

Conference Call Half Year Results 2021
Beiersdorf AG, Hamburg
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Speech

Vincent Warnery

Chairman of the Executive Board

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- The spoken word applies -

Vincent Warnery

Good morning, ladies and gentlemen.

A warm welcome also from me to today's conference call on Beiersdorf's performance in Q2 2021, which I am happy to chair for the first time as CEO of Beiersdorf. Allow me a few personal words before we start: As this is our first conference together, I would like to emphasize that I truly value this conference and hope to have other opportunities for further dialog with each of you.

2021 has been quite a turbulent year so far. We have seen major challenges such as the ongoing COVID-19 pandemic and natural disasters. The recent floods in Europe have once again shown how urgently we need to combat climate change on a global scale. We deeply sympathize with those who have lost loved ones and as a company are trying to help as much as we can. On the other hand, we can see the first signs of relief from the pandemic, due above all to progress with vaccination campaigns. Although market conditions are still volatile, Beiersdorf has built on its solid business performance in the first three months and we can see a further significant improvement in the second quarter.

Before we take a closer look at the results for the first six months of the year, I would like to underline the major strategic aspects I am focusing on as CEO.

First and foremost, I am happy to share that Beiersdorf is moving in the right direction. We introduced our C.A.R.E.+ strategy two years ago and it will remain our strategic roadmap for the coming years. We have made good progress on this path. We are inspiring people with our skin care innovations; we are reaching our consumers through digital channels; we are tapping new business areas and markets - and we are closing in consistently on our goal of achieving climate neutrality. We want to make a major contribution to protecting the world's climate and shaping a climate-positive future. I am proud to see our speed of action: The first climate-neutralized NIVEA products are already available on shelf, and the first of our production sites, Berlin, will already be operating climate neutral at the beginning of 2022.

Second: Eucerin, Hansaplast and La Prairie are very successful brands worldwide. In recent years, we have designed a new operating model with a much stronger global footprint and, at the same time, have developed and introduced highly successful product innovations such as Thiamidol. We have also positioned our brands both online and offline. As a result, we are seeing double-digit growth across all three brands, despite the global economic challenges in recent years. I want to leverage this successful approach to position our flagship brand NIVEA.

That brings me to my third key point: We want to make NIVEA an even more iconic, even more modern and transgenerational brand. My goal is to develop NIVEA as a global brand while ensuring the right fit with local consumers across the world. One successful example of this new global approach is the NIVEA Luminous630® product range that we introduced recently worldwide.

Fourth: Last year showed once more how important digitalization is for a successful business model. We systematically expanded our investments in digital and will continue to do so. As of today, already one quarter of the growth in our mass business and as much as one third of the growth in our Derma business in H1 2021 came from e-commerce. But we still have a lot of potential here. There are many reasons that our current share of online sales is around nine percent, our relatively small presence in China and the USA being one of them. Accelerating the digital transformation further is high on my agenda. That specifically means that a large part of our 300-million-euro investment program will go toward expanding digital channels. Our goal is simply to make Beiersdorf more competitive in everything digital.

And fifth: As a globally operating company, we regard diversity and inclusion in our teams as an opportunity and the key to our success. I want to express my commitment to building a company where everyone has an equal opportunity to succeed and feel a real sense of belonging. We are currently hosting the first public Pride Festival to celebrate diversity and tolerance together with international partner companies, LGBTIQ+ organizations and prominent guests. Our goal is to raise awareness and promote tolerance - both within the company and beyond.

We have a clear roadmap for the path ahead: We will further evolve, accelerate and deliver our C.A.R.E.+ strategy. Cornerstones of this strategy will be accelerating growth, boosting digitalization and innovation, finding efficiencies, and driving sustainability. These priorities have become even more relevant against the backdrop of the recent economic turbulence caused by the pandemic.

Although the coronavirus pandemic and its effects still hold large parts of the world in their grip and continue to impact markets, we are seeing a significant improvement in our figures. The strong sales growth in the second quarter actually lifted us above the pre-crisis levels of 2019.

Our core NIVEA brand is back on a growth trajectory and achieved a 9.1 percent year-on-year increase in organic sales. Strong sales growth in the body and face care categories, which far exceeded even the level seen in 2019, contributed to the strong performance in the first six months of 2021.

Our dermocosmetics brands Eucerin and Aquaphor continued the success story of the previous quarters. They grew by 22.1 percent compared with the previous year and almost 30 percent compared with the first half of 2019. We achieved a sustainable increase in sales particularly in the USA, which is one of the largest markets for dermatological skin care, but also in Asia and Latin America. The major drivers for this remain our product innovations, including the patented ingredient Thiamidol, and the significant growth in e-commerce.

Although restrictions continue to hit the travel retail business, La Prairie has recovered quickly, achieving strong year-on-year organic growth of 41 percent in the first six months of the year. This recovery was led by the early reopening of markets in the USA and very strong business in Asia. I will come back to this later. Trends in the international travel retail business will also mainly determine when La Prairie is able to match its 2019 sales levels again.

Our Healthcare business around the brands Hansaplast and Elastoplast was also significantly affected by the pandemic last year. This year, we are already seeing strong sales growth in all our main markets. With organic sales up 16.5 percent year on year, this Beiersdorf business has now surpassed 2019 levels.

tesa also continued the strong performance of recent quarters to achieve year-on-year organic sales growth of 28.2 percent in the first six months of the year, well above pre-crisis levels. Once again, tesa's sales growth was led by the *Direct Industries* division, which handles business directly with industrial customers.

At Group level, these figures equate to organic sales growth of 16.2 percent.

Although we have challenging months behind us, we have made significant progress in implementing our strategic priorities as part of C.A.R.E.+. Let me review a few of them with you.

Skin care innovations are an essential part of our strategy. We have set ourselves the goal of embracing our consumers' individual needs and wishes, and offering them genuine added value. We can only achieve this by constantly developing innovative and effective skin care products such as NIVEA Luminous630®. NIVEA with the patented ingredient Luminous630® is the first mass market player to address pigment spots - and with great success. The high-quality NIVEA Luminous630® face care range is the solution for all consumers who suffer from facial pigment spots. We introduced NIVEA Luminous630® worldwide in recent months. Strong demand bolsters our conviction that we are living up to our mission.

And we want to continue this success. We will be adding further products to the face care range this year, such as NIVEA Luminous630®-ANTISPOT Tinted Fluid Double Corrector with sun protection factor. And we are going a step further. The new NIVEA Luminous630® Anti-Spot Advanced Hand Cream we are introducing at the end of August will reduce and prevent pigment and age spots as well as intensively moisturizing the hands.

These compelling innovations are the foundation for us to further expand our footprint in key growth markets such as China.

The Chinese market is a focus region within C.A.R.E.+. As a consistently very dynamic and attractive growth market for personal care and beauty products, China is a major growth driver for Beiersdorf and continues to offer enormous potential for our core brands.

In recent years, we have already established a very strong footprint in China. Among other initiatives, we particularly strengthened our regional skin care expertise. Our efforts have paid off and Beiersdorf is now one of the most successful beauty players in Greater China with H1 growth of 44 percent compared with 2020 and 12 percent compared with 2019.

Beiersdorf's core brands La Prairie, Eucerin, and NIVEA contribute significantly to our success in China. First and foremost, La Prairie. Our luxury, anti-aging flagship brand precisely meets Chinese consumers' rapidly growing interest in premium skin care and has become a well-known and highly successful luxury brand in China - even when sales were still limited to off-line channels in pre-COVID times.

Now, we are rapidly driving the brand's expansion with increased digital marketing and sales as well. Our presence on Tmall is particularly helpful for reaching new, especially younger consumer groups, although there is no difference when it comes to the products chosen: The most successful La Prairie product ranges are also preferred by the younger shoppers on Tmall. Thanks to our newly opened flagship store, we will be able to raise the number of visitors to above the 10-million mark this year.

In the case of Eucerin, we chose a purely digital strategy to enter the Chinese market in 2019 - an approach that is more than paying off: We are very satisfied with the developments of the past two years. The dedicated online shop on Alibaba's Tmall also enabled Eucerin to rapidly expand its online presence. Our goal is to gradually build a presence on all leading digital platforms in China. Since the launch, we have significantly increased Eucerin's sales and market share, and we continued to expand in the first half of 2021 with growth of 61 percent in Greater China compared with 2020.

And, of course, there's NIVEA. NIVEA has been a household name in many parts of China for almost 100 years. As we still see significant potential for further market share gains, we are working relentlessly to expand the brand's footprint in China. We are currently reengineering the brand - for example, by researching various product innovations for NIVEA - to make it even more versatile and attractive for the Chinese and global markets. Innovations in NIVEA's

Luminous630® series are looking particularly strong as their initial success is a strong indicator for the future.

Obviously, we are not resting on our laurels. To further accelerate these positive developments in China, we opened a research and development center in Shanghai last year - our second-largest such facility worldwide. This is an important milestone in expanding our growth potential, not only in China but also in the wider Asia-Pacific region.

Ladies and gentlemen,

Tapping into growth markets and new business areas is another element of the C.A.R.E.+ strategy aimed at filling in the “white spots” on the world map and offering added value with our products for people in these areas.

A first key initiative of C.A.R.E.+ was the acquisition of the iconic American brand Coppertone around two years ago. The management team and I immediately realized the great potential of this asset within Beiersdorf’s portfolio. Following a successful integration and despite impacts caused by the COVID-19 pandemic, we are delighted that Coppertone was able to build on its recovery in this year’s Q1 by achieving double-digit growth in the second quarter - partly as a result of the early start to the vaccination campaign in the USA but also due to the first market share gains in the USA since 2012. Along with a new brand and a marketing strategy that puts a greater focus on online business, the sports segment was a major driver in this development.

Going forward, we plan to build a new brand architecture and strengthen the brand positioning of Coppertone by reorganizing the portfolio, developing breakthrough innovations in our key family and sports segments, improving the modernity of our packaging, and increasing digital communication with our consumers.

We are not taking the brand’s popularity for granted and want to further enhance our market positioning. We can only achieve this by developing innovations and products that are aligned even more closely with the individual local needs of our consumers. In the USA, as in China, we are therefore relying on local know-how. We are transforming our Coppertone research laboratory in New Jersey into a regional innovation center, making it the first global

competence center for the OTC (over-the-counter) business in close proximity to the world's largest therapeutic market. The new hub will not only serve the Coppertone brand, but also accelerate local innovations for NIVEA and Eucerin.

For us, sustainability is an integral part of our C.A.R.E.+ strategy which is reflected in our decision-making and business processes. Protecting the climate is a central part of our commitment to sustainability. We have set ourselves ambitious climate targets in line with the Paris Agreement to limit global warming to 1.5 degrees Celsius. These targets have been recognized by the Science Based Targets Initiative. Since 2019, for example, we have been supplying all our sites worldwide with green electricity. And since 2014, we also managed to cut our Scope 1 and Scope 2 CO₂ emissions by around 65 percent. Together with our suppliers and partners, we are now working hard to reduce our Scope 3 emissions as well. In addition, we are making good progress on the path to climate neutrality at all our production sites by 2030. As I mentioned before, the production site in Berlin will already be operating climate neutral at the beginning of 2022.

Our largest global brand NIVEA has started to climate-neutralize products whose environmental footprint had already been significantly reduced. This is reinforcing our climate commitment and setting new benchmarks for product sustainability. The latest example of this is the new packaging materials we are using. With the NIVEA Naturally Good face care jars that we introduced in around 30 countries in April this year, we avoid the use of fossil-based virgin plastic, thereby vastly reducing CO₂ emissions. Another step is the switch to recycled plastic, which we have already fully implemented for NIVEA's shower range in Germany. This means that numerous climate-friendlier NIVEA products are already on the shelves. We are complementing these efforts to become climate neutral with compensation projects such as reforestation in Liangdu in China. While reducing emissions is the core policy at Beiersdorf, compensation through high-quality afforestation projects is a necessary contribution to a climate-positive future. These are just some of the important milestones for us, and I can promise you already that there are more to come.

CARE BEYOND SKIN is our purpose and our responsibility to look after people, society, and the environment. This sense of responsibility is what has set us apart for almost 140 years, and

times of crisis are no exception. In the last few months, we worked hard to open our in-house vaccination center here in Hamburg Eimsbüttel. Since June, we have already offered 5,000 vaccinations to employees, their family members, and the local community. I want to thank our medical team and the many helping hands from across the company who have worked so hard in the last few months to make the vaccination center a reality.

Astrid Hermann

I would also like to welcome you to our presentation on the first half of the year and will now guide you through the key financial figures.

Let us start by looking at the key figures at Group level. Here, organic sales grew by 16.2 percent year on year. There were exceptional one-off costs of 30 million euros in the first six months, all of which were incurred in the Consumer Business Segment. They mostly relate to reorganizational expenses in the supply chain organization and, to a lesser extent, to projects as part of our Care Beyond Skin aid program. Excluding these special factors, our EBIT margin at Group level increased by 160 basis points to 15.3 percent. That was mainly attributable to a substantial increase in sales across all regions. The return on sales after tax also went up by 180 basis points to 11.0 percent, resulting in increased earnings per share of 1.83 euros compared with 1.37 euros in the prior year.

We grew organic sales in the Consumer business by 13.6 percent. The EBIT margin benefited from this sharp rise in sales. However, that was offset by the investments we made in digitalization and sustainability in the Consumer Business Segment that we had announced at the beginning of this year as part of the C.A.R.E.+ strategy. This resulted in an EBIT margin of 14.1 percent for the first six months and an increase of 80 basis points compared with the previous year.

In the tesa Business Segment, we sustained our performance from the first quarter and finished the first half of the year with very strong organic sales growth of 28.2 percent. Here we were able to increase our EBIT margin by 490 basis points to 20.5 percent.

Since the beginning of this year, we have seen a strong recovery in the Consumer Segment. After a 6.6-percent decline in sales for the full year 2020, we posted moderate sales growth in the first quarter. In the second quarter, which was most severely impacted by COVID-19 last year, we generated growth of 27.1 percent and returned to the 2019 level after the first six months of this year.

NIVEA generated organic growth of 19.0 percent in the second quarter. In line with the focus of our C.A.R.E.+ strategy, we increased sales most strongly in our skin care categories. However, the deodorant business also remained stable overall. Product categories such as lip care and sun care are still impacted by restrictions imposed under the pandemic, although the sun cream business picked up sharply in the wake of the fall in new COVID cases in the latter part of the first half.

Our Derma business saw excellent growth in all regions. In Latin America, we reported very strong double-digit growth compared with both 2020 and 2019. Mexico, Chile, Brazil and Argentina were our main markets in this regard. However, we also grew strongly in the USA, which is our most important Derma market worldwide, and were able to fully compensate the effects of the ice storm on our warehouse in Memphis during the first quarter. Once again, our Thiamidol product range posted the largest growth, especially on the back of the launch of the 3D Serum in the last six months.

Our Hansaplast and Elastoplast brands were significantly hit by the lockdowns in the second quarter of last year. That slump was offset in the second quarter of this year. The resumption of sports activities - both private and professional - led to sharp growth in the sports categories. All in all, we posted sales growth of 40.1 percent in the second quarter.

La Prairie achieved organic sales growth of 77 percent in the second quarter. As Vincent already mentioned, the main factor was our strong performance in Asia. At the product level, there was higher demand particularly for the luxury collections with the Platinum Rare and Pure Gold innovations.

In Europe, organic sales rose by 9.1 percent. In Western Europe, organic sales growth amounted to 8.7 percent, mainly driven by strong sales performance in Italy, Switzerland, and

Austria. La Prairie's global travel retail business, which is reported under Western Europe, also regained momentum after the heavy impact from the COVID-19 pandemic last year, with substantial sales growth recorded here. In the Eastern Europe region, sales were up significantly across all countries with organic sales growth of 10.7 percent. Poland and Russia were the countries that recorded the strongest sales expansion.

In the Americas region, organic sales rose by 20.7 percent. Organic sales in North America increased by 17.2 percent. This was predominantly driven by strong double-digit growth in the Coppertone sun care business and continued high-level sales growth for the Eucerin and Aquaphor brands. Latin America recorded very strong sales growth of 24.9 percent. We can report double-digit sales growth in almost all countries, with Brazil and Mexico making the biggest contributions in the first half of the year.

The Africa/Asia/Australia region recorded organic sales growth of 16.1 percent. Our sales performance was particularly strong in India, Thailand, Malaysia, and Turkey. La Prairie achieved significant year-on-year sales growth in Asia. Eucerin delivered another strong performance with double-digit organic sales growth.

Let's take a look at our gross margin development. Assuming constant exchange rates, we increased our gross margin by 40 basis points year on year, to 61.1 percent. Price effects had a positive impact, and La Prairie's recovery provided significant mix effects. We can report net positive cost effects, which is primarily due to the sharp increase in volumes in the first half of 2021. As we were still protected by contracts, commodity costs have not played a significant role in the first half of the year. That said, we will be impacted in the second half but will of course take advantage of pricing opportunities. Negative exchange rate effects of 140 basis points had the biggest impact on our gross margin in the first half of 2021.

We are pleased to be able to report that our working capital management measures have paid off and we cut working capital significantly. The reduction to 6.9 percent of the Consumer Business Segment's sales reflects the recovery after the pandemic's impact in the previous year, but also the high priority of WOC management throughout the organization.

Vincent already mentioned our strong push for digitalization at Beiersdorf. Let me give you some color surrounding the implementation of various projects in our Consumer businesses. A good part of our overall investment program of 300 million euros will be spent on digital, both this year and in the years ahead. Here are some examples of how we will step-change our digital setup at Beiersdorf: We are investing in the digital capacities of our organization. That means, on the one hand, that we are upskilling all of our employees in order to achieve more efficient ways of working. On the other hand, we are investing in our digital infrastructure, starting with investments into data and analytics, and D2C platforms - like the recently launched Eucerin online shop in the Netherlands - through to the optimization of digital customer relationship management. These investments are the foundation for leveraging our precision marketing, a key element in our future e-commerce strategy. We have invested significantly in one-on-one consumer interaction and are planning to double these investments in the coming year. The 40-percent growth of e-commerce sales in the first half of 2021 is further proof that we are on track and that these investments are paying off. We have doubled our headcount in e-commerce within the last year and are also spending more than 40 percent of our total marketing budget on digital media. We will continue to increase this ratio to further accelerate our e-commerce business.

We now come to the tesa Business Segment. We have already reported on tesa's outstanding first-half performance. Based on a weak prior-year quarter, tesa posted organic growth of 33.5 percent in the second quarter, resulting in an increase of 28.2 percent during the first six months. This growth comes from all business areas and regions, especially the electronics business in Asia and the global recovery of the automotive industry. The Direct Industries division generated growth of 38.4 percent in the first half of the year. tesa's consumer business also continues to grow, in particular on the back of growth in e-commerce. All in all, the Trade Markets division grew by 14.9 percent.

tesa operates in a fast-paced industry that demands impeccable quality and, in particular, great adaptivity and innovation. The electronics business performed strongly behind the so-called project business with manufacturers and suppliers in China. One focus is on innovations for thermally conductive adhesive tape solutions that are used for 5G smartphones and

smartwatches. The automotive business increased sales substantially in this positive global market environment - in all regions. Among other things, it is benefiting from two major trends: e-mobility and automation. Protection against heat and fire is vital to both of them. That is because a faulty and overheated battery cell can have a domino effect on adjacent cells and potentially cause a fire. That is where our "tesa Fire Guard" product comes in - a special adhesive tape that is heat-resistant and prevents flames from spreading. The DIY trend is continuing in 2021 and we increased sales sharply, in particular in the e-commerce segment. There is growing demand for sustainable solutions. In April 2021, we launched two new parcel packing tapes that meet the necessary requirements in this area: tesapack® Bio & Strong with a bio-based carrier material and the paper-based tesapack® Paper Standard. The two products are already available in professional stores and will be offered to end consumers starting August 1.

We now come to the outlook for the remainder of 2021.

The overall market situation remains volatile, so we would like to give you some additional guidance and more details. Given the sharp rise in commodity prices, coupled with significant increases in transportation costs, we anticipate a visible impact on our figures in the second half of the year, which we expect to continue into the first half of 2022. Profitability in the second half will be affected increasingly by our investment programs for digital and sustainability.

Our guidance for the Consumer Business Segment is for high single-digit sales growth for the full year. At the same time, we confirm that we expect the EBIT margin for 2021 to be at last year's level.

At tesa, we are now facing more challenging competition in the second half and expect high single-digit sales growth for the full year. The tesa EBIT margin will be affected by higher raw material costs in the second half than in the first half, so we expect tesa's full-year margin to match the prior-year level.

On a combined basis, our guidance is for high single-digit growth and an EBIT margin at the prior-year level for the Group.

Vincent Warnery

Thank you, Astrid.

You have just seen our updated guidance for this year. Our aim is to provide you with as much transparency as we currently can, given that the COVID pandemic is still ongoing. When it comes to medium- or longer-term guidance, however, things are obviously more difficult. Providing guidance based on numbers under the current circumstances - even just for the coming year - would not be a responsible way of acting, in my view.

What we will do, however, is the following: When we publish our Q3 results in October, I would like to provide you with updated guidance for the current year as always and a qualitative outlook for 2022. This will give you an early idea of how we see the coming year. Apart from that, let me clearly say that now - in 2021 - and in the years ahead, our focus will be on investment and on sustainably improving our business. This also means, of course, that we are laying the foundation for profitable growth going forward, once we have left the peak of our investment program behind us.

I have worked in the healthcare and cosmetics industry my entire professional life, always with the mission of arousing desires and aspirations among consumers. We want to find the answers to these desires before customers themselves even discover they have them. That will be the crucial factor on our strategic journey with C.A.R.E.+. As a result, we will be tapping Beiersdorf's huge potential. Beiersdorf is an outstanding company. I greatly look forward to leading our company in these exceptional times and shaping it together with the entire team. Thank you.