft, is managed as an independent subgroup that is the direct or indirect parent company of 61 tesa affiliates (previous year: 61), employs 4,827 people and operates in more than 100 countries.

In fiscal year 2021, tesa sold tesa scribos GmbH, Germany. Moreover, the tesa Site Haiphong, Vietnam, was established in Southeast Asia. The number of affiliates thus remains unchanged.

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 Singapore are among tesa’s largest and strategically most important single companies. tesa has production facilities in Europe (Germany and Italy), North America (United States), and Asia (China). The company headquarters, which include the research and technology center, are located in Norderstedt, near Hamburg (Germany).

Changes to divisions from 2022 onwards

For the year 2022, tesa further developed its internal organizational structure with the aim of creating optimal organizational conditions for the different requirements of markets and work processes. In the future, tesa will therefore no longer operate in the Direct Industries and Trade Markets divisions, but instead in the Industry and Consumer divisions. In essence, the individual divisions have been reassigned in order to align the business in a future-oriented manner. As a result, the reporting lines and mar-

ket/customer responsibilities within the organization have also changed. By the end of 2021, the implementation of the new organizational structure was largely complete for all business regions. Internal reporting had also largely been converted by the end of 2021, meaning that the new organizational units will receive the necessary information for business management, including prior-year comparative figures, from 2022 onwards.

Direct Industries

In the **Direct Industries** division, tesa supplies specialized 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 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.

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

Trade Markets

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

In the **General Industrial Markets** segment, tesa offers a wide range of products for diverse applications in various industrial sectors, including product ranges for assembly

and repair, tapes to secure items during transportation, and adhesive solutions for the packaging industry.

In the **Consumer & Craftsmen** segment, whose business is focused on Europe and Latin America, tesa markets innovative product solutions intended for various applications, including for daily use in offices, the home, and in crafts. Under the tesa umbrella brand, DIY stores and superstores as well as paper goods and stationery shops offer end consumers a broad assortment of more than 300 innovative products in the **Consumer** segment. The **Craftsmen** business area focuses on tailor-made product ranges for professional tradesmen as well as on the development and implementation of marketing concepts tailored to target groups.

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 entire Beiersdorf Group. tesa focuses on continuous, profitable growth in sales volume, with an eye to increasing its earning power over the long term. The benchmarks for this are the operating result (EBIT) combined with the return on sales (ROS) and return on capital employed (ROCE). Active cost management and the highly efficient use of resources are aimed at generating returns that are internationally competitive.

Economic environment

Almost two years after the first COVID-19 outbreak, the ongoing pandemic continued to affect the performance of the global economy in 2021. Nevertheless, economic growth was positive thanks to strong government support, the continued deployment of vaccines, and the gradual resumption of economic activity, especially in the service sector. The initially strong growth figures in the first half of 2021 were hit later in the year by the renewed deterioration of the pandemic situation and the related materials shortages and supply bottlenecks. The slowdown was exacerbated by the spread of the Omicron variant. As demand shifted from services to certain product groups such as consumer durables,

electronics, and medical supplies, many producers of primary products quickly reached the limits of their capacity. Economic trends in terms of production and employment also differed greatly by country, sector, and demographic group.

The European economy experienced an early upturn in 2021 as COVID-19 restrictions were eased. However, the momentum weakened in the latter part of the year. This was partly because much of the ground lost in prior periods had already been recovered, but was also a reflection of the pandemic situation, which improved over the first half of the year before deteriorating toward year-end with a new wave of coronavirus and the emergence of the Omicron variant. In addition, European firms were not spared the supply shortages affecting the procurement of primary products and raw materials. Rising inflation, driven by higher energy and commodity prices, also cut consumer purchasing power and put upward cost pressure on industry.

Following an initial slump in economic output in Germany at the start of 2021, a recovery set in from the second quarter. With infection rates rising as the Omicron variant emerged, however, there was a marked slowdown toward the end of the year. The recovery was chiefly attributable to the service sector, where sales temporarily rose again as the year progressed and COVID-19 restrictions were increasingly eased. Despite strong order books, German producers were affected by supply problems and higher prices for energy and raw materials on the world market. The automotive industry was hit especially hard.

In the United States, the strong upturn in the first six months of 2021 faltered considerably in the third quarter. This was due to multiple factors, especially widespread production bottlenecks, the expiry of the fiscal stimulus, the constrained labor supply, and the renewed higher infection rates due to the Delta wave, which made consumers more cautious. Economic growth picked up again in the fourth quarter, however, as the Delta wave receded. While the housing and real estate market remained largely stable, other sectors struggled with falling demand. A substantial rise in COVID-19 infection numbers put the brakes on the service industry and employment growth throughout the economy, especially in late summer. The automotive sector saw healthy order books but, as the year progressed, increasingly encountered shortages of vital vehicle components. For a time, inflation reached its highest levels in over

30 years. This inflationary pressure was mainly attributable to manufacturing bottlenecks, increased wage pressure, and the remarkable increase in rent inflation. The US economic growth picture for the full year was positive.

Japanese economic growth recovered in the second and fourth quarters of 2021 after the economy contracted in quarters one and three. While industry suffered production problems due to materials shortages, exports were in high demand. The inflation rate slightly decreased over the course of the year, despite the short-term rise in energy prices.

Economic growth forecasts for the emerging markets were shrouded in uncertainty at the beginning of the year. However, these countries performed consistently well. In China, economic growth recovered again in 2021 but, particularly in the second half of the year, remained considerably below the Chinese government's 6% target. This was due to the economy catching up the output lost to the coronavirus pandemic, a reduction in fiscal stimulus, the Chinese leadership's resumption of its debt-reduction initiative, and a government crackdown on profiteering in the property markets. An ongoing shortage of coal – the country's main energy source – in many regions of China also weighed on the economic recovery. After a sharp downturn in the previous year, economic growth in India recovered again, and economic activity reached a higher level than before COVID-19.

In the Middle East, growth recovered but was hampered by major COVID-19 outbreaks, especially in countries with a low vaccination rate. Economic growth in the richer, mainly oil-exporting countries benefited from a relatively high vaccination rate and from higher commodity prices on the world market. The Southeast Asian emerging markets also recorded positive, albeit often less-than-expected economic growth over the year.

The economy in Brazil recovered further in 2021 due to renewed trade increases, a strong economic policy stimulus, and increasing private sector investment, allowing it to return to the pre-pandemic level. However, inflation rose constantly and there was only a slight drop in the high unemployment figures. The Russian economy also generated positive growth. This was bolstered by increased commodity prices and the relatively low proportion of services – a sector heavily affected by COVID-19 – in Russia's gross domestic product.

Sales market trends

After a 2020 in which the COVID-19 pandemic had a major impact on the tesa Business Segment's activities, 2021 was defined by market recovery. However, global supply chain complications, for example in the automotive industry, increasingly subdued performance in the second half of the year. The automotive markets in particular recorded weakening momentum toward year-end after strong growth in the first six months. Shutdown measures, especially early in the year, also restricted business in a few areas. The pandemic had a mixed impact on the industrial distribution business for tapes. There was growth particularly in the on-line business.

Procurement market trends

The situation on the commodity markets throughout 2021 was heavily affected by the COVID-19 pandemic. Crude oil and energy prices staged a considerable recovery after an initially moderate start to the year. Severe and persistent winter weather in the United States resulted in numerous production stoppages at suppliers. Labor shortages in producer countries as a result of COVID-19 meant poor harvests of natural oils.

At the same time, increased global demand, especially from fast-recovering economies in China and the United States, put a strain on supply and fueled rising prices for raw materials and packaging in many cases. Major logistics bottlenecks, beginning with the blockage of the Suez Canal, tightened the markets further. Toward the end of the year, the situation was further exacerbated by power shortages and resulting production stoppages in China.

All this meant that prices for raw materials and packaging were substantially up on the previous year's levels, particularly in the second half of 2021. The availability of many primary and intermediate materials was heavily restricted at times. Extensive measures to secure supplies meant that production bottlenecks were avoided despite a very volatile environment.

It was also possible to successfully limit further significant cost increases resulting from greater use of new, more sustainable materials (e.g., recycled plastic).

Product and technology development¹

In 2021, product and technology development at tesa continued to focus on structural bonding. This included technologies for adhesive solutions with particularly high bonding strength and long-term resistance, which have so far only been possible with mechanical joining techniques such as screws, rivets, and welding. For the automotive industry, tesa has developed high-performance adhesive solutions with long-term stability that seal the seams of body parts and are used in customers' painting lines. After drying, the seam boasts perfect visual aesthetics, permanent flexibility and resistance to cracking at temperatures as low as $-30\text{ }^{\circ}\text{C}$. Highly promising prototypes provided to global innovation leaders in the automotive industry were met with a positive response. Such adhesive solutions can also be used to fill gaps in the body.

Another area of focus is structural bonding for the assembly of electronic devices such as mobile phones. tesa has developed adhesive systems that create a very strong bond even at room temperature, allowing even very heat-sensitive materials to be firmly bonded. In 2021, a range of prototypes for very differing applications was successfully tested with innovation leaders and can now go into series production. Modern designs for mobile devices and their components with very tiny adhesion surfaces are thus possible. tesa was able to build on its previous successes by developing new prototypes for tapping additional application areas where bonding at room temperature is necessary. The results are used in battery production or bonding of textiles, for example.

In the reporting year, the focus on the development of sustainable technologies and product concepts gained particular momentum and attention. Product concepts for adhesive tapes used in packaging and based on renewable raw materials, as well as principles for their compostability, were successfully tested and some of them are now ready for series production to commence. tesa also worked on products from recycled raw materials, such as foils made from post-consumer recycled PET or release liners from recycled fibers. The focus in the area of high-performance adhesive tapes was also on replacing fossil-based raw materials with renewable raw ma-

terials. Relevant prototypes for bonding components of mobile devices were developed and presented to key customers.

Moreover, the ability to revise products in the manufacturing process, repair them during their lifecycle and recycle them at their end of life is growing in importance. Such adhesive tape solutions based on various technologies and product concepts were developed in 2021 and tested in customers' processes. They enable mobile devices, for example, to be revised or repaired. This approach means high-value bonded products can be recovered and reused, thus reducing waste.

The development of particularly sustainable solvent-free technologies for manufacturing adhesive tapes was again pursued vigorously and expanded in the reporting year. Apart from better material and energy efficiency, these technologies also permit new product designs in general. Further processing concepts for the extrusion of adhesive tapes were developed and optimized in order to enhance the efficiency and performance of the products. Building on its experience from the past years, tesa was able to expand its extrusion-based product range to include assembly solutions for emblems, signs, and design elements. In addition, prototypes for challenging applications, such as bonding of components in mobile phones, were created by means of extruded layers consisting of new raw materials. These have better shock resistance than existing products. As a result, mobile devices are better protected against damage from being dropped, for example. A further example is the development and production of thermally conductive adhesive tape prototypes to protect batteries against overheating.

Water-based adhesives offer a further means of making adhesive tapes without solvents. tesa intensified its activities in this field in 2021 by cooperating with research institutions and industrial partners. As a result, tesa was able to produce improved prototypes for wire harnessing.

In 2021, tesa further expanded its pilot manufacturing and production capacities for optically highly transparent adhesive tapes produced under clean-room conditions for displays in cars or mobile phones. The process technology was optimized to enable manufacture of high-quality products that have excellent bonding strength and are completely invisible to end consumers. Alongside that, numerous development activities were launched and pro-

¹ This section was not part of the audit of the Management Report.

prototypes produced, such as for use in cars' interactive displays.

A further new development aims to control the thermal transmittance of glazing so as to reduce buildings' energy requirements. Industrial partners are currently assessing the potential for reducing power consumption by air-conditioning systems using smart, highly transparent prototypes.

The electric mobility market keeps growing steadily, and that was reflected in tesa's development activities in 2021. One main aspect is ensuring passenger safety by protecting against the risk of fire from traction batteries. Various prototypes that permit secure bonding and adequately delay the spread of a fire beyond its local site were successfully tested to determine whether they met customers' high requirements. The adhesive tapes were able to withstand flame temperatures of up to 1,200 °C for several minutes and thus might enable passengers to escape in the event of an accident. Apart from fire safety, reliable electrical insulation of the components is necessary in order to produce such a safe battery. Microhole-free prototypes of an adhesive insulation tape for battery cells were presented to a leading battery manufacturer in the reporting year. The existing network for developing technologies, products, and application processes was strengthened further in 2021 in order to ensure close cooperation with all global development partners.

Once again in 2021, tesa geared its development capacities toward technologies of the future and focused on sustainability aspects. Examples are the projects in the field of hydrogen technology, which permits generation of 100% renewable energy. As part of that, an in-depth technology assessment was conducted, and concepts for relevant adhesive tape solutions were developed in cooperation with leading innovation partners and research institutions. The aim is to enable efficient storage and conversion of energy in state-of-the-art fuel cells with the aid of suitable adhesive and sealing tapes.

Further information on product and technology development at tesa can be found at www.tesa.com/EN-US/ABOUT-TESA/product-and-technology-development.

Declaration on corporate management²

tesa strives to fulfill the requirements under Section 76 (4) of the Aktiengesetz (German Stock Corporation Act) (female representation).

The objectives are based on the Supervisory Board resolution from 2017 and remain the same as in the previous year: Executive Board and Supervisory Board: 0% women by June 30, 2022

First management level: 6% women by June 30, 2022

Second management level: 15% women by June 30, 2022

As of December 31, 2021, the percentages of women at different levels within tesa management were as follows: Supervisory Board: 33%, Executive Board: 25%, first management level: 12%, second management level: 14%.

The requirements of the "Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private and Public Sector" (Second Leadership Positions Act - FüPoG II) will be considered when setting future targets from July 1, 2022 onwards.

Employees³

As one of the world's technology leaders in the field of technical adhesive tapes and adhesive system solutions, tesa aims to position itself as an attractive and sustainable employer. It is highly important for the company to recruit highly qualified staff and retain them long-term, since that is vital to maintaining the company's positive performance.

The number of employees stood at 4,827 as of the end of the 2021 fiscal year (previous year: 4,716).

In 2021, tesa once again invested in qualifying its staff and creating further attractive development opportunities for them. The global COVID-19 pandemic continued to leave its mark on many of the company's activities in this area. The "x-perience the tesa world" concept was continued in the reporting year, particularly with internal job post-

^{2/3} This section was not part of the audit of the Management Report.

ings that explicitly called on people from other countries and functions to apply.

Managers' ability to offer employees a motivating work environment and encourage them to express their talents is key to tesa's business success and its attractiveness as an employer. Back in 2019, tesa therefore began to design a new Management Development Program (MDP) consisting of two modules: "Essential" and "Advanced." Its aim is to help leaders and managers to further develop their skills and competencies. The "Essential" program is intended to impart basic internal and interdisciplinary knowledge about management responsibilities, processes, and tasks in every division of the company. The "Advanced" program builds on it and covers various areas of management: from strategy development, finance and controlling, to supply chain and HR management.

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. Participants then receive feedback on their strengths and areas for development based on the tesa Key Competencies. The Competencies Review was overhauled for 2021 and conducted in a virtual environment. New 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.

Workshops also took place in 2021 on internal succession planning for positions on all management tiers. The discussions looked at all the key positions in the relevant department and considered possible successor candidates.

As part of the formulation of the "newhorizon" business strategy, the tesa Key Competencies were replaced by the tesa People Values. They are intended to define the framework for how employees are to act and conduct themselves. The aim of that is to support tesa's further growth. The six corporate values are: Team up, Set the pace, Challenge yourself, Focus on your customers, Act responsibly, and Achieve & Improve. Integration of the values in management workshops and training is a further step to entrench the People Values in the organization more deeply.

The pandemic continued to present some challenges for the training and professional development of managers

and employees during the reporting year. The global training programs could also not be offered face-to-face in 2021 and were instead held in digital, virtual formats.

Apart from replacement of face-to-face formats by digital learning opportunities, we expanded use of the external digital platform LinkedIn Learning and developed company-specific learning paths tailored to needs.

tesa is continuing to make use of e-learning formats for knowledge transfer. Current offerings include e-learning on topics such as compliance, occupational safety, sustainability, product and technology development, sales, and the supply network. Since 2020, employees have been able to access all tesa's professional development offerings at any time via a digital Learning Hub.

A new management training series was also launched in 2021. 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 acquire competencies in areas such as team development, change management, or coaching. The content of the management training series is focused toward the challenges of tesa's newhorizon strategy and the Leadership Model@tesa.

A new global employee appraisal, called the tesa Performance Management Appraisal (tPM), was rolled out throughout the tesa organization at the end of 2021. As a result, the annual appraisal process and related questionnaire have been considerably simplified, streamlined, and digitized. Moreover, there is greater emphasis on discussion between the employee and manager and on feedback on works results and work behavior. Under the new process, 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 employees' 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:

STEM initiative

The first part of the STEM (Science, Technology, Engineering, and Mathematics) initiative, with offerings for children

and youngsters, was launched in China in 2021. The aim of the multi-day events, which were organized in cooperation with local schools, is to inspire girls in particular to consider professions in the fields of science and engineering. The initiative gives participants the opportunity to gather initial practical experience and remove their inhibitions. Following a successful nationwide start in China, the program is to be extended to other countries.

Occupational health management

For years now, employees at tesa's headquarters have been offered an extensive health management scheme under the umbrella brand "It's for you!", with the focus on the issues of "working environment" (e.g. ergonomics advice), "balance" (e.g. massages), "exercise" (e.g. in-house gym), "diet," and "prevention" (e.g. colorectal cancer screening).

During the coronavirus crisis, health management has successfully gone online: Just about all existing offerings are available in an adapted digital form (such as virtual active breaks, or online training in "healthy management at a distance").

tesa Young Connection

In-person events for tesa Young Connection (tYC) had to be put on hold due to the coronavirus or were held online or in small groups whenever possible. It was not possible to hold a large in-person tYC event in fall 2021. Instead, there were various presentations on topics including sustainability and customer orientation. In addition, evening events were organized in small groups which enabled personal discussions with members of the Executive Board in particular.

tesa Women's Network

In 2021, tesa cooperated with Beiersdorf's new women's network #SisterhoodisPower. Regular online events were held during the year as part of this. Internal and external speakers held various keynotes on the subjects of career, family, resilience, and self-empowerment.

Back2Office

Thanks to the successful progress made in vaccination, employees were able to gradually return to tesa's headquarters in the third quarter of the reporting year. To enable that, the COVID-19 task force was supplemented by a Back-2Office working group which initiated various measures to

make a return to the office as attractive as possible for employees. By enabling a greater presence at headquarters, tesa aims to foster more personal encounters and therefore greater creativity and innovativeness. However, due to rising COVID-19 cases from the end of November on, many employees worked remotely again at the end of the year.

More detailed information is available in the non-financial report in Beiersdorf AG's annual report at <https://www.beiersdorf.com/investors/financial-reports/current-annual-report>.

II. Results of operations

Results of operations in the tesa Group

	2020	2021	Change	
	in € million	in € million	in € million	in percent
Sales	1,325.5	1,498.8	+173.3	13.1
Costs of goods sold	-716.3	-830.6	-114.3	16.0
Gross profit	609.2	668.2	+59.0	9.7
Marketing and selling expenses	-254.3	-263.3	-9.0	3.5
Research and development expenses	-59.2	-66.2	-7.0	11.8
General and administrative expenses	-74.2	-82.7	-8.5	11.5
Other operating income	53.2	52.7	-0.5	-0.9
Other operating expenses	-70.9	-56.0	+14.9	-21.0
Operating result (EBIT, excluding special factors)	203.8	252.7	+48.9	24.0
Special factors	-7.6	-0.4	+7.2	-94.7
Operating result (EBIT)	196.2	252.3	+56.1	28.6
Financial income	14.8	12.2	-2.6	-17.6
Financial costs	-17.8	-9.4	+8.4	-47.2
Financial result	-3.0	2.8	+5.8	-193.3
Profit before tax	193.2	255.1	+61.9	32.0
Income taxes	-60.3	-77.3	-17.0	28.2
Profit after tax	132.9	177.8	+44.9	33.8

In the 2021 fiscal year, the tesa Group posted an operating result (EBIT, excluding special factors) of € 252.7 million, which was € 48.9 million higher than in the previous year. The operating result including special factors (EBIT) increased to € 252.3 million (+28.6%). The special factors of € -0.4 million mainly include income from the sale of tesa scribos GmbH, Heidelberg (€ +8.9 million), impairment on the goodwill of tesa TL B.V., Nijkerk, Netherlands (€ -8.7 million), and expenses from the COVID-19 donation program (€ -0.6 million).

While gross profit totaled € 668.2 million (+9.7%), the result from operating expenses and income excluding special factors changed by 2.5% overall to € -415.5 million in 2021 (previous year: € -405.4 million).

The tesa Group completed the fiscal year with profit after tax of € 177.8 million (+33.8%). This was mainly due to strong organic growth in the Direct Industries division.

Sales increased by € 173.3 million to € 1,498.8 million. Taking into account a simultaneous increase in the cost of goods sold by € 114.3 million, influenced by higher procurement prices for raw materials and packaging, gross profit improved by 9.7% to € 668.2 million.

The EBIT margin without special factors was 16.9% (previous year: 15.4%). Taking special factors into account, the EBIT margin came to 16.8% (previous year: 14.8%).

Other operating income decreased by € 0.5 million to € 52.7 million. The development was characterized by decreased currency gains of € 1.9 million, a simultaneous increase by € 1.0 million in income from the release of provisions, and a € 0.4 million increase in other income.

Other operating expenses excluding special factors decreased by € 14.9 million to € 56.0 million in 2021, mainly due to decreased fluctuation in currency exchange rates.

Marketing and selling expenses increased by € 9.0 million to € 263.3 million and entail expenses for advertising, trade marketing, and other positions of € 35.6 million (previous year: € 31.8 million).

Research and development costs increased significantly by 11.8% to € 66.2 million due to investments in areas including Automotive and Electronics. General and administrative expenses amounted to € 82.7 million, an increase of € 8.5 million compared with the previous year.

The financial result increased from the previous year by € 5.8 million to € 2.8 million.

Taxes on income increased by a total of € 17.0 million to € 77.3 million during the 2021 fiscal year (previous year: € 60.3 million).

The sales forecast for 2021 was achieved. In addition, the EBIT margin forecast was exceeded.

On the whole, the tesa Group posted good performance in the past fiscal year. Targeted investments continued to be made in order to strengthen its market position in the long term.

Business development by region

tesa achieved very strong organic sales growth of 13.6% in 2021, in a market environment still influenced by the COVID-19 pandemic. There was a slight impact amounting to 0.5 percentage points from the sale of tesa scribos GmbH in the third quarter and from positive exchange rate effects. In nominal terms, sales therefore rose by 13.1%, from €1,325 million in the previous year to €1,498 million.

Europe

In Europe, organic sales were up by 8.3%. The Trade Markets business grew substantially again on the back of a very good prior-year period also affected by the pandemic. Sales in the consumer business, including via digital sales channels, trended upwards. The Direct Industries division recorded considerable growth in sales, especially given the recovery in the automotive market in the first half of the year. In nominal terms, tesa generated European sales of €766 million (previous year: € 715 million). The region's share of Group sales fell to 51.1% (previous year: 53.9%).

Americas

The Americas saw a very positive sales trend with organic growth of 18.9%. In the Direct Industries division, there was a substantial recovery after the slump caused by the COVID-19 pandemic, with a significant rise in sales, particularly in the first half of 2021, in the Building Industries business and Flexodruck business as well as in the automotive market. The region's sales were up by 15.9% in nominal terms to €225 million (previous year: € 194 million). The region's share of Group sales rose to 15.0% (previous year: 14.7%).

Africa / Asia / Australia

In Asia, tesa achieved organic sales growth of 20.1%, buoyed up by the project business with products for the electronics industry. This region also experienced a recovery in the automotive sector, especially in the first half of the year. In nominal terms, sales in the region increased by 22.1% to €507 million (previous year: € 416 million). The region's share of Group sales rose to 33.9 % (previous year: 31.4%).

Business development by division

Direct Industries

Sales in tesa's Direct Industries division recovered substantially, registering a double-digit increase in 2021. This was driven by market recovery after the COVID-19 pandemic, especially in the automotive industry, but also successful project business in consumer electronics, flexographic printing, and the building industry. tesa achieved growth particularly in Asia but also saw its sales up by double digits in North America and Europe. Organic sales in the division increased by 16.6%. Nominal sales climbed by 16.1% to €894 million (previous year: € 770 million). The share of Direct Industries in total sales was 59.7% (previous year: 58.1%).

In **consumer electronics**, tesa once again recorded an increase in sales and reaffirmed its position as an important provider of innovative products and solutions for the manufacture of smartphones and tablets. Particular growth impetus came from the ranges for bonding smartphone casings. Thanks to tesa's successful innovation work, it was possible to develop important applications with these tapes.

The **automotive and electrical systems** businesses improved on the previous year's performance in 2021, especially in Asian emerging markets. However, the market momentum early in the year weakened in the second half due to the shortages in the semiconductor industry. Substantial growth was achieved with innovative applications in e-mobility and the bonding of components used to digitalize cars. There was a concerted effort to expand the product portfolio and invest in research and development in line with the transformation of the automotive industry.

In the **printing and paper business**, tesa further expanded its activities in flexographic printing. The strong product

range has been substantially enhanced in recent years with an expanded portfolio of self-adhesive sleeves, and tesa continues to benefit from a growing market in the packaging industry all around the world.

The **building industry** business area performed strongly again. The positive sales trend was mainly attributable to the North American airtight and waterproof adhesives business for the construction and building supplies industry.

tesa's **pharmaceuticals business** saw an uplift from the COVID-19 pandemic in 2020, as it manufactures tesa products categorized as essential supplies by the EU. Pharmaceutical customers increased their stockpiles of these items, which then resulted in lower sales in 2021.

Until August 31, 2021, tesa's portfolio also included digital connectivity solutions for branded products, offered through **tesa scribos GmbH**. This affiliate was sold to the KURZ Group effective September 1.

Trade Markets

Organic sales in the **Trade Markets** division increased by 9.1%. In nominal terms, this translated to growth of 8.6%, lifting sales to €597 million (previous year: € 550 million). The division thus accounted for 39.8% (previous year: 41.5%) of the tesa Business Segment's total sales in the reporting year.

tesa further improved and expanded its range for the **industrial distribution** business. New product developments in the field of sustainable tapes were particularly significant. The business with industrial distribution partners is performing considerably better than expected.

After a very successful 2020, business with consumers and professional tradespeople – **Consumer & Craftsmen** – grew again in Europe and Latin America. The hardware store sales channel was hit in some countries by closures due to partial lockdowns. This effect was offset by further strong growth in digital sales channels and healthy sales to professional tradespeople. In Latin America, the business recorded excellent growth. This was partly due to market recovery after a weak 2020 dominated by the COVID-19 pandemic. However, the tapping of new markets and introduction of new product ranges also contributed to the gains.

The year 2021 saw broad growth in tapes, especially packaging and masking tapes for consumers and tradespeople. This applied to both retail and online sales. tesa

further expanded its market position in the seasonal business with insect protection products. In e-commerce, the sales of tesa products rose substantially again, resulting in significant gains in market share. There was further growth in business with end consumers, particularly in direct sales via digital marketplaces.

III. Financial position

Cash flow statement

	2020	2021	Change
	in € million	in € million	in € million
Cash and cash equivalents as of Jan. 1	241.7	177.7	-64.0
Gross cash flow	187.3	238.3	51.0
Change in net current assets	-4.1	-51.8	-47.7
Net cash flow from operating activities	183.2	186.5	3.3
Net cash flow from investing activities	-137.2	-43.6	93.6
Free cash flow	46.0	142.9	96.9
Net cash flow from financing activities	-101.3	-88.0	13.3
Other changes	-8.7	11.6	20.3
Net change in cash and cash equivalents	-64.0	66.5	130.5
Cash and cash equivalents as of Dec. 31	177.7	244.2	66.5

Cash flow from operating activities increased by € 3.3 million relative to the previous year, to € 186.5 million.

Cash flow from investing activities accounted for a net outflow of € 43.6 million. This is primarily attributable to investments in intangible assets and property, plant and equipment (€ 37.2 million) as well as granting loans to affiliate companies (€ 63.8 million). At the same time, repayments of granted loans totaling € 36.9 million were recorded. Investments in property, plant and equipment (€ 34.7 million) mainly resulted from production expansions amounting to € 18.7 million, of which € 10.6 million was invested in Germany (see “Investments” section). **Free cash flow** increased significantly by a total of € 96.9 million to € 142.9 million.

The negative **cash flow from financing activities** was due in particular to a dividend payment of € 66.4 million to shareholders.

As of the end of the fiscal year, **cash and cash equivalents** had increased by a total of € 66.5 million to € 244.2 million.

Key financial indicators

EBIT margin excluding special factors from the ongoing re-organization amounted to 16.9% (previous year: 15.4%). Including special factors, this improved from the previous year to 16.8% (previous year: 14.8%).

Return on equity (excluding special factors) improved slightly to 26.2% (previous year: 25.6%).

Net profit—measured against sales—increased relative to the previous year from 10.0% to 11.9%.

Earnings per share increased to € 6.89 (previous year: € 5.15).

Capitalized right-of-use assets from leases accounted for under IFRS 16 exist in the amount of € 67.8 million (previous year: € 58.4 million). These are offset by lease liabilities of a comparable amount.

The equity ratio amounted to 55.8% (previous year: 50.9%). Excluding the capitalized right-of-use assets accounted for under IFRS 16, the ratio increased to 58.1% (previous year: 52.8%). The ratio of equity to non-current assets was 142.3% (previous year: 113.9%).

Capital expenditure

During the reporting year, tesa invested a total of € 37.2 million in intangible assets and property, plant and equipment. Of this amount, capital expenditure of € 16.8 million applied to sites in Germany.

€ 2.4 million was invested in the rest of Europe, while € 6.8 million was invested in the Americas and € 11.2 million was invested in Africa / Asia / Australia. The capital expenditure in Asia in particular is attributable to the extension and expansion of production capacities for the Direct Industries division.

The year 2021 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 € 18.7 million.

IV. Balance sheet structure

Balance sheet structure of the tesa Group

	31/12/20	31/12/21	Change	
	in € million	in € million	in € million	in percent
Assets				
Non-current assets	699.6	676.7	-22.9	-3.3
Inventories	285.6	358.7	73.1	25.6
Other current assets	403.6	446.4	42.8	10.6
Cash and cash equivalents	177.7	244.2	66.5	37.4
Total	1,566.5	1,726.0	159.5	10.2
Equity and liabilities				
Equity	796.7	963.3	166.6	20.9
Non-current provisions	390.5	311.2	-79.3	-20.3
Non-current liabilities	50.2	53.5	3.3	6.6
Current provisions	102.5	113.8	11.3	11.0
Current liabilities	226.6	284.2	57.6	25.4
Total	1,566.5	1,726.0	159.5	10.2

The increase on the assets side is mainly due to an increase in inventories (€ +73.1 million) and an increase in cash and cash equivalents (€ +66.5 million).

Inventories increased by 25.6% relative to the previous year to € 358.7 million. This development resulted primarily from the expansion of inventories to ensure supply capability during the COVID-19 pandemic.

Other current assets increased by € 42.8 million to € 446.4 million due to higher intra-Group receivables.

Cash and cash equivalents increased by € 66.5 million to € 244.2 million. Please see the remarks concerning the financial position for further information.

On the liabilities side, equity (€ +166.6 million) and current liabilities (€ +57.6 million) were increased in particular.

The change in equity was mainly attributable to the net profit after tax of € 177.8 million, the dividend payment to shareholders of € 66.4 million and the interest rate change for pensions of € 39.7 million.

The change in non-current provisions by € 79.3 million to € 311.2 million was primarily attributable to the decrease in provisions for pensions and similar obligations which was not recognized in profit or loss as a result in the increase in the interest rate.

The increase in current liabilities is mainly due to higher tax liabilities.

V. Risk report

As part of its global activities, tesa is faced with a wide variety of risks that are inseparably linked to its corporate activities. Risk management, which is a component of the overall planning, oversight, and reporting systems, is aimed at consistently leveraging opportunities to add value and at reducing identified risks to a level manageable for the organization or at avoiding them altogether. tesa systematically records, analyzes and monitors global risks using its planning and reporting system—both at a centralized level at tesa SE and locally in the regions.

Management of operational risks is largely decentralized, while monitoring is centralized. tesa centrally monitors any overarching international risks associated with production and safety standards, legal violations, brand management, financing, and value development within the Group. 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.

With respect to market risks, tesa regards itself as exposed to both procurement and sales risks. Price and availability risks in procurement markets are reduced by using supply contracts intended to ensure reliable planning, such as through prolonged contract validity periods and price escalation clauses. tesa reduces dependency on individual suppliers by developing 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. tesa monitors market trends closely, both centrally and in individual regions, in order to be able to intervene at an early stage. Furthermore, 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 does not have single 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 requires that we maintain high standards with regard to the quality and safety of our products. They are thus subject to a comprehensive, end-to-end quality assurance system throughout 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, as well as ISO 14001, 45001 and 50001. Occupational health & safety and environmental risks are mitigated by process controls and are also ensured through external certification. 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 threat to the long-term supply capability of the company. tesa counters this risk with a preventive maintenance system, fire safety measures and appropriate in-depth employee training. As far as it is economically feasible, tesa is also insured against loss or damage that may be incurred despite these precautions.

Continuous innovation and intensive cooperation with customers with the aim of improving production processes encourage the long-term acceptance of tesa's products on the market. 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 adhesive technology and product development facilities and conducting regular exchanges with 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 power 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.

tesa hedges 75% of the currency risk for freely convertible currencies where this is economically feasible. 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 contained 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 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 rule out unauthorized access and data loss to the greatest possible extent.

Performance-based compensation systems help tesa recruit and retain qualified specialists and management personnel, as do selected further education and training pro-

grams 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 endanger tesa's continued existence, either individually or in their totality.

VI. Outlook

The continuing strong impact of the COVID-19 pandemic in 2021 as well as geopolitical risks and their effects on overall economic development will have a lasting impact on tesa's business in 2022. The continuing difficulties in estimating the future development of the COVID-19 pandemic, the development of the automotive market and the rather reserved expectations in the electronics industry have an impact on growth expectations at tesa. In addition, tesa expects raw material and energy prices to continue to rise on the global markets.

After 2021, tesa expects developments in Europe to remain volatile in 2022, with not only the effects of the COVID-19 pandemic, but also the political environment, namely the development in the conflict between Russia and Ukraine, potentially having a negative impact on markets.

In North America, tesa cautiously expects a more positive environment in 2022 compared to 2021.

The outlook for development in Asia depends in large measure on the development of the Chinese economy. tesa expects moderate growth in Asia in 2022, in which it will participate both through the automotive sector and, as before, through the electronics industry. The increasing pressure on prices will probably dampen sales growth somewhat in both areas. The business with the electronics industry in Asia remains attractive, although the project-oriented nature of this business continues to pose a relevant risk of fluctuations.

As in 2021, we also expect currency exchange rates to remain moderately volatile in 2022. The slight appreciation of the euro over the course of 2021 is not expected to have any material impact on the development of tesa's business in 2022. Conventional financial instruments are used to hedge these risks.

tesa will continue to invest in innovative technologies at its production sites worldwide in the future. The capital expenditure volume will exceed total write-downs. Financing for capital expenditure in 2022 has been secured.

Growth is expected to outperform the market slightly in 2022. This applies to both consumer business and industrial business. Due to continued investment in product and technology development, and thus in innovative products, tesa expects to strengthen its market position.

tesa expects sales growth in the mid-single-digit range in 2022. The operating EBIT margin for ongoing business,

not including special factors, will be significantly below that of the previous year.

The Russian attacks against Ukraine may be considered an event that occurred after the reporting date which has a material impact on value. In the view of the Executive Board, tesa's business activities in and with Russia and Ukraine are not material with regard to the development of tesa's business as a whole. The share of sales generated in those places is less than 1%. tesa is monitoring developments closely and is in constant contact with its employees in both countries. At the same time, tesa has set up a task force in order to respond as quickly as possible to further developments, particularly with regard to raw material and energy prices as well as procurement and customer issues.

Overall, tesa does not currently expect the Ukraine crisis to have a significant adverse effect on its business activities in 2022. A precise quantitative estimate of the expected impacts is currently not possible based on the dynamic and uncertain development of the situation.

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, March 2, 2022
Executive Board



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