

Conference Call 9M Results 2021

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Speech

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- The spoken word applies -

Vincent Warnery

Good morning ladies and gentlemen.

A warm welcome to today's conference call and thank you for joining us. Astrid Hermann and I are very pleased to lead you through our performance over the first nine months and the key developments of the past quarter

At the last quarterly conference call, I gave you an insight into Beiersdorf's C.A.R.E.+ strategy and presented my roadmap for the company. Before we look at our performance in detail, let me quickly reiterate the three key strategic focus areas that are of utmost importance for me.

1. Firstly, our overall strategic goal: we win with skin care.
2. Secondly, we put a strong focus on accelerating our digital transformation.
3. And thirdly, we are shaping a climate-positive future.

As CEO of Beiersdorf, I have been driving forward the implementation of this strategic roadmap. The digital transformation and the shift towards a climate-positive future are increasingly relevant all around the world and therefore need to be tackled on a global scale.

Furthermore, we have worked intensively in the background to adjust our operating model going forward. Let me illustrate this with a brief example: From 2022 onwards, we will have stronger global governance of NIVEA product launches and marketing campaigns. This will help us to drive fewer, better, and bigger launches and campaigns, whilst running our business more efficiently. As part of our focus on winning with skincare, we are building stronger innovation by investing in early innovation discovery. We have created a new, diverse team of experts, with a singular focus on identifying relevant trends to feed our innovation pipeline and create break through innovation.

Approaching the end of 2021, we have made significant progress in implementing our strategic priorities as part of C.A.R.E.+ This is clearly reflected in our financials.

Overall, we have seen a successful quarter with continued growth and steady recovery from the challenging previous year – a development that we are particularly delighted to report after the impact of Covid-19. We succeeded in gaining significant market shares, especially in emerging markets, and successfully launched new innovative products.

These successes are reflected in our financial results for the past nine months.

Despite the ongoing restrictions due to the Covid 19 measures that are affecting some categories, we have seen sales growth of 6.8% with NIVEA compared to 2020. This brings us back to the pre-pandemic level of 2019. We are proud to see our body and face care categories continuing to accelerate and will give you some more details on this development in a second. Derma continued its outstanding performance in the third quarter. Thiamidol is supporting the growth momentum, and we are expanding regionally and in new categories. Our healthcare business was able to accelerate the growth from the previous quarters in nearly all markets. We are now significantly above 2019 levels with this part of our business. La Prairie is also continuing its remarkable recovery despite ongoing headwinds in the global travel retail channel. We are now up 26.2% compared to the previous year. All in all, this equates to a growth in the Consumer Segment of 10.4%.

tesa once again outperformed the competition, especially in the Direct Industries segment, and grew again in the third quarter, resulting in 19.4% growth for the first nine months.

At Group level, we are now clearly above 2019 levels and finished the first three quarters with 12 % growth compared to 2020.

Looking at NIVEA, the global net sales are back to 2019 levels despite different developments in the various categories. Product categories like sun protection, lip, and face cleansing are still negatively affected by travel restrictions, the wearing of face masks, and the less frequent use of make-up. In contrast, other skin care categories are performing exceptionally well, and we have used this momentum successfully. Face Care sales have risen 21.1% compared to 2020 and are even up 11.5% on 2019 levels. We are winning market shares in Face Care in two-thirds of the countries where we are active. We are especially proud of our market share gains in highly competitive markets such as Germany and France.

Let us go into more detail on these two markets and start with France. The Skin Care market is strongly growing there, especially driven by the Face Care category. After three years of consecutive market share losses, we were able to turnaround this development and gained massively market shares in the Face Care category, especially compared to our biggest competitor brand. This results in a sharp market share increase of 200bps year to date. Our anti-pigment innovation Luminous630® has been the most successful anti-aging launch over the last three years in the entire market, securing top positions in the anti-aging category from the start. The serum as well as the day fluid have become bestsellers in this category.

We can see a similar development in our home market Germany. The NIVEA Luminous 630® serum quickly became the number-one seller in the face care anti-aging category in Germany. The total NIVEA Luminous630® product range is the main driver of the fast-growing Face Care Anti-Aging market, representing more than 80% of the total market growth.

Let me now turn to Eucerin. Eucerin has also been able to achieve strong growth, driven in particular by the success of our Thiamidol-based range, whose sales are growing by more than 50% year on year. The strong performance is led by the launch of the 3D Serum in all our markets as well as the strong growth of the existing range especially in Latin America. And we are further expanding into new segments. Currently, we are entering a completely new market. With the launch of Eucerin DERMOPURE TRIPLE EFFECT SERUM with Thiamidol, we have been able to bring Thiamidol into the Acne category, thus continuing the success story of our life-changing ingredient Thiamidol with 95% of consumers claiming that it beats post acne marks. Our TikTok campaign in France generated over 17 million views within a few weeks.

This is what we mean with “winning in white spots”. Conquering new markets and expanding into new segments. And we will continue to do so. In the first quarter of 2022 we will launch Eucerin in the US Sun category - the largest sunscreen market in the world. We will launch seven Sun products, thereby combining advanced sun protection and skin care benefits. In the Face category for example, we will launch a product custom-made for oily and acne prone skin. The products were developed with dermatologists, have clinically proven efficacy and benefit from the comprehensive sun expertise and know-how from Coppertone. We just presented this launch to our US retailers and the number of SKUs listed by each retailer is above our expectations.

Let me move from the US to Latin America, where we have been especially successful during the first nine months. We grew by more than 21% compared to 2020 and by more than 27% compared to the pre-crisis level. Our clear focus has been on three pillars: Expanding our skin care offering. Taking advantage of the fast-developing e-commerce and digital environment in the region. And further penetrating Brazil, one of the biggest skincare markets in the world.

Over the past nine months we gained market shares in 70% of the countries and categories where we are present in Latin America. For example, we became #1 with NIVEA Sun, Face, Body and Lip in Brazil. We outperformed all our major competitors in Latin America, driven by the combination of strong innovation, excellence in execution and prioritization of e-commerce.

In e-commerce, we achieved year-on-year sales growth of 77% for the first nine months. We can now serve customers digitally, for example in remote areas of Brazil and other countries. This is steadily increasing our market shares and making NIVEA the #1 skincare brand online in the majority of the region.

Brazil is one of the biggest skincare markets in the world. With our NIVEA brand, we are already well established in the Brazilian market. Nevertheless, we have managed to expand our top positions in the market and have reached a record high market share of more than 19% across all categories. 3 years ago, we launched Eucerin in Rio and Sao Paulo, and are now expanding the brand to Brasilia. We can see that this focus is paying off. With Eucerin, we have achieved the No.1 position for the Anti-Pigment category in the Brazilian market as a whole, increasing our market share to 23%. With this ongoing success of our Face business in Brazil, we have gained market shares in the last nine months, reconfirming our decision to fully exploit the potential of this important skincare market.

To serve our customers in the best possible way, we continue to invest in capacity and capabilities to deliver excellent products in the region. Already today, 90% of our sourcing comes from within the region. And we want to further strengthen this. In Mexico, for example, we have invested significantly to increase the capacity of our local production by 30%.

As you have seen in our performance in Latin America, driving digitalization is a key strategic priority for us. As the last 18 months have shown, it is crucial for a successful business model. Accelerating

the digital transformation therefore remains high on my agenda. Our ambition is to offer personalized superior skin care solutions for everyone. This means providing targeted information for individual needs.

One example is the dynamic messaging system we developed for NIVEA sun. As the sun care brand number one, we know about the harm the sun does to unprotected skin. Based on weather data and user behavior, we do inform our consumers not only about how to protect their skin against the sun but link the information with the right product offering. With over 200 dynamic executions of precision marketing campaigns in UK and Germany, we were able to reach over 16 million consumers during the summer. The campaigns are also linked with a strong digital educational platform in cooperation with our European Skincare Partners in the UK and Germany. In the first nine months of 2021, we increased our activities with precision marketing campaigns significantly - a tenfold increase compared to the entire 2020 financial year. In Germany, we were able to gain 170 bpb of market share for NIVEA Sun, thereby strengthening our top position in the sun category.

Another example of the importance of value-adding data analytics is our approach to cater and develop our products with strategic partners. Last year, we established a partnership with the Alibaba Group's powerful co-innovation platform: the Tmall Innovation Center (TMIC) in China. TMIC is aiming at helping brands identify new channels and strategies to tap into the Chinese market by using precise market analysis, real-time consumer insights, and product concept testing. We currently have half a dozen projects at different stages of development together with TMIC. Three innovative products for our iconic NIVEA brand have been developed so far, such as NIVEA MEN's eye gel, which was co-innovated in the space of just nine months. We sold 15,000 sets online within just three seconds. Leveraging Tmall's data capability and tools provides us with consumer insights to tailor our products to the relevant trends and needs among Chinese consumers and to drive agile product development and successful co-creation.

These are just two examples of how we are accelerating our digital strategy further. Our products are where our consumers are: That means our investment in e-commerce has proven valuable, which we see in our results across all brands and all regions. We continue to grow significantly in e-commerce. In the first nine months, our online sales for the total Consumer business grew by

38%. As you can see, Hansaplast and Elastoplast have had the largest growth YTD, followed by Eucerin and Aquaphor.

I am very happy with our progress in ecommerce: since 2019 we have increased our focus on e-commerce and it is paying off, we have doubled our percentage of net sales to around 10%. That being said, our reduced exposure to China and the US impacts our performance vs. some of our competitors. However, excluding this 'geographic mix' factor we are within the range of the industry best in class. My ambition is that within the next 18-24 months, on a comparable basis, Beiersdorf will start to be ahead of competition in terms of percentage of net sales in each of our geographies.

The Covid-19 pandemic has been a catalyst for e-commerce and has initiated transformational changes that are here to stay. The same applies to climate change, an issue that has become top of mind all around the globe in recent years. Investigating innovative new and more sustainable product and packaging formats and transforming our supply chain processes, are important aspects of our sustainability journey. All these activities allow us to reduce our CO₂ footprint as a company and that of our consumers as well. Let me show you what we have done in recent months. Already now, more than 90% of our PET bottles in Europe are made of recycled plastic. Our NIVEA Naturally Good bottles need 50% less plastic than the classical one. We have also introduced a range of solid facial-cleansing NIVEA products that are eco-certified and use no plastic at all. Furthermore, 100% of our folding boxes are FSC certified. As for the ingredients, 100% of our palm (kernel) oil-based ingredients are responsibly sourced since end of 2020. Currently, we are introducing the first aerosol cans with 100% recycled aluminum in our deodorant and male shaving categories. Through this measure alone we can reduce the emissions by 35%. These are only a few examples. As for our supply chain, our production site in Berlin will be carbon neutral from 2022, and 100% of our global electricity already comes from a renewable source since 2019.

CO₂ reduction is our top priority at Beiersdorf - driving all our sustainability initiatives. Our plans and measures here are at the edge of what is technologically feasible right now and we are working hard to achieve our ambitious target: a reduction of 30% of our scope 1, 2 and 3 emissions in absolute terms by 2025 along the entire value chain. These targets are approved by the Science Based Targets Initiative, with our product transformation efforts at the center of our climate strategy. Looking at our entire value chain is especially important for us, as more than 95% of our emissions

are within the Scope 3 category, which is closely associated with the packaging and raw materials we use. In order to reduce their CO₂ impact, we also work closely with key suppliers. This allowed us to launch the first Face Care Jar from certified renewable plastic together with Sabic, as well as the first aerosol can from 100% recycled Aluminum in cooperation with Nussbaum that I just mentioned. Both initiatives significantly reduce CO₂ emissions.

We know, however, that what is currently feasible technologically as reduction is not sufficient. Time is pressing and nature's capability to absorb CO₂ must be increased as we speak. That's why - in addition to our significant investment into a more sustainable business - we will also make an important contribution to natural CO₂ absorption projects. This combination of ambitious emission reduction and the support of natural CO₂ absorption forms our climate care strategy. As of 2022, we will balance the entire value chain emissions of NIVEA and Eucerin with certified Carbon removal projects, making them our first 100% climate neutralized skin care brands.

As a company highly committed to the sustainability dimension, we are determined to bring Climate Care to Skin Care. This is a strong commitment that underlines our aspiration to become a leader in our industry with regards to climate action and to inspire others to follow. More information about our efforts will be shared with you at a dedicated sustainability event in January. So, stay tuned.

Astrid Hermann

Good morning, ladies and gentlemen.

I also welcome you to our sales update for the first nine months of the year and would like to give you some more background on our results.

Let's take a closer look at the sales figures for the Beiersdorf Group as well as for our two business segments. Our Consumer Business grew by +10.4% organically in the first nine months. Due to foreign exchange effects, nominal sales grew by +8.0%. Our tesa business continued its strong performance and achieved organic sales growth of +19.4% in the first three quarters of the year. Exchange rate effects led to nominal growth of +18.4%. Combined, we recorded total sales of 5.76 billion euros, and like-for-like sales growth of +12.0% for the Group.

Looking at our Consumer Segment by quarter, we can see that the recovery continues. After moderate growth in the first quarter and a strong rebound in the second quarter, which was most impacted by the pandemic last year, we generated growth of +4.1% in the third quarter on the back of a stronger third quarter 2020. Year-to-date, we have now surpassed the 2019 levels despite ongoing restrictions in global travel retail.

Our NIVEA brand grew by +2.6% in the third quarter. We recorded a strong recovery in our Sun Care business, although the recovery decelerated in the second part of the quarter due to bad weather in Europe, and we finished below 2019 levels. Vincent already spoke about the remarkable performance of our Face Care category. Additionally, the Body Care category is growing double digits year on year, but also compared 2019. This performance is mainly driven by our iconic products like our NIVEA Body milk but also by the extension of our very successful NIVEA Naturally Good body lotion. Last but not least, we are also pleased to see a sequential recovery in our Personal Care business around the Deo and Shower categories.

Our Derma brands confirmed their success story with +18.2% growth in Q3 on top of an already strong prior year quarter. At the nine-months stage, we are now more than +30% above 2019 levels. Once again, our key markets in the US and Germany performed very well and were supported by continuous growth in Latin America. As mentioned earlier, we will continue to expand our business regionally and also from a category perspective.

The return to a pre-pandemic lifestyle and to more sports activities gave our sports category another push. Our Hansaplast/Elastoplast business accelerated in the third quarter in all our main markets, finishing the first nine months with growth of +14.4%. This excellent development was also supported by our brand relaunch at the beginning of this year.

The strong recovery of La Prairie saw a temporary slowdown due to travel restrictions around Hainan. We are also running up against a strong comparable period in the second half of the year, as Q3 and Q4 last year were supported by revenge shopping after the reopening. Nevertheless, we continue to deliver very strong results in China, significantly above 2019 levels. This is driven by an expansion of doors, continuous strong performance in Tmall and the superior growth in domestic travel retail around Hainan.

In Europe we recorded sales growth of +6.7% for the first nine months of the year. Western Europe grew by +6.2%, mainly driven by strong performance in Italy, the UK and Switzerland, but also supported by the ongoing recovery in Germany. As mentioned in previous calls, the global travel retail business of La Prairie, which is reported under Western Europe, remains a major growth driver. Eastern Europe reports strong broad-based growth throughout all countries. Poland, Russia and Romania continue to lead the growth.

The Americas is the area with the strongest overall growth of +17.2%. North America's growth of +13% in the first nine months was driven by strong sales in Coppertone, double-digit growth for Eucerin and Aquaphor as well as the recovering La Prairie business. Numbers for Latin America confirm once again the strong momentum in the region. On a nine-month basis, Latin America is up by +21.7%. All countries are supporting this growth, although Brazil and Mexico are making the biggest contribution here.

Africa/Asia/Australia grew by +11.6% in the first three quarters. We can report strong growth in the majority of countries, led by the excellent La Prairie performance in China. Our businesses in India, Malaysia, Turkey and South Africa also strongly contributed. However, we also recorded some slowdowns in the recovery due to new lockdowns, for example in Thailand.

Moving to the tesa segment. Despite an exceptionally strong basis in Q3 2020, we were able to deliver another quarter of growth. With single-quarter growth of +4.6%, we are ending the first nine months up +19.4% on like-for-like basis. The Trade Markets division delivered +11.8% on the back of a pandemic year which boosted the Do-It-Yourself sector. This year, the areas around Craftsmen and our General Industrial Markets are growing especially strongly. The main growth driver remains our Direct Industries segment. The excellent growth of +24.7% for the first nine months is once again led by our Electronics business in China, but also supported more and more by the strong recovery in Automotive globally. We are also pleased to announce that we have not seen any major supply chain issues in the last quarter.

As we are getting closer to year-end, we would like to take the opportunity to update our guidance for the full year 2021.

For the Consumer Segment we expect organic sales growth between 7 and 9%. Our guidance for the Consumer EBIT margin remains unchanged and we expect it to be at previous year's level. However, we are seeing pressure from input cost inflation, which we are looking to offset although a slight risk remains. At the same time, I would like to confirm that year-to-date quality of EBIT is good, based on a slightly positive gross margin development.

For the tesa business segment, we are raising our guidance for both sales and profitability. Backed by the continuous strong performance in the third quarter, we now expect organic sales to achieve growth of between 11 and 13% and expect tesa's EBIT margin to be above the previous year's level.

For the total Group, organic sales growth should come in between 8 and 10%. The Group's EBIT margin reflects the different trends in Consumer and tesa and - as a combined figure - is expected to be at the previous year's level.

Let's now take a look at the qualitative outlook for the year 2022. While there is still continuing uncertainty due to the pandemic, I would like to share with you our expectations for the coming year.

We will continue to develop our Skin Care business through innovations as we are currently doing with the successful launch of our NIVEA Luminous630 range. On the back of easing pandemic-related restrictions, we expect a significant recovery in travel retail and in the Sun Care business. Our innovations and the recovery of important parts of our Consumer business will help us deliver growth above market.

For the tesa business, which tends to be more cyclical, the outlook is more challenging, especially given the recent supply chain issues around the world. Nevertheless, we expect our electronics business to remain a major growth driver. In addition, we see encouraging signs from Automotive and expect a further acceleration of this business.

For 2022, we expect to offset input cost inflation through pricing, mix and efficiency gains. We are targeting a slight EBIT margin growth year-on-year. Thank you.