

**Annual Press Conference Full Year Results 2020**  
**Beiersdorf AG, Hamburg**  
**February 17, 2021**

## **Speech**

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Member of the Executive Board

**– The spoken word applies –**

## Stefan De Loecker

Good morning, Ladies and Gentlemen.

For the second year in a row, I welcome you today to a digital annual press conference. I hope, however, we will see each other in person again next time.

I would first like to give you an overview of the last fiscal year. Dessi Temperley will then present our 2020 business figures and financial performance in greater detail. Afterwards, I will introduce our 2021 priorities and Astrid Hermann and I will conclude with an outlook.

But first, I want to highlight five points that are important to me after the year 2020.

First: It was a year of exceptional challenges. In spring, the skin care markets decelerated by up to 20%. In this extremely challenging market environment, we were very successful. We significantly gained market shares – with all strategic brands, in all skin care categories, and in all regions. Overall, in 2020 we won more market shares than during each of the past five years.

Second: This success was enabled by our early and successful crisis management and by our employees, who surpassed themselves. In my 30 years in business, I have never seen consumer needs change so dramatically so quickly. Our response to these changes was agile and fast, for example, we refocused our activities in March on products for hand washing and hand care.

Third: 2020 was not an idle year for Beiersdorf. On the contrary: We continued to invest in our future and made significant progress in implementing our C.A.R.E.+ strategy. I come back later on the success of EUCERIN and the achievements of our sustainability agenda to demonstrate our progress.

Fourth: C.A.R.E.+ is delivering! The Covid-19 crisis has accelerated the digitalization of consumers and society as never before. At the same time, we want to take increased responsibility on driving a more sustainable world. Therefore, we increase our investments by an additional 300 million Euro over the next five years.

Yesterday evening, we published the details on the effects of this investment package on our expected 2021 figures.

Fifth: I am confident that the skin care market will show recovery by the end of this year. Over a longer term, the skincare market remains highly attractive. For which there are multiple reasons: The world population is still growing, people also live longer, and health and wellbeing become even more important. We are convinced that our focus will help us to shape the future of skin care and ensure competitive, sustainable growth.

Let us first have a look at our 2020 financials.

At approximately €7 billion, our Group sales were 5.7% down on the previous year. This decline was mainly due to the second quarter. Business picked up again in the third and fourth quarters, despite the new pre-Christmas lockdowns in.

Our Derma-cosmetic brands EUCERIN and AQUAPHOR performed very well with over 8% growth, driven by double-digit growth rates in North and, Latin America, and Asia, with market share gains in almost every single country where we operate.

Also HANSAPLAST was affected by the Covid-19 crisis, mainly lockdowns and by limitations in sports and fitness activities. In 2/3 of the countries, the brand won market share.

NIVEA further strengthened its market leadership positions. In Latin America, Brazil, where we posted double-digit growth, and Mexico lead the way. Significant market shares were gained in Southeast Asia led by Thailand, Malaysia and Indonesia, and in the Africa/Middle East region in South Africa and Saudi Arabia. Even in Europe which has been – and still is– particularly affected by lockdowns, we increased market share in key countries such as Germany, the UK, Benelux, Northern Europe and Switzerland.

The successful in-market performance of NIVEA, EUCERIN and HANSAPLAST is based on 3 main factors:

First: we managed to launch our innovation pipeline as planned, supported by strong marketing (+120 bps versus 2019) and R&D (+ 10m EUR) investments.

Second: We exponentially increased investments in digital media and the development of our e-commerce activities. And this paid off: In the United States, Beiersdorf was one of the fastest growing body care companies in terms of e-commerce. We were able to further expand our digital

market share in Germany, the UK, the Benelux countries, Brazil and India. All in all, our online business grew by 50% and now makes up a high single digit share of our total sales.

Third: we continued to serve our customers at an almost normal service level notwithstanding challenges in the supply chain such as closed borders.

Of all the brands in our portfolio, LA PRAIRIE was severely hit by the impact of Covid-19 on its most important channel of Travel retail. Also, in the crisis, our top priority was to strengthen the LA PRAIRIE brand as the provider of the world's most exclusive skincare. Therefore, we consciously continued to abstain price promotions and brought innovations as planned on the market. This strategy is paying off as LA PRAIRIE regained growth momentum in the second half of the year, particularly driven by the Chinese domestic business, which recorded strong double-digit growth rates for 2020 as a whole.

Also, tesa is bouncing back: after a difficult first six months, tesa's sales exceeded 2019 levels in the second half of the year. This speedy recovery was mainly driven by electronics and DIY channels.

This concludes the numbers on 2020.

Caring for the health and safety of our employees has been our highest priority throughout the Covid pandemic. In March 2020, at a very early stage in the pandemic, we allowed almost all employees to work from home wherever possible. Extensive safety precautions were put in place for all those unable to do so. By all working together, we kept infection numbers low and, above all, prevented chains of infection in the company.

Our staff – both at Beiersdorf AG and in our Shared Services – were willing to temporarily forgo some of their salary, as were all our senior managers. Thanks to their solidarity, we were able to mitigate some of the impacts of the crisis. This Solidarity Pact for Employment allowed us to avoid resorting to redundancies or the German government's short time working scheme. In fact, we continued to recruit and train young people for the future. I am extremely proud that we managed to match the previous year's offering of apprenticeships and traineeships.

We care for our Consumers and our business by understanding and continuing to serve the needs of our consumers. We significantly ramped up production of hand and body care items overnight and expanded our online presence and e-commerce business. The hygiene measures we implemented allowed us to keep factories and R&D centers operational.

Finally, Care beyond Skin to help vulnerable communities in society battle COVID-19. At the end of March 2020, we agreed our international COVID-19 aid program. Worth €50 million, it is the largest humanitarian effort in our history.

This program provided immediate relief but also to mitigate long-term consequences for those particularly affected by the pandemic.

All this was only possible because everyone at Beiersdorf rolled up their sleeves. For this I would like to thank our employees.

Ladies and gentlemen,

2020 was also Year 2 of the implementation of our CARE+ business strategy. A wonderful example of the strength of our C.A.R.E.+ strategy is the performance of EUCERIN.

We formulated EUCERIN's purpose: "We believe in the life-changing power of dermatological skincare." I believe there is no better demonstration of this than Thiamidol, our patented active ingredient to reduce hyperpigmentation, which I introduced at my first annual press conference in 2019. It is no exaggeration to say that consumers are delighted. EUCERIN's Thiamidol range is the most successful launch in the brand's history.

Thiamidol has also allowed us to enter key growth markets such as China, Brazil and Russia – a second priority of C.A.R.E.+.

We also invested in the digitalization of our Derma brands. For instance, in China we launched EUCERIN as a digital-only brand. EUCERIN is benefiting from online shopping and increased the online portion of its sales by over 75% in 2020.

However, digitalization was not only the focus for EUCERIN in 2020.

The future of skin care is personalization. After all, we are all different, have different needs and are exposed to different external factors that influence the condition of our skin. Digital technology will allow us to unlock that opportunity. We have, therefore, invested heavily in recent years in gaining a better understanding of our consumers' individual needs through our Skinly project.

Launched three years ago, Skinly is an in-depth international scientific project to understand people's individual skin needs. Over 12,000 women worldwide have completed more than 2.5 million individual skin measurements and helped to create a database of over 67 million images. I am convinced we own one of the world's best scientific data at this scale.

We make the generated insights not only available to our teams but with the deployment of artificial intelligence, also to our consumers. One example is our NIVEA SKiN GUIDE web app, which allows to compare selfies with the Skinly database and recommends a skin care routine to match. This skin care analysis was already used around 700,000 times in 13 European countries in 2020 alone. We have even bigger plans based on the Skinly insights in 2021 – I'll come back to that later.

Another priority in the C.A.R.E.+ strategy is to unlock the potential of the growth markets. We focus on 3 regions: China, the United States – two countries where Beiersdorf is underrepresented – and the Emerging Markets with their rapidly growing middle class.

LA PRAIRIE, our most important brand in China, emerged strongly from the crisis during the second half of the year. And as previously mentioned, we introduced EUCERIN digitally in China. NIVEA had a very successful year in Taiwan, recording significant market share gains. In order to make NIVEA as successful in mainland China, we have opened last year an Innovation Center in Shanghai. This is our second-largest development center globally after our headquarters here in Hamburg.

As in China, we need to increase local innovation capabilities in the United States. Analogue to Shanghai, we are expanding our research laboratory in New Jersey into an innovation center. This will not only serve the COPPERTONE brand, but also NIVEA and EUCERIN developments.

The emerging markets started to recover as from the third quarter. We strengthened our market position is just about all countries based on a combination of strong international and local innovations, the development of digital sales channels and executional excellence.

Since we defined our Sustainability Agenda “Care Beyond Skin” in 2019, we made significant progress. I am particularly pleased with the recognition as a “Climate A Company” by the CDP, a non-governmental organization that rates companies’ climate protection efforts.

One area where sustainability is tangible is packaging. With our innovative NIVEA Naturally Good body lotion bottle, we are reducing weight by 50%. We also switched 90% of our PET bottles in Europe to recycled material.

Packaging and ingredients are important components of our commitment to sustainability and obviously also have a positive impact on our ecological footprint. After the Consumer Business reached the target of meeting 100% of its electricity needs from renewable sources in 2019, tesa followed last year.

I have already mentioned the rapid recovery at our tesa subsidiary in the second half of the year. tesa considerably outperformed the overall market. It benefited in all business areas from its strong focus on innovations and specialist applications. For example, its specialist adhesives for digital devices benefited from the high demand for tablets created by home schooling. In the automotive sector, tesa attracted new customers with products for the insulation and mounting of battery cells, playing its part in the industry’s transformation toward e-mobility. Meanwhile, tesa’s DIY business benefited from the growth of digital sales channels and the boom in DIY stores during the pandemic.

## Dessi Temperley

Thank you, Stefan and good morning, to everyone.

As always, I start my presentation with our key figures at Group level:

Group sales decreased organically by 5.7%. Foreign Exchange effects and the net impact from acquisitions and divestments led to a nominal decrease of 8.2%.

In 2020 we incurred exceptional, one-off costs of 78 million euros, mainly related to restructuring projects in the manufacturing area, integration costs of the Coppertone business plus related impairment charges in North East Asia, as well as the costs associated with the announced “Care Beyond Skin” program which Stefan already talked about.

Excluding these Special Factors, our EBIT margin at Group level decreased by 140bps vs 2019 to 12.9%, with the main drivers being volume deleveraging, negative mix, Foreign Exchange transactional headwinds as well as increased investments in our Sustainability and Digital roadmaps.

Profit after Tax margin decreased to 9.1%, 120 bps below the previous year's level, with the Effective Tax rate excluding special factors at 29.2% in line with our earlier guidance. We remain on track to achieve an ETR of around 28% in 2021 as per our CARE+ commitment of two years ago.

Earnings per share decreased to 2 euros and 73 cents from 3 euros and 40 cents of prior year.

Turning to our Consumer business and the development of growth by quarters:

After a much improved third quarter, the fourth quarter negative growth was driven by a weaker demand triggered by the second wave of lockdowns throughout Europe and a number of other countries, resulting in an organic sales decrease of -3.4% in the last quarter of the year.

Now some more color on the sales growth performance of our brands for the full year as well as the fourth quarter of the year.

NIVEA closed the year with negative growth of 6.0% in the mass market which was heavily impacted by the pandemic, especially in the Skin Care categories. The restrictions in travelling and the subsequent decline in tourism led to strong sales decreases in the Sun and Lip Care markets. At the same time, categories such as Body Care and Shower increased their sales in 2020, supported by a pipeline of innovations. With the second wave of lockdowns, market demand declined and NIVEA reported a sales decrease of -5.4% in the last quarter.

Our Derma brands Eucerin and Aquaphor delivered a very strong sales growth of 8.3% in the year. We gained market shares in all the geographies where we are present. The performance was underpinned by the double-digit growth in the US, Latin America and Asia. The Thiamidol product line as part of the Eucerin brand continued to materially outperform the market and contributed significantly to the growth of our Derma business.



Healthcare recorded a sales decrease of 5.9% for the full year. During the year we saw a mixed picture by quarter very much driven by the high volatility in demand: the last quarter negative growth was materially affected by the second wave of lockdowns. Despite the volatile demand, we consistently recorded strong market share gains in the countries where we are present.

The performance of La Prairie was materially affected by the global travel restrictions. The strong growth in the fourth quarter is driven by the continuous growth in China as well as the domestic travel around the Hainan Island; we also need to mention the positive one-off impact of pipeline refilling in the 4th quarter against a weak quarter of the previous year. Due to new lockdowns and travel restrictions, 25% of the global distribution remained closed at the end of December. In 2021, we see headwinds especially in Europe and Australia where markets are affected by ongoing lockdown measures. At the same time, we see strong momentum in the domestic Chinese market as well as accelerated E-Commerce sales globally.

The development of our Gross margin was impacted by a number of headwinds linked to the challenging environment in 2020. The Consumer margin was down by -110bps in the year compared to 2019. While overall pricing was marginally positive, we faced a material negative impact of -80 bps from currency devaluations in Emerging markets.

Another important factor for the decrease in gross margin was the mix effect of -60 bps driven by the lower sales in LA PRAIRIE and NIVEA SUN as well as consumer demand being stronger for essential Personal Care items.

We are pleased however to report net positive cost effects coming from the focused execution of our efficiency initiatives and more than offsetting the additional Covid-19 operational expenses.

Moving now to the performance of our tesa business, which was also strongly impacted by the pandemic in the first half year of 2020, leading to an organic sales decrease of 10.0% for the first six months. In the second half of the year, we managed to regain momentum, delivering -1.5% of sales growth for the full year on a like-for-like basis. tesa finished the last quarter with a strong growth of 8.0%.

The recovery in the second half of the year was mainly driven by the continuous solid demand in the electronics sector in Asia and a partial, still subdued, recovery of demand in the automotive sector.

The trade market segment proved to be resilient throughout the year. The positive trend of home improvements continued in the second half. Sales in hardware stores and online in the Consumer & Craftsmen division in Europe brought the full year up to +0.8% in the trade market segment.

We reported an improved EBIT margin excluding special factors of 15.4%, despite slightly lower sales. While we continued investments behind the strategic priorities of the business, the 10bps increase versus previous year is mainly driven by cost saving initiatives which we already started at the end of 2019 as well as a positive gross margin mix coming from the electronics sector.

## Stefan De Loecker

Ladies and gentlemen,

in many parts of the world, specifically in Europe, the Covid crisis continues to impact our business in the beginning of 2021. Nevertheless, we look optimistically on this year. We will see substantial improvements by the end of the year as vaccinations gather pace in many countries.

In 2021, we will further outperform the market and we will continue to invest. The additional investments of €70-80 million a year I announced in 2019 are paying off, we'll start another front-loaded investment program of €300 million in the next five years.

Today, Consumers expect much more from brands and companies than the products and services they provide. They expect them to take responsibility, for society and for the world in which we live. In 2020, we sharpened the definition of the value our brands can create for people.

Taking care of people's skin allows them to connect with each other, to build meaningful relations. This is NIVEA's heritage, which we step up as we defined the brand's purpose to "care for human touch to inspire togetherness".

EUCERIN brought its brand purpose to life with a new, global brand campaign in the reporting year: "WE BELIEVE IN THE LIFE-CHANGING POWER OF DERMATOLOGICAL SKINCARE." And our health care brands HANSAPLAST, ELASTOPLAST, and CURITAS also have a clear purpose: "We've got you covered – for a life uninterrupted." It concisely expresses the role our health care brands play in people's day-to-day lives, providing comfort and peace of mind by delivering fast and easy care for everyday cuts and scrapes for nearly 100 years.

The future of skin care is personalization, we are understanding people's skin better and we will take this a step further in 2021.

We have developed a number of pilots to explore personalized skin care offers based on our Skinly project. A great example is a new brand O.W.N. – O.W.N. stands for “Only what's needed.” We are currently launching it as a direct to consumer business in Europe. It uses the latest technologies and findings from skin research and develops a care routine that precisely matches the consumer's personal needs. Based on artificial intelligence, we can offer the perfect product from more than 380,000 formula combinations – individually tailored to the specific skin profile, lifestyle, seasonality, and location.

O.W.N is just the first example of how digital technology unlocks skin care innovation. It goes without saying that we will also continue to leverage digital technology in marketing our brands and products. In 2021 we enter into a strategic global partnership with Google and work together to inspire our consumers with innovations.

2021 will also be a year of strategic innovations. Following a successful launch in Thailand, we launch NIVEA CELLULAR LUMINOUS630® anti-dark spot care range to Europe and other important markets around the world. The innovative formula of NIVEA Luminous630 is the solution for all consumers who suffer from facial dark spots – for an even complexion and a natural glow.

We will also continue to consistently drive forward our sustainability efforts. We continuously examine whether we can achieve product improvements and our goals, such as in the area of climate neutrality, even faster.

We will launch the first completely plastic-free cleanser from NIVEA, which is also eco-certified: Wonderbar. NIVEA Wonderbars are skin- and eco-friendly– soap-free facial cleansing bars for everything from make-up removal to deep cleansing and peeling, all with NIVEA's familiar effectiveness. The idea is to offer a plastic-free solution that covers the entire facial cleansing routine.

With EUCERIN, we want obviously further expand the Thiamidol success into new categories. With EUCERIN Actinic Control with sun protection factor 100, EUCERIN offers clinically proven

protection against sun-induced skin damage. With this product, we provide a protection for consumers with actinic keratosis, the most common precursor to skin cancer.

Just a few weeks ago, we implemented the largest brand relaunch in the history of our Health Care brands: Hansaplast, Elastoplast, and Curitas now offer new and improved product innovations in more sustainable packaging.

LA PRAIRIE expands the most exclusive collection “Platinum Rare” with Platinum Rare Skin-Rejuvenation Protocol. It activates key rejuvenation processes and so reduces visible signs of skin aging.

Ladies and gentlemen,

I hand over to Astrid Hermann, who will take over as of tomorrow the CFO responsibility from Dessi Temperley. She will talk us through the 2021 financial planning.

## Astrid Hermann

Good morning, ladies and gentlemen, also from my end!

I joined Beiersdorf nearly 7 weeks ago and would like to start by thanking Dessi, Stefan, my colleagues and the Beiersdorf Team for a warm welcome and for the time they invested in helping me get up to speed on the company, its brands, the strategy and the organization.

While there is still a lot more to learn, the first weeks have reinforced my decision to join Beiersdorf. I came here because of the iconic brands, that I grew up with and continue to be a big fan of, and the C.A.R.E.+ Strategy, which I am convinced is going to contribute to the company’s continued success. I am looking forward to making my contributions to delivering the strategy, making the right investments for the future, delighting the consumers, driving value through initiatives such as revenue growth management and value engineering and developing and supporting the organization and particularly my teams.

I would now like to transition to talking about our 2021 and mid-term guidance.

Following an unprecedented year 2020 and with the continued uncertainty we are experiencing, we have had to reconsider our mid-term goals. The massive impact and particularly the long

duration of the pandemic is clearly impacting the plans we made in 2019. We remain committed to the investments in innovation, digitalization and sustainability needed in the next few years in order to ensure that we come out of this crisis stronger and with a competitive edge.

At the same time, we will continue to look for ways to drive value as we deliver our manufacturing network and advance efficiency programs.

From today's perspective, it is challenging to make a reliable prediction for 2021. Independent of the Skin Care market growth, we will continue to outperform the market. We assume the global Skin Care market will improve by the end of the year.

We expect sales growth in both business segments and on group level to be positive. With the significant investments Stefan outlined, Consumer and Group EBIT margins are expected to be on last year's level, while tesa's margin will be below last year.

We are similarly aiming to outperform the market beyond the COVID crisis and are looking to grow Consumer EBIT ahead of sales after factoring in the significant investments in the strategic C.A.R.E.+ pillars.

We will also continue to pursue our other financials goals outlined previously – of reducing Working Capital, driving value and improving our tax rate.

Thank you! I look forward to working with you during this and future events.

## **Stefan De Loecker**

Thank you, Astrid.

Although 2021 still starts with a high level of uncertainty, I am convinced it is the year of the turnaround in the Covid crisis. We will outperform the market and regain positive growth momentum, while we significantly further step up our efforts in sustainability, digitalization, and growth markets. To make Beiersdorf stronger and more competitive in a period of technological disruption in a world of existential sustainability challenges. That was and is my ambition serving as CEO of this company.

Before we take your questions, I would like to thank Dessi Temperley. I look back on a period of intense and trustful collaboration as we developed, announced and ignited the C.A.R.E.+ strategy together. She successfully drove many of the C.A.R.E.+ initiatives with great professionalism and outstanding commitment. And she played an essential part in weathering the Covid crisis well with a solid financial base to further increase the pace of our investment now. Dessi, my thank you very much for all your hard work and I wish you all the best for the future.

And now we would like to answer your questions.