

Half-Year Results 2022
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Speech

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- Please check against delivery-

[Vincent Warnery]

Good morning, Ladies and Gentlemen,

Astrid and I are very pleased to take you through our performance over the first six months and give you an overview of the key developments in the past quarter. 2022 has been a successful year for Beiersdorf to date. The Group is clearly continuing on its growth path.

Despite facing some significant headwinds, we managed to achieve double digit growth on group level, driven by the outperformance of consumer with +11.7% growth in the first half. tesa also delivered good growth despite challenges in China and a strong prior-year first half.

We were not only successful from a topline perspective, but also on the bottom line. A Group EBIT margin of 15.9%, which is an increase of 50bps over the first half of 2021, clearly shows that we are committed to delivering on our promise to achieve an expansion of the EBIT margin in the Consumer business in 2022 and the years to follow.

Let's take a more detailed look at our performance in the second quarter. After an already strong first quarter, we saw a slight acceleration in Q2. We were optimistic about our second quarter performance at our Capital Markets Day, and are happy to report today very good numbers, driven by a strong end of the quarter.

As you can see, the growth in the Consumer segment is broad based:

NIVEA, Derma and Healthcare all had very strong double-digit growth in the second quarter. La Prairie also put in an impressive performance in June at +17% growth, thus managing to limit the negative impact of the lockdown in China. Overall, we achieved strong growth of +11.9% in Consumer.

The tesa business recovered very quickly after the lockdowns in China, recording growth of +5.7% in the second quarter. Combined, we achieved +10.7% sales growth at group level.

As I mentioned, NIVEA performed extremely well with growth of +13.2% in the second quarter. I would now like to provide you with a few details on what exactly is driving this performance:

With our portfolio, we were able to outperform not only the skin care market, but the personal care market as well. In terms of skin care, we saw very strong growth throughout our portfolio, with particularly strong growth coming from the sun, lip, face and body categories. We also managed to gain significant market share in the majority of skin care categories.

Personal care also had an excellent second quarter. The deodorant and shower categories recorded strong demand, resulting in market share gains around the globe.

Allow me to make just one comment on the progress we have been making with the sustainability of our shower products: last year, I presented to you our first climate-neutralized NIVEA shower range. Today, exactly one year later, we have put a version of this product on the shelves with an even stronger sustainability profile. The relaunch of our best-selling NIVEA shower gels marks an important step forward on the journey toward climate-friendlier products at Beiersdorf.

Not only is the new NIVEA shower bottle made from at least 96% recycled plastic, it is also 26% lighter than it was before. The drop in weight means that there is a corresponding 32% reduction in packaging-related CO2 emissions. All of our formulas are microplastic-free and up to 99% biodegradable. That is something that we are extremely proud of.

Back to NIVEA's performance in Q2: The broad-based growth we experienced came not only from a category perspective, but also from a regional perspective. There are two examples I would like to share with you:

In Western Europe we recorded double digit growth in net sales over the course of the second quarter. And this strong trend actually accelerated even further in June. As I indicated earlier, this growth was generated by strong performances throughout our portfolio, with our Sun care category clearly being one of the main drivers in Western Europe.

Additionally, we are delighted to report that the investments in our face care portfolio continue to pay off. Leading the way in this regard are sales in NIVEA Luminous, which we managed to double year on year, making it the primary source of growth in our face care category.

These developments were all underscored by substantial market share gains in most Western European Countries.

At this point I would like to direct your attention to one of our ongoing success stories: Latin America. This region was once again at the front of the pack from a regional standpoint, delivering another very strong performance in the second quarter with broad-based sales growth. It is really interesting to note here that the dynamics of Latin American development were quite similar to the development we saw in Western Europe.

The sun category really stood out. Here, we managed to more than double our sales in the second quarter. But that was not the only category that delivered a strong performance: There was also significant growth in the Face category in Latin America.

I would like to take you now from a detailed look at NIVEA to a more comprehensive overview of our portfolio performance in two main regions: North America and China.

Let's start with North America: As mentioned also at the Capital Markets Day, we have established a very successful and diversified portfolio in North America and have recently extended it with the acquisition of Chantecaille.

Our North America business has been gaining a significant amount of momentum over the course of the last couple of quarters and this trend continued in Q2 where our portfolio delivered some very impressive numbers. With +15.5% growth in the second quarter, we once again outperformed the competition.

All our brands grew significantly in the US. NIVEA showed strong growth in the body category, and Coppertone's start into the summer season is promising. Our most recent acquisition Chantecaille also got off to a good start with growth exceeding our expectations.

I would like to highlight two main drivers of these excellent results in North America: our La Prairie and Derma brands.

With La Prairie, we were able to accelerate our client data strategy. We are in a unique position when it comes to client data capture thanks to our exclusive agreements with retailers in the US. We were able to double our client data capture, a development that made it possible to provide more personalized offers - something that also contributed to our strong sales recovery. With our double-digit growth in the second quarter, we outperformed the market.

Our derma brands Eucerin and Aquaphor had already gained significant market share in the US in 2021 and they are continuing to make significant gains in the current year. Aquaphor in particular delivered considerable market share gains. With developments like these, we are outperforming our competitors on all channels and across all sub-categories. When it comes to continuing this encouraging trend, our most recent launch, Eucerin Sun, has been no exception. Initial results have exceeded our expectations and we are well on track to become a serious competitor in the US sun care category in the very near future.

Let us take a look now at our activities in China, and particularly La Prairie.

The lockdowns that hit the country in April and May - and Beijing and Shanghai in particular - had a negative impact on our La Prairie business. The situation was aggravated by a number of other COVID related restrictions such as the PCR test requirement before entering a department store. Indeed, because we are significantly more dependent on Beijing and Shanghai due to our very selective distribution, we were not able to offset the effects of the lockdown by boosting our ecommerce activities. This is not only because we are only distributed at TMall which stopped supplying customers in Shanghai during the lockdowns, but even more because, unlike our competitors, we do not promote our brands through festivals such as 18.6 or 11.11. As a result, our La Prairie sales in China declined by -30% in April and May.

The good news, however, is that we are already seeing a turnaround. June and July sales are up +32%. We will also open our JD.com site in 3 weeks - and you are surely aware that JD.com's market share in online premium skincare went up from 7% in Q2 21 to 20% in Q2 22 - and we will also open 10 new doors before the end of 2022, and nine of them are not located in Beijing and Shanghai. With this in mind, we are expecting very good double digit Q3 growth not only in China but also for the overall **La Prairie** business.

This recovery story for La Prairie is similar to what we have seen with our NIVEA business in China. After being impacted in April and May by the restrictions to fight the pandemic, NIVEA recovered very quickly in June with strong growth. Especially body care in mainland China, but also the face care category via cross border sales, grew significantly.

Moving now to Eucerin, the brand which was the least affected by lockdowns in the second quarter in China. Thanks to our digital-only approach we were able to almost double our sales year on year in the second quarter.

Additionally, we recorded strong sell-out numbers at the 6/18 shopping festival - the second largest and most important shopping festival in China.

We are well on-track in China, and we are constantly gaining market shares. On product level, Thiamidol remains one of the main growth contributors in our Chinese businesses. The strong performance of our Anti Pigment Skin Perfecting Serum launch via cross border e-commerce gives us additional confidence to deliver our strong ambition and to continue building our brand with the best assortment.

I would like to wind up my remarks with a word or two regarding our iconic wound care brand Hansaplast. As many of you are likely aware, we are celebrating the 100th anniversary of the brand this year.

It was way back in 1922 that we launched our first wound plaster under the name Hansaplast. Today, we sell more than 200 products in 65 countries in our Healthcare business - from wound sprays to ointments, bandages and tapes as well as plasters for various applications.

We look back on 100 years of incredible success - success that has continued unabated into 2022: Double digit growth in the first two quarters is clear evidence of our strong market position in the healthcare business.

[Astrid Hermann]

I am happy to take you through our H1 2022 financials. Let us start with the main figures on group level.

We achieved strong organic double-digit sales growth in the first half year of 10.5%. In nominal terms, we grew by 15.5% supported by foreign exchange and structural effects. At the same time, we were able to grow our EBIT in absolute but also in relative terms, leading to an EBIT margin of 15.9% which is an increase of 60bps. In parallel, the profit after tax margin went up to 11.5% and we were able to increase our earnings per share by 39 cents to 2.22 Euro.

Coming to our financials per segment:

In the first six months we have grown like-for-like sales in our Consumer segment by 11.7%. The difference to the nominal sales growth of 17.3% is explained by favourable FX effects as well as additional sales from our most recent acquisition of Chantecaille.

We were able to increase our EBIT margin by 100bps to 15.1% of sales. Our gross margin declined year-on-year driven by high levels of input costs, partly offset by pricing actions. While our absolute marketing spend increased to its highest level ever, we benefited from more efficient investments in digital media. In addition, strict cost measures helped contain our general expenses.

The tesa business faced a very strong H1 comparable from last year. On the topline, we beat the strong first half year 2021 with 5.4% organic growth.

tesa reports an EBIT margin below last year, due to the strong headwinds from inflationary input costs and the temporary disruptions in the China business in the second quarter.

Looking at the sales development of the Consumer segment of the past quarters, we can see a continuation of strong quarterly performance. After finishing the year 2021 with organic sales growth of +8.8%, we started the year with growth of 11.6% and are confirming this level now with another growth increase to 11.9% in the second quarter.

Looking at the performance by brand. Vincent already took you through some details, so I will just briefly cover the main developments:

First, we are happy to report that all our brands are contributing to positive sales growth in H1 2022. As mentioned earlier, NIVEA performed very well both in Q1 and Q2, on a global level and across the whole portfolio, with an outstanding performance in the Sun category. The first half 2022 finished with organic sales growth of +11.2% for NIVEA. Online sales outperformed offline sales once again in the first half.

Derma continues its success story in nearly all markets. We see strong market share gains and sales growth in our top countries such as the US and Germany, but also former white spots continue to accelerate, like Latin America. Thiamidol remains a very important growth driver. Additionally, Derma again saw very strong online growth.

Our plaster brands continue to outperform the market. We see ongoing market share gains and recorded sales growth of 14.9% in the first half year. This growth is mainly driven by the Wound category which includes the successful 2021 relaunch of „Bacteria Shield plasters “.

We already mentioned La Prairie’s performance in Q2. Nevertheless, we were able to grow with La Prairie in the first half year. And we finish with strong growth rates in June, which makes us confident for the third quarter.

Switching now to the regional perspective for our Consumer business: All regions are reporting positive growth, and also this quarter our Americas region is growing fastest:

Latin America achieved 29% organic sales growth in the first half of 2022. Growth is broad-based, from a country as well as a brand perspective. Both NIVEA and Eucerin saw very strong results.

North America continued to grow on a very high level, as already explained in detail by Vincent. All in all, we saw a 19.2% organic sales growth increase in the region.

The Europe region also accelerated in the second quarter, lifting H1 growth to 8.1%. Both Western and Eastern Europe recorded similar growth rates, driven by strong performances in the so-called COVID categories such as Sun, Deo, Shower and Lip.

As reported, our Africa/Asia/Australia region has been impacted by the lockdowns in Asia in Q2. Nevertheless, we achieved growth of 8.9% in the first half of the year. Sales trends were especially positive in India, Middle East and South Africa. In addition, Derma performs well in the whole region and continues its growth story in China.

Turning to the gross margin of our Consumer business:

Assuming constant exchange rates, our gross margin decreased by 160bps to 59.6% from 61.2%. We were able to push through significant pricing in the first half, which helped offset a nearly half of the additional input cost in H1 2022.

Mix effects were flat. The strong contribution from Sun, Derma and Skin Care was offset by less growth in La Prairie and high sales in lower margin categories in Personal Care. Cost of Sales, Logistics & Other had a negative impact of 300bps. This was mainly caused by higher commodity prices and increases in transportation costs.

For the full year we expect reported input cost to further increase but also a stronger acceleration of the pricing component, resulting in a decrease of gross margin for the full year. Despite the lower gross margin, we were able to increase our EBIT margin and are on track to deliver slight EBIT margin growth for the full year.

The key drivers of the EBIT improvement in the first half were the strong topline development, sequentially strengthening pricing impact, proportionally lower marketing spend and strict cost control of general expenses.

While our marketing spend grew significantly and has reached the highest absolute level ever, the topline leverage, the strong push into more efficient digital media and particularly precision marketing as well as a shift of budget into the second half of the year helped reduce the spend relative to sales.

Turning to Working Capital: In the first half of 2022, we were able to reduce our working capital further, to 4.6% of sales. This decrease was mainly driven by Trade Payables, where we continue our initiatives around the optimization of payment processes.

Let's move to our tesa business: tesa also faced a difficult situation at the beginning of the second quarter when lockdowns in China started. But once again, the business was able to show how quickly it can recover: After a very negative April, the months of May and June saw a quick return of the business. The China region eventually grew by 30% in June. The electronics business was a main driver of the performance in the second quarter. Despite the lockdowns we could report positive growth in Greater China and the Asia Pacific region in the second quarter.

Let me mention on a more general note that tesa manages the global supply chain disruptions exceptionally well. With our high service levels throughout the whole year, we were able to achieve a competitive advantage, helping us win new

contracts. Overall, tesa grew by 5.4% in H1 2022, primarily driven by pricing initiatives.

Looking ahead into H2, there is an ongoing discussion about our exposure to a potential shortage of natural gas. Here is what we can share as of today: Given our footprint, we have high production volumes in the EU and especially in Germany, for both Consumer and tesa. In both businesses we have already significantly reduced our exposure in Germany by implementing preemptive measures.

This includes rearranging gas consumption between sites and backup solutions to use alternative energy sources. We now see low risk from a potential gas shortage for our own factories. While we do not expect a complete gas shutdown, there still are important risks, of course:

Alternative solutions require investment activities. Additionally, the running cost of operations can go up when using other energy sources. And even though we are prepared for potential gas shortages internally, our suppliers might be affected more severely, causing supply chain disruptions at worst.

This brings us to our full-year guidance for 2022. Despite a strong first half year, we will keep our full-year guidance unchanged. There is a high level of volatility, and we see a variety of potential risks going into the second half:

Ongoing supply disruptions and the lingering risk from potential gas shortages which I just mentioned. Inflation seems to remain on a very high level, and continued pricing could have an impact on consumers' purchasing behavior. The COVID pandemic, which is not over yet, and its further development which is impossible to predict.

Despite these headwinds, we are confident to arrive at our ambitious guidance for this year.

Regarding sales of the Consumer business, we expect the upper end of mid-single digit organic growth for the full year. We reiterate our guidance of a slight EBIT margin improvement.

For tesa we are looking for low to mid-single digit organic sales growth in the full year 2022. The EBIT margin will be noticeably below last year's level.

This means that for the Group we are guiding for the upper end of mid-single digit organic sales growth in 2022, and for an EBIT margin at last year's level.