



Excellence is our Passion

**Statement by Kasper Rorsted
Chairman of the Management Board
Conference-Call
August 12, 2015, 10.30 a.m.**

Ladies and Gentlemen,

Welcome to our conference call.

This morning you will have received our news release and our financial report covering the second quarter and the first half of 2015.

I would therefore just like to briefly take you through the main facts and figures relating to the last quarter, and inform you of our guidance for 2015. CFO Carsten Knobel and I will then be glad to take your questions.

Ladies and Gentlemen,

The world economy was again affected by a high degree of volatility, political tension and uncertainty in the course of the second quarter of 2015.

The discussions surrounding Greece's position within the eurozone left a noticeable mark on the European economy. And growth in China's economy is obviously something that we can no longer take for granted. The collapse in share prices on the Shanghai Stock Exchange is a clear warning signal. Economic growth in the USA has likewise slowed.

There is also no sign of the political tensions around the globe easing. In the Middle East we see the terror of IS expanding, and the conflict between Russia and Ukraine remains unresolved.

All this, of course, impacts on the financial markets. The second quarter saw further significant fluctuations on the foreign exchange markets. While the dollar gained significantly on the euro year on year, some currencies in the emerging markets experienced further depreciation.

Despite this challenging market environment, Henkel delivered overall a solid performance in the second quarter. We again achieved double-digit growth for both sales and earnings. Organic sales in emerging markets were strong, once again making an above-average contribution to growth.

So now I would like to take you through the key financials of our second quarter: Sales increased significantly, by 13.5 percent to almost 4.7 billion euros. As in the first quarter, this was driven by a solid organic sales performance, last year's acquisitions and the strong US dollar.

Organic sales growth was 2.4 percent. Foreign exchange movements accounted for 7.3 percent of the improvement, and acquisitions and divestments added 3.8 percent to total sales.

On reported basis, all our business units achieved double-digit growth in the second quarter of 2015. We also achieved organic growth in all business units. Laundry & Home Care recorded solid organic sales growth with an increase of 4.3 percent. At our Beauty Care business unit, the organic increase was 1.9 percent. And Adhesive Technologies posted an organic increase of 1.7 percent, thus below our target growth range of 3 to 5 percent.

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

Organically, sales in Western Europe reached the level of the prior-year quarter, despite intense competition. In North America, we achieved organic growth of 0.3 percent.

As in preceding quarters, the emerging markets played an important role in our performance, where we recorded strong organic sales growth of 5.1 percent. We recorded a solid increase in organic sales in China, our third largest national market. We generated very strong organic growth in India.

In Eastern Europe, sales grew organically by 5.5 percent, despite persistently challenging market conditions. The strong performance in the region was driven mainly by very strong growth in Russia.

We also achieved a very strong increase in organic sales of 8.4 percent in Latin America, primarily driven by our operations in Mexico. Although the political situation in some countries of Africa/Middle East continued to affect growth, organic sales in this region increased by 4.4 percent.

After allowing for one-time gains, one-time charges and restructuring charges, adjusted operating profit increased significantly, by 14 percent to 768 million euros. Adjusted return on sales grew by 0.1 percentage points to 16.4 percent.

Adjusted net income for the quarter, after deducting non-controlling interests, rose to 558 million euros, an increase of 11.8 percent.

Adjusted earnings per preferred share rose by 11.2 percent to 1 euro and 29 cents.

Henkel's net financial position as of June 30, 2015 was minus 634 million euros. The change versus the first quarter of 2015 is mainly due to the higher dividend payout of around 570 million euros.

Ladies and Gentlemen,

Besides organic growth, selected acquisitions in all three of our business units are part of our strategy.

Having spent a total of around 1.8 billion euros on acquisitions purchases last year, we again expanded our market positions with acquisitions in the second quarter of 2015. In May we reached an agreement with Colgate-Palmolive to purchase its entire range of laundry detergent and pre-wash brands in Australia and New Zealand. This acquisition will make Henkel one of the biggest suppliers in the laundry detergent segment in the region.

Within the adhesives business, in June we concluded the acquisition of Novamelt GmbH, thus extending our expertise in the field of pressure sensitive hotmelt adhesives. And as you can see from our report on events after the reporting date, a few weeks ago we concluded the purchase of the Mexican hairstyling brand, Xtreme.

Thus, we are following our strategy of specifically targeting attractive market segments, investing in promising technologies and further expanding our position in emerging markets. And we see scope for further acquisitions in the future.

Let me briefly talk about Henkel's performance in the first half of 2015. In the first six months we were able to increase sales by almost 1.1 billion euros to more than 9.1 billion euros. About half of the improvement was driven by the positive effects of foreign exchange. However, if you look at the period from the beginning of 2013 – the start of our current target cycle – the net foreign exchange effect is still slightly negative.

Organically – i.e. adjusted for foreign exchange and acquisitions/divestments – sales rose by 3.0 percent in the first half of 2015.

In terms of earnings, we also delivered a good performance. The adjusted EBIT margin rose to 16.2 percent and adjusted EPS increased by 12.3 percent.

We are thus on track to reach our full year guidance.

That brings me to our outlook for the current fiscal year.

We expect the current difficult economic environment to persist. Market volatility will remain high.

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

In this context, agility and flexibility are key success factors. We will therefore continue to adapt, further simplify and accelerate our structures and processes in line with the changing market conditions.

We confirm our guidance for the full fiscal year.

We expect to achieve organic sales growth of 3 to 5 percent. The Adhesive Technologies and Laundry & Home Care business units should each generate 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.

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