Statement by Kasper Rorsted
Chairman of the Management Board
Conference-Call
August 12, 2014, 10.30 a.m.

Ladies and Gentlemen:

Welcome to our conference call today.

We sent out our press release this morning and published our quarterly report for the period April through June 2014.

So for this call I would just like to repeat the headline numbers and provide you with our guidance for the current fiscal year. Our CFO, Carsten Knobel, and I will then be glad to take your questions.

Ladies and Gentlemen,

Once again in this second quarter, the global environment was characterized by numerous and considerable economic and political uncertainties.
These apply particularly to certain countries in the emerging markets as the situation in both Eastern Europe and the Middle East has become increasingly serious.

Foreign exchange continued to have a significant impact, particularly for some currencies in the emerging markets. Added to this, the US dollar depreciated against the euro, continuing the trend from previous quarters.

Despite the persistently difficult market environment, Henkel delivered a good performance in the second quarter of 2014. All our business units increased organic sales and further improved profitability.

The emerging markets once again made an above-average contribution to growth. But we also grew our business in the mature markets.

I will now discuss the key financials of our second quarter.

Between April and June 2014, Henkel generated sales of 4.1 billion euros, down 3.5 percent versus the prior-year figure.

The decrease is due exclusively to negative foreign-exchange movements. These had an impact of almost 7 percent on sales, or around 280 million euros.

Organically, however, we again delivered a solid performance. Adjusted for foreign exchange, acquisitions and divestments, sales rose by 3.3 percent, with all our business units contributing.

Laundry & Home Care posted solid organic sales growth of 4.2 percent. Beauty Care achieved a solid increase in organic sales of 2.1 percent. Adhesive Technologies likewise posted a solid improvement in organic sales of 3.7 percent.

As the regional breakdown shows, we further increased our sales in mature markets. Despite strong competition, we delivered organic growth of more than 2 percent in Western Europe. We were able to offset a slight decline in Southern Europe by growth in France and the Benelux countries in particular. We also increased sales in Germany. And indeed, Germany is, and will, remain a major pillar of our success.

Overall, our performance in Western Europe was better than in North America, where organic sales decreased slightly. However, our businesses still developed more strongly than in the first quarter of 2014. Stronger growth was supported in particular by our industrial business. In the consumer business, the environment remained extremely challenging.

As in the preceding quarters, emerging markets played an important role in the development of our businesses, registering strong organic sales growth of 6.5 percent.

We again posted a double-digit increase in organic sales in China, our third-largest market worldwide. Sales also increased overall in the other Asian markets.

In Eastern Europe, sales grew by 2.8 percent organically, with our businesses in Turkey and Russia doing particularly well. Despite the escalation of the Russian-Ukrainian conflict, we did not notice any appreciable effect on the organic performance of our business in Russia. However, in Ukraine we felt the consequences of the conflict, with a very strong decline in organic sales in the country. Foreign exchange had a negative effect on the development in both countries.

We achieved organic growth of 3.8 percent in Latin America, with the important Mexican market making a major contribution.

Our performance in Africa/Middle East was again especially satisfying. Although burdened by the political situation in some countries, organic sales increased by 17.5 percent.

After allowing for one-time gains, one-time charges and restructuring charges, adjusted operating profit rose by 2.1 percent to 674 million euros.

We were able to once again substantially improve our adjusted return on sales – by 0.9 percentage points to 16.3 percent, with all business units contributing.

Adjusted net income was 499 million euros, representing an increase of 8.2 percent year-on-year.

Adjusted earnings per preferred share rose by 8.4 percent to 1 euro and 16 cents.

As of the end of June, Henkel had a net financial position of 156 million euros. That is around 300 million euros more than a year ago. The decline in the net financial position versus the first quarter of 2014 is essentially due to the higher dividend payment of around 530 million euros and our recent spending on acquisitions.

Ladies and Gentlemen,

Part of our strategy is to support organic growth with selected acquisitions in all three business units. In the second quarter, we announced acquisitions with a total value of 1.2 billion euros. At the beginning of June, we signed an agreement for the takeover of the French Spotless group in our Laundry & Home Care portfolio. In the Beauty Care business unit, we completed the purchase of the three American Hair Professional companies SexyHair, Alterna und Kenra. We also acquired the hair care brand Pert in Latin America.

These acquisitions are in line with our global strategy to selectively invest in attractive categories in the mature markets. With the acquired businesses, we are strengthening our profitability and further expanding our market position. We still see scope for further acquisitions in the future.

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

We anticipate that the business environment will remain difficult. The world economy is likely to grow only moderately. We expect the mature markets to grow by around 2 percent and the emerging markets by around 4 percent. We anticipate the strongest momentum to come from Asia (excluding Japan), with economic growth of approximately 5 percent.

We do not expect any significant short-term improvements in foreign-exchange rates.

We are closely watching developments in the crisis regions, where the situation is deteriorating. Our main priority is to ensure the safety and wellbeing of our employees in these countries.

We expect the recent developments in the Russian-Ukrainian conflict, as well as the persisting political turmoil in the Middle East, to continue to have a negative impact on the market environment for the rest of the year. Therefore, we anticipate a slower growth of adjusted earnings per preferred share in the second half of this year compared to the first half.

Fast response and a high degree of agility and flexibility will remain key success factors and we will continue to simplify and further accelerate our processes and structures.

Despite the difficult environment, we today confirm our guidance for the current fiscal year.

We expect to achieve organic sales growth of 3 to 5 percent in 2014 and we anticipate that each business unit will generate organic sales growth within this range.

We expect to increase adjusted return on sales to around 15.5 percent.

And we anticipate an increase in adjusted earnings per preferred share in the high single digits.

Ladies and Gentlemen,

We have a clear strategy as we work towards achieving our 2016 targets. It provides the basis for the future successful development of our company. Despite the increasingly difficult and volatile market conditions, we are consistently working on the implementation of our strategic priorities and made good progress in the second quarter. We are well on track to implement our strategy and reach our targets for 2016.

Ladies and Gentlemen,

Many thanks for your attention. Carsten Knobel and I are now ready for your questions.