Henkel Excellence is our Passion

Statement by Kasper Rorsted

Chairman of the Management Board

Conference-Call

May 7, 2015, 10.30 a.m.

Welcome to our conference call.

Earlier this morning you received our press release and quarterly report informing you of Henkel's business performance in the first three months of 2015.

I will now take you through the main facts and figures and share our guidance for 2015. Our CFO, Carsten Knobel, and I will then take your questions.

Ladies and Gentlemen,

The global economy grew by around 2.5 percent in the first quarter. With an increase of around 3 percent, industrial production showed stronger growth than private consumption, which rose by approximately 2.5 percent.

The differences from region to region remain significant. The strongest growth came from the emerging markets in Asia with a GDP increase of around 6 percent, and from North America with a rise of approximately 3 percent.

By contrast, the Western European economy grew by around 1 percent only. The situation in Latin America and Eastern Europe was even more difficult, with both regional economies stagnating.

We also saw mixed developments in foreign exchange rates. While the dollar gained significantly against the euro year-on-year, some currencies in the emerging markets depreciated.

Nevertheless, Henkel delivered a strong performance in the first quarter and had a good start to the fiscal year 2015. We significantly increased both sales and earnings. We also delivered a very strong performance in our emerging markets.

And that brings me to the key figures for the first quarter.

Sales rose significantly by 12.7 percent to 4.4 billion euros in the period between January and March 2015. Good organic sales growth, the impact of last year's acquisitions and the strong US dollar were all contributing to this development.

These three effects break down as follows: Organic sales growth was 3.6 percent, foreign exchange effects accounted for 5.8 percent of the improvement, and acquisitions and divestments added 3.3 percent to the total sales.

Overall, we achieved our highest quarterly sales to date.

All our business units registered growth in both their reported and organic sales figures. Laundry & Home Care recorded strong organic sales growth of 5.2 percent. At our Beauty Care business unit, the organic increase amounted to a solid 2.1 percent. Adhesive Technologies likewise posted a solid improvement in organic sales of 3.3 percent.

The regional breakdown shows that organic sales either increased or remained at the prior-year level in all regions.

Sales in Western Europe remained stable, despite heavy competition. The market environment in North America also remained challenging. Nevertheless, we achieved organic growth of 2.4 percent.

We have already emphasized a number of times this year how important it is for us to return our business in North America to growth. We have therefore introduced a number of measures. These include changes in management, in our product portfolio and in our internal processes. In the first quarter we have seen some initial successes. Our focus now is on sustaining this development. We know that we still have some work to do here.

As in the preceding quarters, the emerging markets played an important role in our performance, where we registered a very strong increase in organic sales of 7.7 percent. In China, our third-largest market, we recorded very strong organic sales growth. The organic growth rate in India was also strong, while in Indonesia, we achieved a double-digit increase.

In Eastern Europe, sales grew organically by 6.7 percent, despite the burdens arising from the conflict between Russia and Ukraine. Russia was the main contributor with a double-digit increase in organic sales.

We achieved organic growth of 5.3 percent in Latin America, the strong improvement here being primarily attributable to our operations in Mexico. Our performance in Africa/Middle East was especially pleasing. Although burdened by the political situation in some countries, organic sales there increased by 12.3 percent.

After allowing for one-time gains, one-time charges and restructuring charges, adjusted operating profit improved significantly by 14.1 percent to 707 million euros. Adjusted return on sales grew by 0.2 percentage points to 16.0 percent.

Adjusted net income for the quarter, after deducting non-controlling interests, rose to 510 million euros, an increase of 12.8 percent year-on-year.

Adjusted earnings per preferred share rose by 13.5 percent to 1 euro and 18 cents.

Net working capital related to sales increased versus the prior-year quarter by 1.4 percentage points to 6.2 percent, due primarily to the acquisitions made in 2014 and foreign exchange effects.

Henkel's net financial position as of March 31, 2015 was 10 million euros, an improvement of about 160 million euros compared to the figure at December 31, 2014.

And that brings me to the outlook for the current fiscal year.
We expect the global economic environment to remain difficult. Volatility on the currency markets will persist in 2015.

In view of the continuing conflict between Russia and Ukraine, we do not foresee any improvement in the economic situation of Eastern Europe. We expect that the economy in this region will stagnate this year.

Given this volatile environment, we believe in our competitiveness based on our strong brands, our innovative strength and our market positions, which we intend to consolidate and expand.

At the same time, a high degree of agility and flexibility will remain key success factors. We will therefore continue to simplify our structures and accelerate our processes.

We confirm our guidance for the current fiscal year.

We continue to expect organic sales growth of 3 to 5 percent. We expect that the Adhesive Technologies and Laundry & Home Care business units will each generate organic sales growth within this range. In the Beauty Care business unit, we expect growth of approximately 2 percent.

The share of sales generated in the emerging markets is expected to remain constant.

Compared to the 2014 figures, we expect adjusted return on sales to increase to around 16 percent. We expect that all business units will contribute to this improvement.

We anticipate an increase in adjusted earnings per preferred share of approximately 10 percent.

Ladies and Gentlemen,

Many thanks for your attention.

Carsten Knobel and I are now ready for your questions.