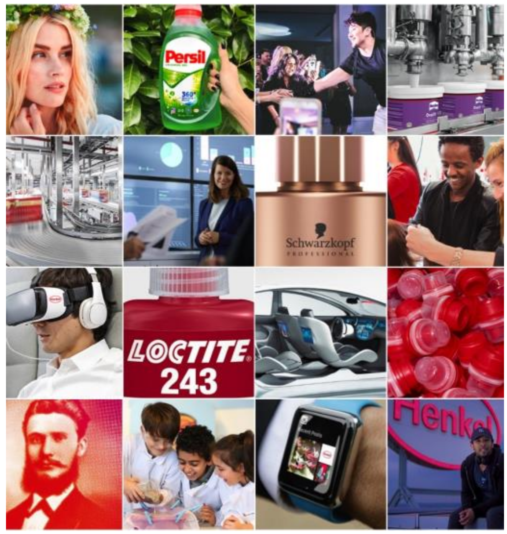
Henkel Q2 2018

Hans Van Bylen, Carsten Knobel
Düsseldorf, August 16, 2018



Commented Slides / Earnings Conference Call Q2 2018
August 16, 2018

Henkel representatives
Hans Van Bylen; Henkel; CEO
Carsten Knobel; Henkel; CFO
& Investor Relations Team

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Hans Van Bylen, CEO:

Dear Investors and Analysts,

good morning from Duesseldorf, and welcome to our earnings call for the second quarter of 2018.

I would like to begin by reminding everyone that the presentation, which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant U.S. legislation, can be accessed via our website at henkel.com/ir. The presentation and discussion are conducted subject to the disclaimer. We will not read the disclaimer, but propose we take it as read into the records for the purpose of this conference call.

Agenda

1. **Key Developments Q2 2018**
2. Financials Q2 2018
3. Outlook FY 2018 & Summary

Today, I'm going to lead you firstly through the key developments of the second quarter in 2018.

Then Carsten will comment the detailed financials.

After that, I will close my presentation with the guidance for fiscal year 2018, our focus areas for the remainder of the year and the key take-aways.

And finally, Carsten and I, of course, will take your questions.

Operating in a heterogeneous environment

Q2 2018 key macroeconomic developments

Strong industrial production[1]

Moderate global GDP growth, continued strong IPX

HPC markets mixed

Persisting difficult conditions and ongoing competitive/pricing pressure

Currency devaluation

Intensified headwinds from key Emerging Market currencies

Commodity inflation

Increased direct material price pressure including force majeures

[1] Source: IHS Markit Q2 2018

Let me start with an overview on key macroeconomic developments impacting our businesses.

Henkel overall operates in a continuously heterogeneous environment.

The overall economy is characterized by a moderate global GDP growth and continued strong momentum of the industrial production. Against the background of increasing geopolitical and economical risks, we are facing an environment of higher uncertainty and volatility. However, so far, with limited implications on the economic developments and outlook.

The difficult conditions in the consumer goods markets persist with an ongoing price and promotion pressure, especially in key Mature Markets.

Looking at FX, we continue to see weakness of major currencies. Besides the U.S. dollar, we see intensified headwinds from key Emerging Market currencies such as the Turkish Lira or the Russian Ruble, which devaluated significantly compared to the prior year quarter.

At the same time, we face an increased direct material price pressure, including market shortages and force majeures.

Strong profitable growth in Q2 2018

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT %	Adjusted EPS Growth
€ 5.1 bn	+3.5%	€ 926 m	18.0%	+1.9%

- Strong organic sales growth driven by very strong performance of Adhesive Technologies
- North American consumer goods businesses back to normal service levels
- Top and bottom line at record levels despite significant FX headwinds
- Continuous improvement in Adjusted EBIT Margin supported by strong cost management focus
- Adjusted EPS above previous year

In this environment, Henkel achieved a strong growth in the second quarter of 2018, further increasing sales, adjusted EBIT and adjusted earnings per preferred share.

The strong organic sales growth at 3.5% in the second quarter was driven by the very strong performance of Adhesive Technologies. Beauty Care and Laundry & Home Care came back to growth as the North American consumer goods businesses returned to normal service levels in the course of the quarter.

Group sales were also supported by a double-digit increase in digital sales with a particularly strong performance in our consumer businesses.

Sales reached a new record level of EUR 5.1 billion, nominally 0.9% above the prior year. Also in the second quarter, FX headwinds had a very strong impact on the quarter with minus 6.1%.

Also, Adjusted EBIT came in at a new high of EUR 926 million. And we continue on our profitable growth path, increasing the Adjusted EBIT Margin to 18.0%, up 20 basis points, supported by our strong cost management focus.

Despite significant negative FX headwinds of minus 5.8% as well as increasing raw material headwinds on the bottom line, we continue to deliver a strong operating performance and grew the adjusted earnings per preferred share by 1.9% to EUR 1.58. Carsten will talk about ongoing FX-headwinds and direct material price pressure on our P&L later on.

Adhesive Technologies

Continued strong performance in Q2 2018 with all business areas contributing

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 2.4 bn	+5.2%	€ 462 m	19.0%

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I will now go through our business units, starting with Adhesive Technologies.

The business unit continued its profitable growth path and delivered, again, a strong performance.

With very strong organic sales growth of 5.2%, Adhesive Technologies continued to outperform its markets and relevant peers, driven by innovative high-impact solutions for its global customer base.

All business areas contributed to this strong momentum.

In a challenging environment with intensifying raw material headwinds, the business unit accelerated the implementation of further pricing measures. Together with the execution of our Fund Growth initiatives, this resulted in a continuously high adjusted EBIT margin level of 19.0%.

Adhesive Technologies

Highlights Q2 2018

- **Aerospace**
  Double-digit growth with high-performance solutions for aircraft manufacturers
- **Metal Packaging**
  Significant growth with high-impact solutions for manufacturers of metal cans
- **Automotive Electronics**
  Significant growth with innovative solutions for connectivity and e-mobility

Let me highlight some examples among the initiatives that contributed to the strong performance of Adhesive Technologies.

In the Aerospace business, we achieved double-digit growth driven by high-performance solutions for aircrafts, which enable the increased use of lightweight constructions and help to improve safety.

In the Metal Packaging business, we achieved significant growth driven by our high-impact solutions for beverage, food and aerosol cans. Our unique portfolio enables our customers to enhance sustainability, increase line speeds and reduce costs.

In the Automotive Electronics business, we achieved significant growth driven by our innovative solutions, for example, in the thermal heat management. Our advanced materials enable our customers to further innovate in the areas of connectivity, eMobility and autonomous driving.

Summing up, Adhesive Technologies has shown another excellent quarter, mastering the headwinds from raw materials and FX while continuously outperforming competition.

Beauty Care

Positive organic growth at consistently high profitability level

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 1.0 bn	+0.4%	€ 187 m	18.1%

Schwarzkopf Dial syoss

Beauty Care returned to positive organic sales growth of 0.4% in the quarter.

The Hair Professional business continued its successful development and achieved another quarter with strong organic sales growth.

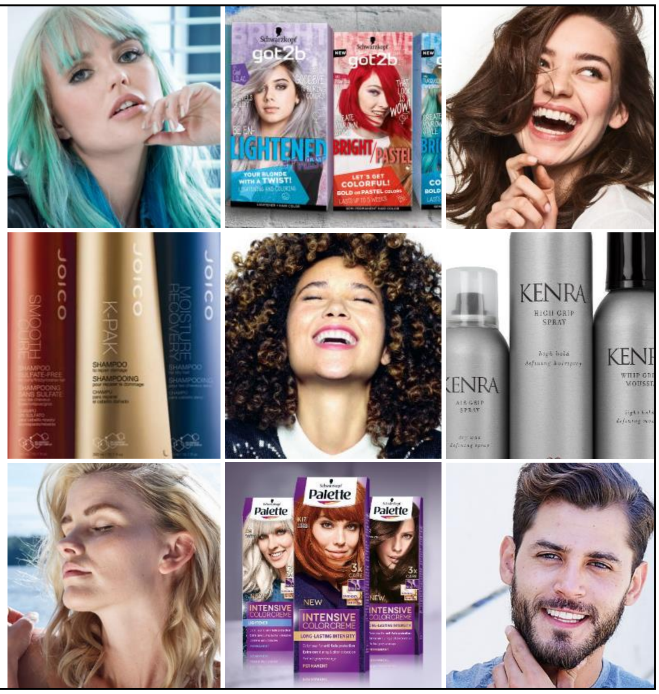
In a continued weak global mass beauty market, the Retail business was organically slightly below prior year. North America returned to growth and was back to normal service levels in the course of the second quarter.

At the same time, we delivered profitable growth and increased the adjusted EBIT margin to 18.1%. Also here, our Fund Growth initiatives had a positive impact.

Beauty Care

Highlights Q2 2018

- **Hair Professional**
  Continued strong growth momentum, fueled by both Mature and Emerging Markets
- **Hair Coloration**
  Very strong organic growth and market share expansion across regions
- **North America Retail**
  Back to normalized service levels and positive organic sales growth



Let me highlight some categories and businesses in Beauty Care that showed a compelling performance.

The Hair Professional business continued its strong growth momentum, further enhancing its market position in both Mature and Emerging Markets. Growth was especially driven by our Schwarzkopf Professional brands such as IGORA as well as by our acquired brand Kenra.

Also, our Retail Hair Coloration business continued its very strong growth momentum and further expanded market shares across regions. Existing and new branch such as Palette, Natural & Easy and got2b Color contributed to this result.

In North America Retail, we were back to normalized service levels and positive organic sales growth in the second quarter. This was supported by the successful expansion of our hair category, in particular, the successful roll-out of our got2b brand.

In summary, the slight organic growth at consistently high-margin levels is encouraging. The team is working hard to accelerate the performance further going forward.

Laundry & Home Care

Good organic growth driven by Emerging as well as Mature Markets

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 1.6 bn	+2.9%	€ 295 m	17.9%

Laundry & Home Care delivered good organic sales growth of 2.9% in Q2. Both Mature and Emerging markets drove this development.

In the Laundry Care business, organic sales growth was very strong. In Home Care, sales decreased organically year-over-year. Also for Laundry & Home Care we returned to normal service levels in North America.

With a strong increase of 40 basis points, the adjusted EBIT margin reached 17.9%. In a highly competitive environment this performance reflects the very good progress in the Sun integration as well as the implementation of our Fund Growth initiatives.

Laundry & Home Care

Highlights Q2 2018

- **Persil**
  Double-digit growth driven by successful base business and innovations
- **Middle East / Africa**
  Very strong growth driven by premium detergent and dishwashing brands
- **North America**
  Top line recovery supported by service levels back to normal and successful innovations

Let me come to the highlights of our Laundry & Home Care business unit.

Our Persil brand delivered double-digit growth. This was driven by a successful base business as well as innovations such as the Persil relaunch in Europe, offering higher concentrated formulas while at the same time offering even better performance.

Middle East/Africa continued to deliver very strong growth in the second quarter of 2018 thanks to our dishwashing and premium detergent brands like Pril and Persil throughout the region.

In North America the top line recovery was supported by the return to normal service levels as well as the successful launch of innovations such Persil Pro Clean Odor Fighter or the 'all oxi clean'.

In summary, a very sound performance of Laundry & Home Care in the second quarter.

And with this, I now hand over to Carsten.

Agenda

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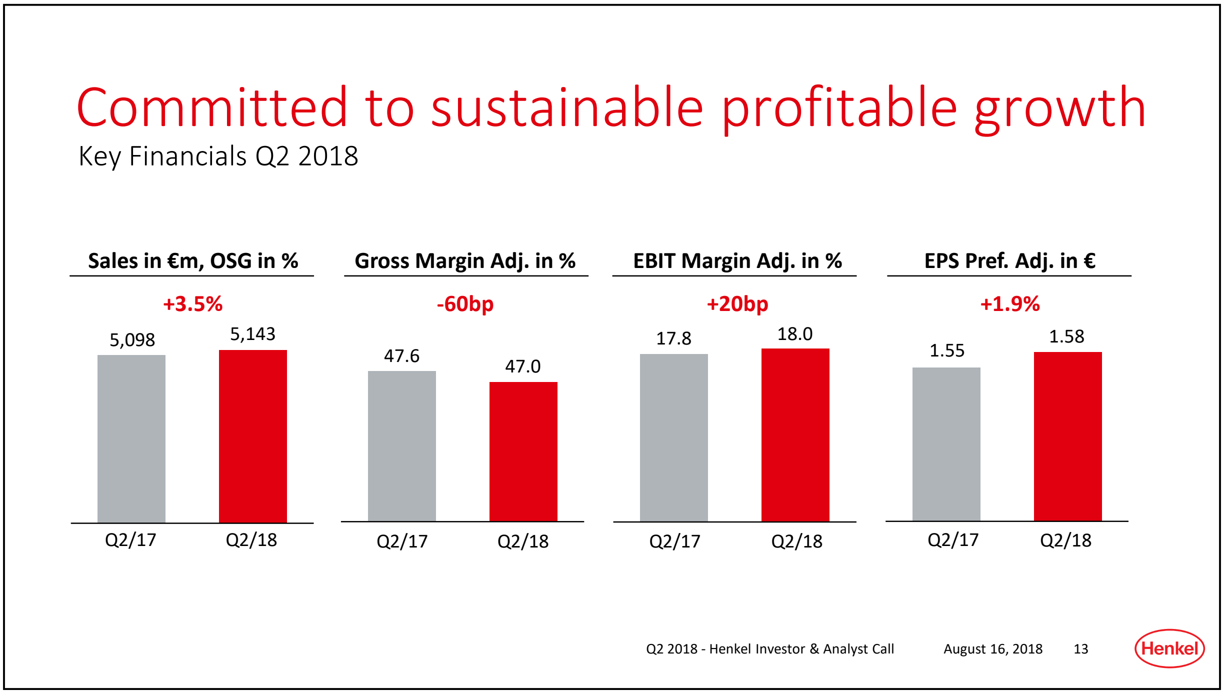
Carsten Knobel, CFO:

Thank you very much, Hans, and good morning to everyone.

Let us now have a look at the financials of the second quarter of 2018 in more detail.



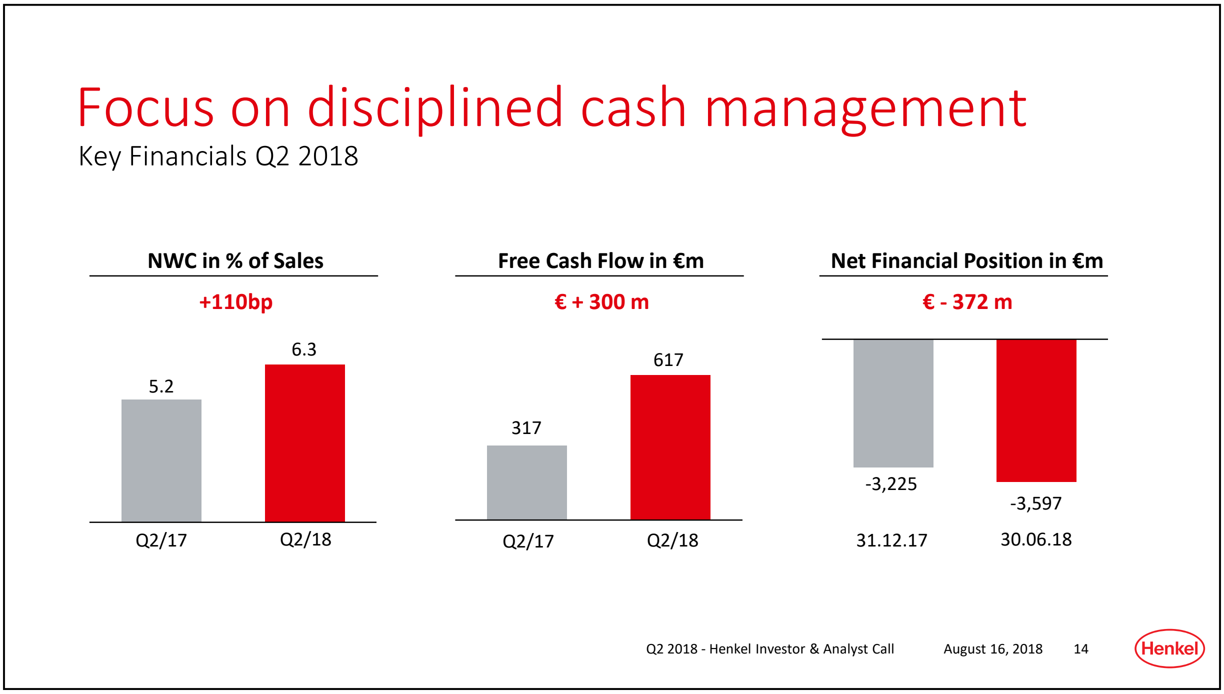
In the second quarter of '18, Henkel showed a strong growth.

Overall, we generated record net sales of EUR 5.1 billion. This is 0.9% up on the previous year's level, significantly impacted by FX. We delivered a strong organic net sales growth of 3.5%.

The adjusted gross margin came in at 47.0% compared to the 47.6% in the prior year quarter.

We continued to increase the adjusted EBIT margin, now to a level of 18.0%. This is up 20 basis points compared to the prior year level, and this is thanks to the execution of our Fund Growth initiatives as well as the integration of our acquisitions, which I will allude to later during the presentation.

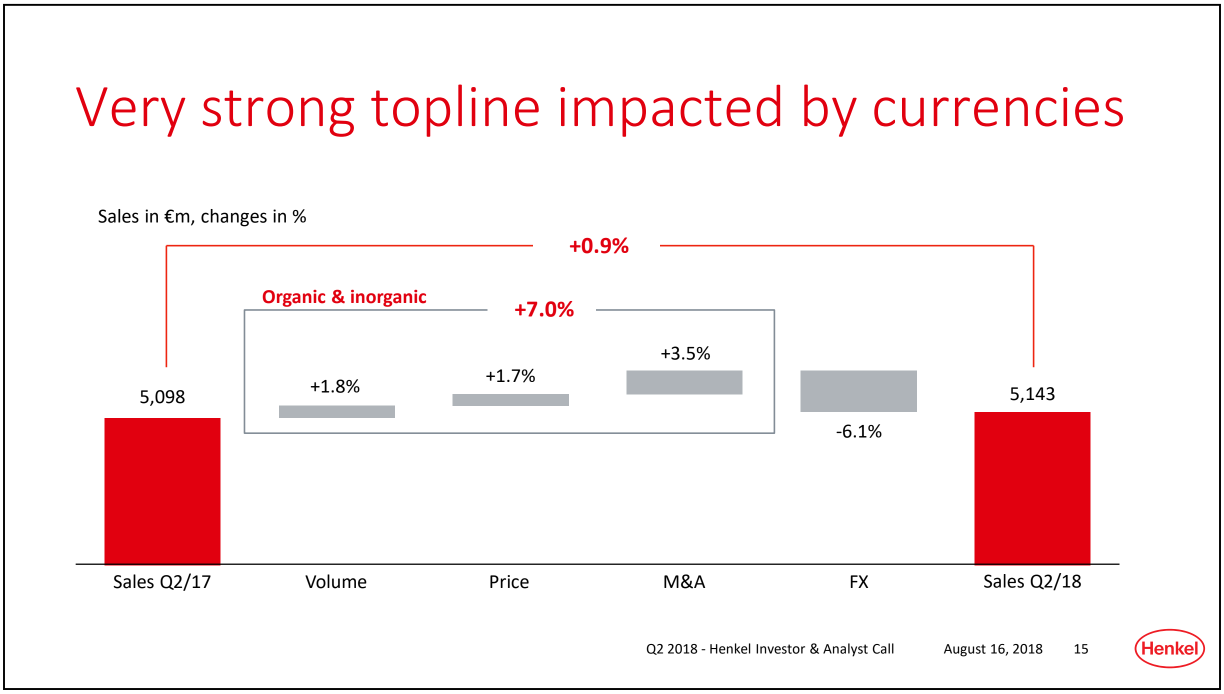
We achieved, as already heard, a new quarterly high for our adjusted earnings per share of EUR 1.58, which represents an increase of 1.9% despite significant FX and direct material headwinds. Adjusted for currency effects, we showed a continuously strong operational EPS performance of 7.7% in the quarter.



Looking at our cash KPIs, the ratio of net working capital to sales increased to 6.3%. This is 110 basis points up versus the prior year quarter.

The Free Cash Flow, very positively, was strong at EUR 617 million, mainly driven by an improved Operating Cash Flow.

Lastly, our Net Financial Position remained robust at minus EUR 3.6 billion, that's EUR 0.4 billion below the year end, following the payout of our dividends.



Coming back to the Group performance in terms of top line. Let's have a closer look at our sales bridge.

Organically, we delivered a strong growth of 3.5%, as already indicated, with a good balance between volume growth, 180 basis points; and pricing of 170 basis points. Important to remark that all 3 business units contributed to the pickup in pricing.

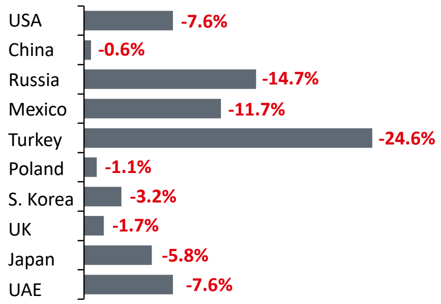
The net effect of our acquisitions and divestments had a positive impact on sales of 3.5%. So adding the organic plus the inorganic growth, this amounts to 7.0%, a very strong increase.

This was almost entirely offset by significant currency headwinds, as you can see on the chart, of minus 6.1%.

As a result, sales increased nominally by 0.9% in the second quarter to a level of EUR 5,143 million.

Strong FX-headwinds from EM

Top 10 non-€ countries[1], Q2 FX depreciation[2]



[1] in order of 2017 group revenue share
[2] vs. Euro; Q2 avg. exchange rate vs. PY (Source: ECB)

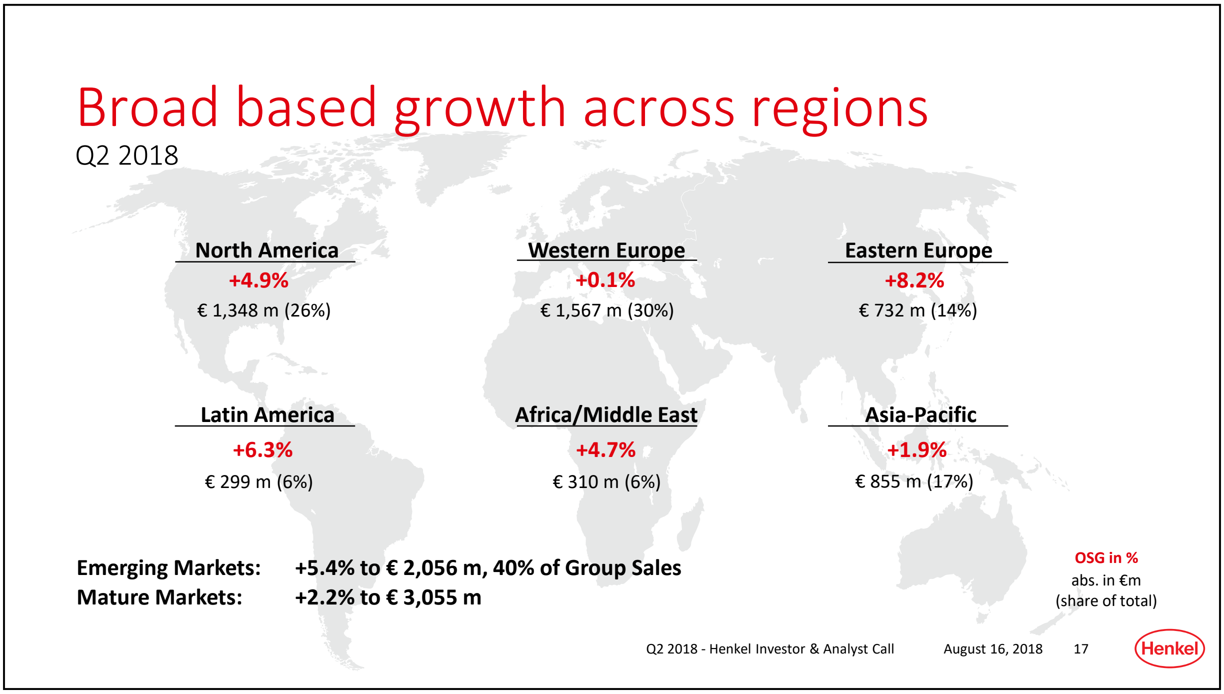
Key developments

- Significant FX-headwinds of 6.1% on top line
- Almost 2/3 of absolute headwinds in Q2 from emerging market currencies
- Lower US-Dollar headwind in Q2 vs. Q1
- Key emerging market currencies with high volatility and increasingly negative impact on results

Also Q2 was heavily impacted by FX, as already said, by minus 6.1%, only slightly lower compared to the first quarter in 2018 where we had a level of minus 8.6%.

We have listed here our top 10 non-Euro countries on the left side of the chart. All of them were weakening against the Euro in the second quarter of '18, some even with double-digit development. The biggest headwinds in absolute terms came in from the U.S. Dollar, the Russian Ruble and the Turkish Lira. In the second quarter, Emerging Market currencies already accounted for almost 2/3 of the absolute headwind we faced.

While FX effects overall were lower quarter-on-quarter, especially key Emerging Market currencies had an increasingly negative effect on our results in Q2. And based on the recent developments on the FX markets, we expect them also to remain very volatile also looking ahead.

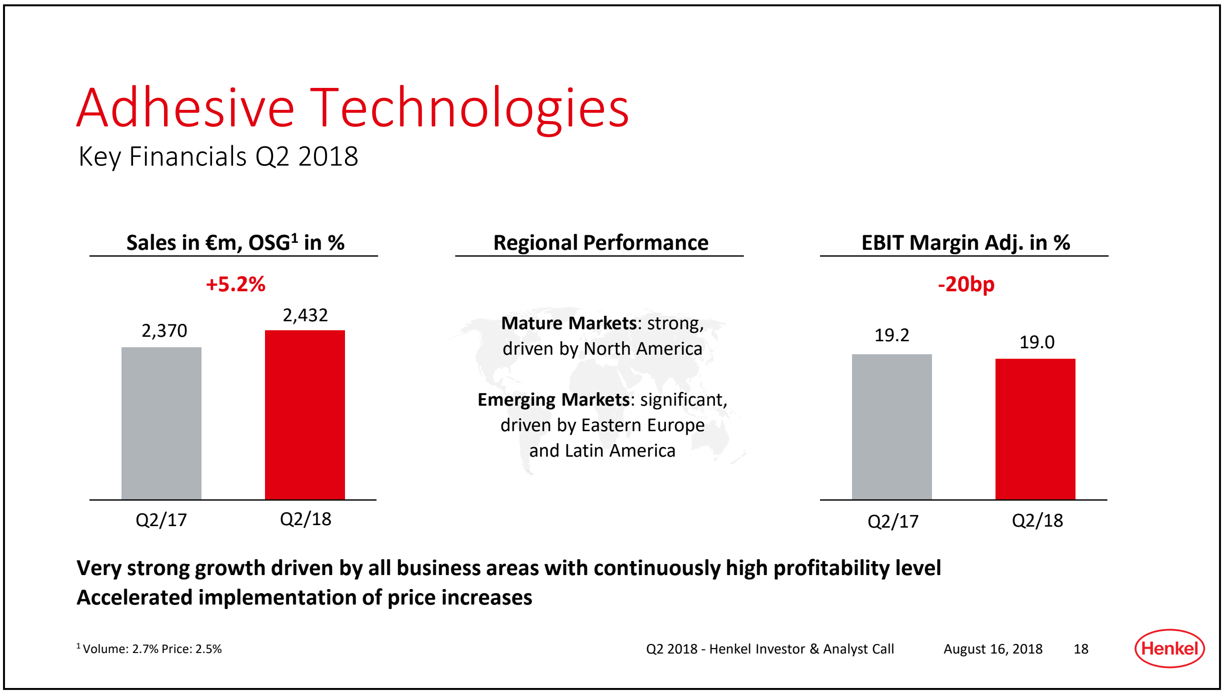


With that, let me now come to the organic sales performance of our regions.

We have seen a broad-based growth across the regions with a strong organic growth driven by the Emerging Markets with a very strong growth of 5.4%. Sales amounted to EUR 2.1 billion overall, representing now 40% of the Henkel Group sales, slightly below the level of the prior year. Reason for that, as already indicated, the significant increase of the currency effects in the Emerging Markets.

Sales in the Mature Markets came in at the level of EUR 3.1 billion, organically, this is a 2.2% increase above the prior year, and this was driven by a very strong growth in North America where we returned to a normal service level in our consumer goods businesses. And thanks to our countermeasures, we were able to partially catch-up on the Q1 losses, nevertheless, year-to-date, we are still at minus 0.9% organic growth.

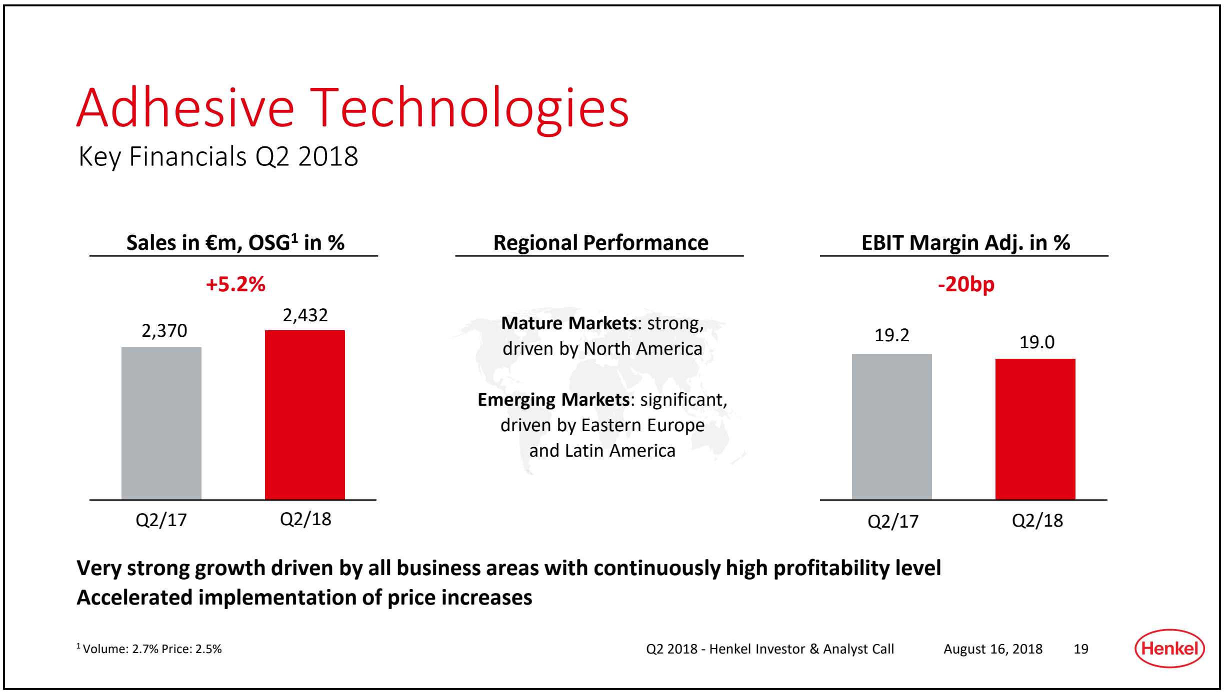
Sales in Western Europe organically were stable at 0.1% as a result of ongoing price and promotional pressure in the consumer goods businesses. Eastern Europe recorded a significant organic net sales growth of 8.2% driven by a double-digit development in Turkey. Latin America recorded very strong growth with a level of 6.3%. Africa/Middle East achieved a very strong organic sales growth of 4.7% despite the continued political and social unrest in some of these countries. And lastly, Asia Pacific showed a good organic sales growth of 1.9%. Here we have seen in India and in China strong growth development.



With that, let me now move to the performance of our business units and starting with Adhesive Technologies. The business unit once again, and this is a very positive and good development posted a very strong organic net sales growth of 5.2%, driven by a very balanced combination of volume growth of 2.7% and price growth of 2.5%. And especially, let me also highlight the development regarding price. As you know, we are talking every quarter on that, and there are a lot of questions on that. But as indicated, in Q3 of last year, in 2017, we had a price impact of 50 basis points; in Q4 of last year of 100 basis points. We started the year 2018 in Q1 with an increase of 110 basis points. And as I alluded before, 250 basis points price increase is a clear point that we are accelerating the implementation of price increases in order to offset the ongoing pressure, which comes from significant raw material headwinds.

Acquisitions in that context contributed 3.3%, and Adhesive Technologies were impacted by the adverse currency effects on the level of minus 5.9%. And that resulted in a nominal sales increase of 2.6%, now to a level of EUR 2.4 billion.

Also good to state that all business areas contributed to this very strong organic sales growth. The performance was driven by a significant increase of our General Industry business, Electronics, Transport and Metal and Consumer and Craftsmen, each delivered a very strong growth. Packaging Adhesives contributed with a strong growth.



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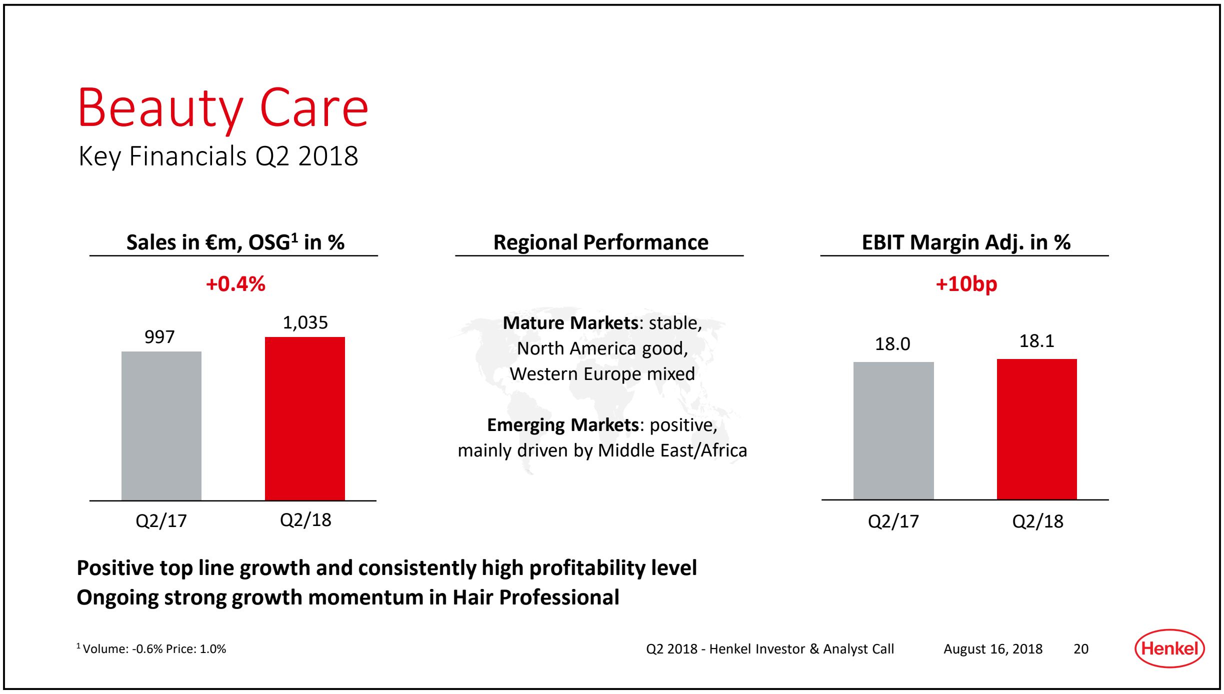
Looking at the regional perspective. Adhesive Technologies recorded a strong organic sales growth in the Mature Markets, very strong development in North America and a good organic growth in Western Europe. Looking at the Emerging Markets. Again, also here, a significant organic net sales growth development, and this was driven by a double-digit development from Eastern Europe and a significant growth in Latin America. Asia, excluding Japan, contributed with a very strong growth.

And finally, moving on to the profit of Adhesive Technologies, we recorded a margin of 19.0%. A high number, although the adjusted EBIT margin was slightly below the prior year level. Excluding the impact from acquisitions, you know that we made some in last year, which impacted also here the business, it would have been stable. Thanks to the accelerated implementation of the price increases, as I indicated before, as well as our strong cost management focus, we therefore were able to offset the significant headwinds from the higher raw material prices.



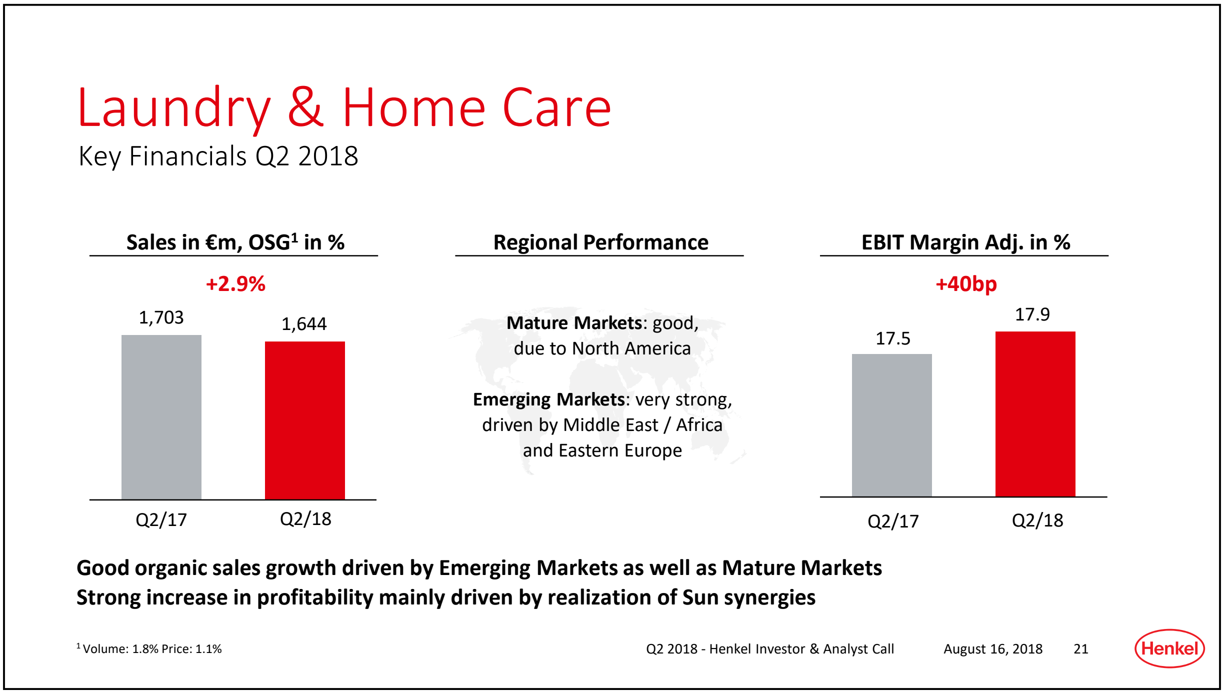
Looking now on our Beauty Care business. The Beauty Care business returned to growth.

Organic sales was positive at 0.4%, also here, driven by a good price component of 100 basis points, while the volume was negative with minus 60 points. The currency effects on the division were as on Adhesives with minus 5.9%. Thanks to the Professional acquisitions in Hair, which contributed 9.3% to the growth, we achieved record sales of more than EUR 1 billion in quarter 2; in nominal terms, we were up 3.8% compared to the prior year.

In persistently very difficult market conditions the organic sales growth was still slightly negative in Retail. However, we see first signs of an improvement, and our innovation pipeline makes us confident to further improve going forward. The Hair Professional business, as you have seen for a lot of quarters, more than 10 quarters in a row now, shows a strong organic sales growth also in quarter 2 of this year.

Looking at the regions. The Mature Markets displayed a stable development, thanks to North America, which returned to growth backed by the normalization of our service levels. The performance in Western Europe was mixed with an ongoing high competitive pressure in the key markets.

The Emerging Markets posted a positive growth, mainly driven by Middle East/Africa. Despite these challenges, Beauty Care maintained its consistently high profitability level, slightly increased the adjusted EBIT margin now to a level of 18.1%. This is an increase of 10 basis points. And this is also thanks to the continued execution of our Fund Growth initiatives.



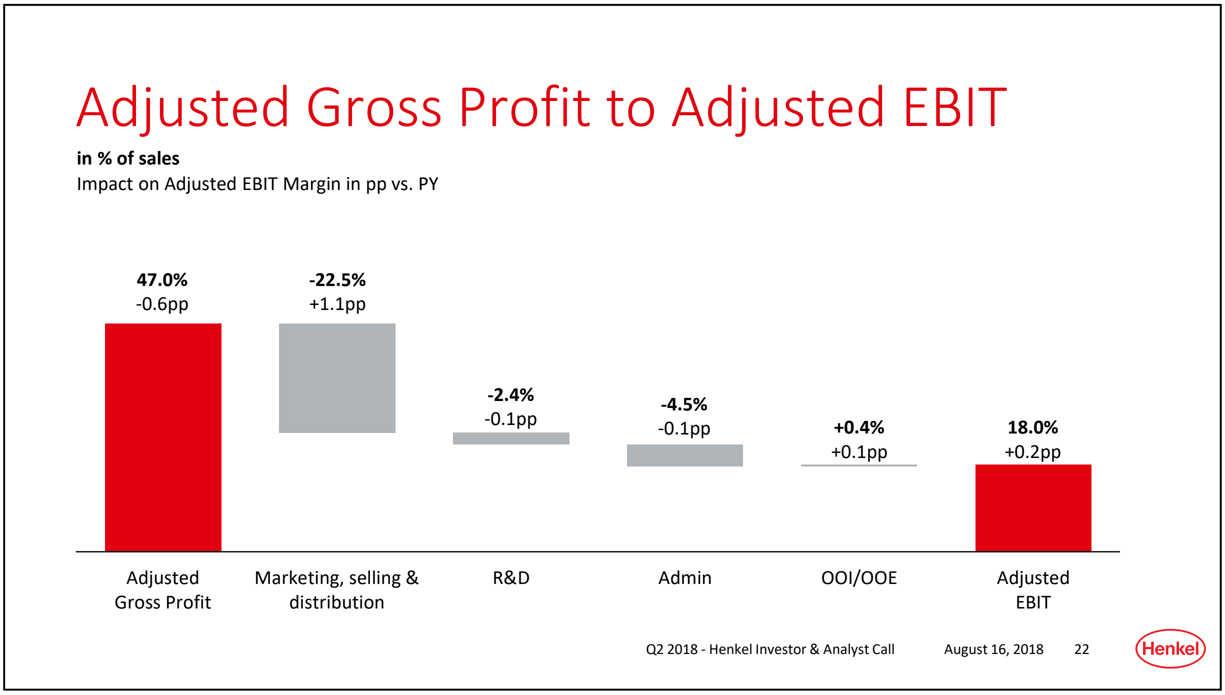
With that, let me move finally to our Laundry & Home Care business. The business unit showed a good growth momentum, as you have already heard, with organic sales of 2.9% up in the quarter, driven by an increased volume of 1.8%, and also here, prices are up by 110 basis points. Acquisitions had a small impact of 0.4%. The negative currency effects for the division amounted to minus 6.7%, the highest impact related to the 3 divisions. So that in total, nominal sales were down by minus 3.4%.

Looking at the 2 business areas. Laundry Care delivered a very strong organic sales growth. The Home Care business was below the level of the prior year for the quarter, but we have a stable development for the first half year.

In the Mature Markets, we achieved a good organic sales growth. This was driven also here by a good development in North America where also, like in Beauty Care, we returned to normal service levels as well as the Mature Markets of Asia Pacific showed a good development. In Western Europe, we showed a good development in Germany and in France.

Looking at the Emerging Markets. Here, we have seen a very strong organic sales development. This was driven in particular by a very strong growth in Africa/Middle East and in Eastern Europe.

Laundry & Home Care has a track record of profitable growth and delivered in the quarter 2 a strong increase in the adjusted EBIT margin now to a level of 17.9%. This is an increase of 40 basis points. And also here, this reflects on the one side, the strict cost management focus we are having; and on the other side, the very good progress with the integration of our Sun acquisition.

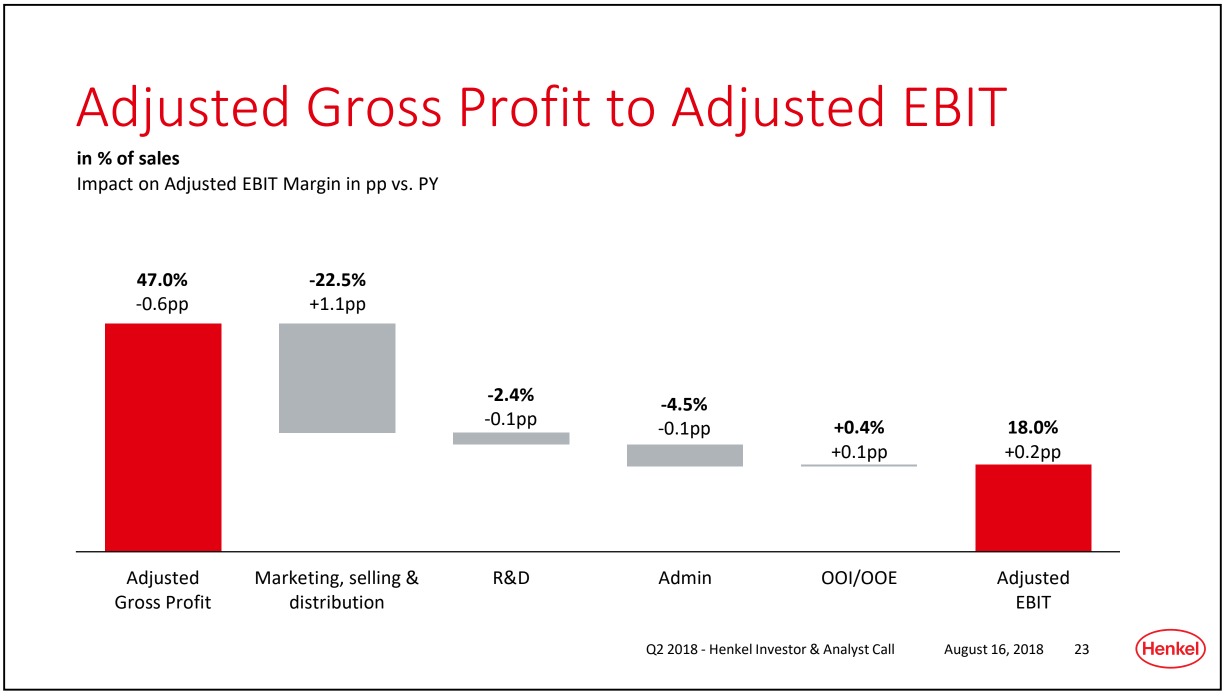


With that, let me now move back to the Henkel Group perspective and in particular to our adjusted income statement. And I will give you some more details of the development of the different lines.

Our adjusted gross margin was at 47.0% compared to the 47.6% in the prior year. The development was driven by a continued headwind from higher direct material prices and also transactional FX headwinds. These could not be fully offset by our continued savings from cost reduction measures and the efficiency improvements and the price increases. As I said, we accelerated the implementation of our price increases, especially in Adhesive Technologies, thus limiting the negative impact on our gross margins. Also in our consumer goods businesses, we are facing headwinds from raw materials, partially offset by also the positive price effects I alluded before.

Moving now to our part of marketing, selling and distribution expenses. They were, in percent, 110 basis points lower, now at the level of 22.5%. This was mainly driven by the continued realization of the efficiency gains through our ONE!ViEW initiative. Furthermore, the higher share of our Adhesive Technologies business, our acquisitions and the FX effects contribute to the positive development. Lastly, as also indicated in the quarters before, we adapted also our marketing spend to the current business environment, while we continue to adequately invest in our brands.

R&D and administrative expenses remained largely stable in Q2 2018. And with EUR 20 million, the balance of operating income and expenses remained at a low level.



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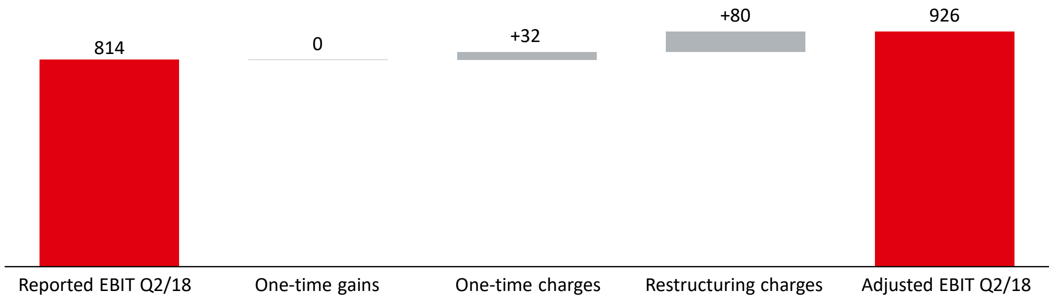
Coming back again to our margin and looking overall at the situation, the adjusted EBIT increased by 1.8%, now to a level of EUR 926 million. And by that, the adjusted EBIT margin continued to increase by 20 basis points, now to a level of 18.0%. This is in particular driven by our progress in the implementation of our 4 Fund Growth initiatives, which we will further advance also going forward. And let me give you some more highlights on that. With ONE!ViEW, we have reached a new level of transparency and are consequently optimizing on non-personal costs. Secondly, with our Most Efficient Structures, we are increasing the efficiency gains with meanwhile more than 130 robotic solutions and automated processes in our Shared Service Center landscape, and we are continuing to adapt our production and admin structures. Thirdly, we are further rolling out our ONE!Global Supply Chain initiative, and we are seeing an increasing contribution, and that's the fourth initiative, from our Net Revenue Management, which we are currently rolling out on a global level. We are well on track to achieve more than EUR 500 million, as already indicated during our full year presentation at the beginning of the year. And after more than EUR 100 million in 2017, we are confident to make further significant steps towards our ambition also in this year, thanks to the progress I mentioned before.

In the light of the intensified headwinds we are facing, we will for sure bring a higher share of the efficiency gains to the bottom line as we already have done also in Q2.

Adaptation of our structures to the market

in €m



Focus of restructuring measures on go-to-market approach in key markets and optimizing structures
Restructuring expenses of € 200 to 250 million expected in FY 2018

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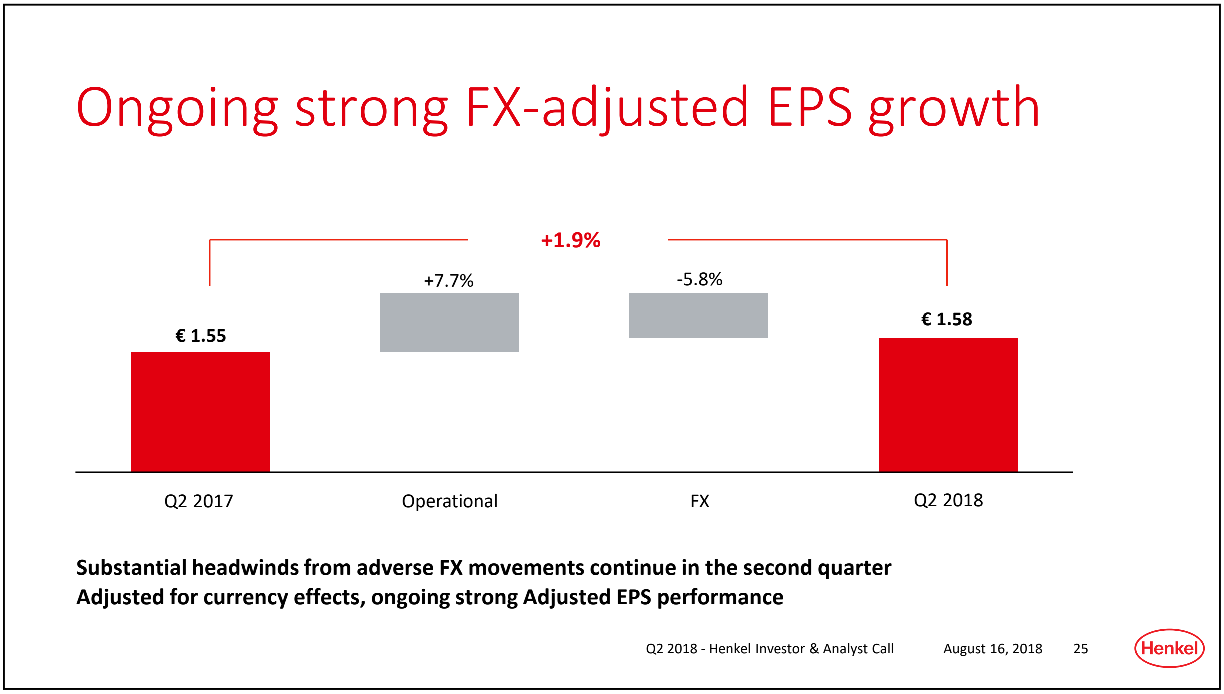
With that now, let me now share the detailed bridge from our reported to the adjusted EBIT.

The reported EBIT came in at EUR 814 million. We had no one-time gains during this Q2. We incurred EUR 32 million as one-time charges, which relates to 2 topics: on the one side to our acquisitions and secondly to the optimization of our IT infrastructure.

Restructuring charges increased to EUR 80 million in the second quarter. The focus here was on the adaptation of our sales and distribution structures in key Emerging Markets to the market environment as well as further optimization of our structures in R&D, admin and operations for example by reducing the number of layers in our organization.

We continue to expect a restructuring expenses of EUR 200 million to EUR 250 million in 2018. And as we spend a relative high number of EUR 164 million in the first half, we will end the year, most likely, more at the higher end of this range.



Earlier on, I already highlighted the continuously significant impact of FX on our sales growth.

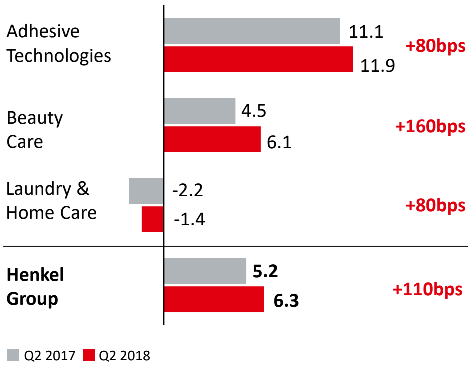
This is, of course, also impacting our adjusted EPS growth with a very strong FX headwind of minus 5.8%, only slightly below the Q1 impact in 2018, which was at the level of minus 6.4%.

If we would exclude the FX, we continued to deliver a strong operational EPS performance, as highlighted at the beginning of the presentation, with a level of 7.7%, only to remind you the same number in Q1 2018 was at the level of 7.8%.

So overall, the adjusted EPS came in 1.9% higher at a new quarterly high of EUR 1.58.

Net Working Capital above prior year

in % of sales



- Net Working Capital of Adhesive Technologies impacted by acquisitions and temporary operational effects
- Increase in Beauty Care mostly driven by acquisitions
- Consumer goods businesses back to normal service levels in North America; Net Working Capital still impacted but recovering

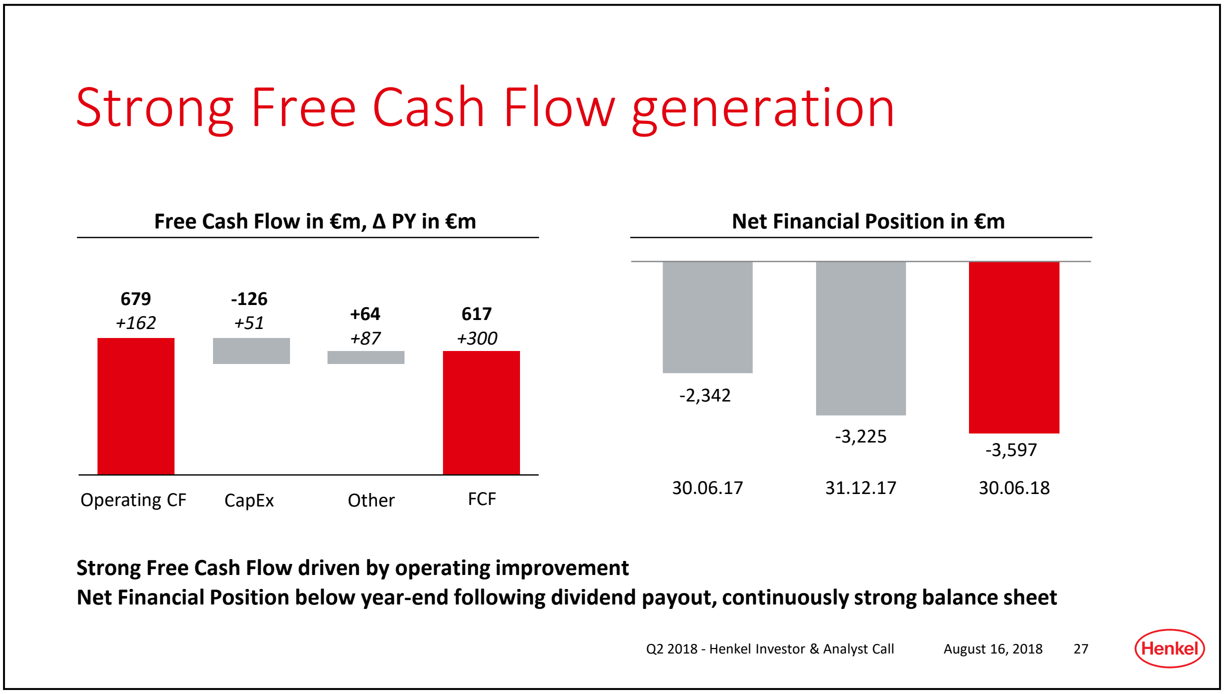
Let's move to some more details on our cash KPIs, and here, starting with Net Working Capital.

Net Working Capital of Adhesive came in at 11.9%. This is an increase in Q2 of 80 basis points, of which 20 basis points account for the acquisition effects I also mentioned before, and the remaining increase is mainly related to temporary operational topics such as the production scale-up or shift.

In Beauty Care, Net Working Capital increased by 160 basis points to a level of 6.1%. The increase is mostly driven by acquisitions, which account for 140 basis points of that 160 basis points. And in Laundry & Home Care, we recorded an increase of 80 basis points now to a level of minus 1.4%.

While our consumer goods businesses, as reported were back to a normal service level in North America, we will take some more time to also reduce our Net Working Capital levels. However, we already covered almost half of the negative effects in the second quarter and would have shown an operational improvement year-on-year in both business units if we would adjust for these one-time effects.

As a result, the Group recorded now a Net Working Capital increase of 110 basis points to 6.3% in Q2. If we exclude the effects of acquisitions and the effects in North America, we would have shown a performance on a prior year level. But to be sure and be very clear, we are putting high emphasis on getting back to a lower level, and will continue to report on this progress we are making quarter by quarter going forward.



With that now, let me move to our Free Cash Flow, and I already talked about it that we were very satisfied with the development in Q2. We increased the number by EUR 300 million in quarter 2 to EUR 617 million. The Free Cash Flowin the first 6 months now is EUR 639 million and also up by that year on year. And this increase would have been even stronger if we would adjust for the special EUR 200 million I reported during Q1, the technology investment we did in one of our divisions.

The strong Free Cash Flow in the quarter was mainly driven by an increase in Operating Cash Flow, which was up EUR 162 million compared to year-on-year, and we continued to invest in our businesses and spent roughly EUR 126 million on Capital Expenditures. The figure is below Q2 last year, mainly due to different phasing of our investments.

Thanks to our strong Free Cash Flow, the Net Financial Position decreased by only EUR 0.4 billion, now to a level of minus EUR 3.6 billion, driven by the dividend payout, which we recorded in April.

Summing up, we continued to have a very strong balance sheet. And with that, good moment, to give back to Hans.

Hans Van Bylen:

Thank you very much, Carsten.

Let me now conclude with our guidance for 2018, our priorities for the remainder of the year and the key take-aways, before we move on to the Q&A.

Good development in first half 2018

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT %	Adjusted EPS Growth
€ 10.0 bn	+2.3%	€ 1.8 bn	17.7%	+1.7%

Organic Growth by Business Unit	
Adhesive Technologies	+5.0%
Beauty Care	-2.0%
Laundry & Home Care	+1.1%

Adjusted EBIT % by Business Unit	
Adhesive Technologies	18.5%
Beauty Care	17.4%
Laundry & Home Care	18.2%

But let me first briefly summarize our performance in the first 6 months.

The first half of 2018, Henkel generated sales of EUR 10 billion. Organic sales growth was at 2.3%. Foreign exchange effects reduced sales by a minus 7.4%. Adjusted operating profit rose by 0.3% to EUR 1.8 billion, and we increased the adjusted EBIT margin by 30 basis points to 17.7%.

Looking at the business units in the first half of 2018. Adhesive Technologies generated very strong organic sales growth of 5.0% and a continuously high adjusted EBIT margin of 18.5%. Thanks to the accelerated implementation of price increases and our Fund Growth initiatives, we were able to offset the significant direct material headwinds.

Sales in our consumer good businesses were adversely affected by delivery difficulties in North America. The Beauty Care business unit showed a negative organic sales development of -2.0%. With 17.4% adjusted return on sales was at the level of the prior year. The Laundry & Home Care business unit generated organic sales growth of 1.1%; adjusted return on sales showed a very strong increase from 17.4% to 18.2%.

Summing up, despite severe FX and direct material headwinds on top and bottom line, we delivered an adjusted EPS growth of 1.7% to EUR 3.01 in the first half of 2018. Excluding FX, we grew our adjusted EPS by 7.8%.

Guidance 2018

	FY 2018 – previously	FY 2018 – updated
Organic Sales Growth	**Henkel: 2 - 4%** Adhesive Technologies: 2 - 4% Beauty Care: 0 - 2% Laundry & Home Care: 2 - 4%	**Henkel: 2 - 4%** Adhesive Technologies: 4 - 5% Beauty Care: 0 - 2% Laundry & Home Care: 2 - 4%
Adjusted EBIT Margin	**Improvement to a level above 17.5%**	**Improvement to a level of around 18%**
Adjusted EPS Growth	**5 - 8%** Reflecting currency uncertainty	**3 - 6%** Reflecting currency development

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As you can see from our half year results, we continue to operate in a business environment that is characterized by high and increasing volatility and uncertainty.

While GDP forecast indicates a moderate growth with the positive momentum of industrial production expected to continue, we anticipate challenges in the consumer goods markets to prevail. In particular key Emerging Market currencies showed an unfavorable development in Q2 and remain very volatile, which is underlined by the current turbulences on currency markets. Also for material prices the pressure further increased and is expected to remain high throughout 2018. In total, currencies and material prices have been developing more negative than expected.

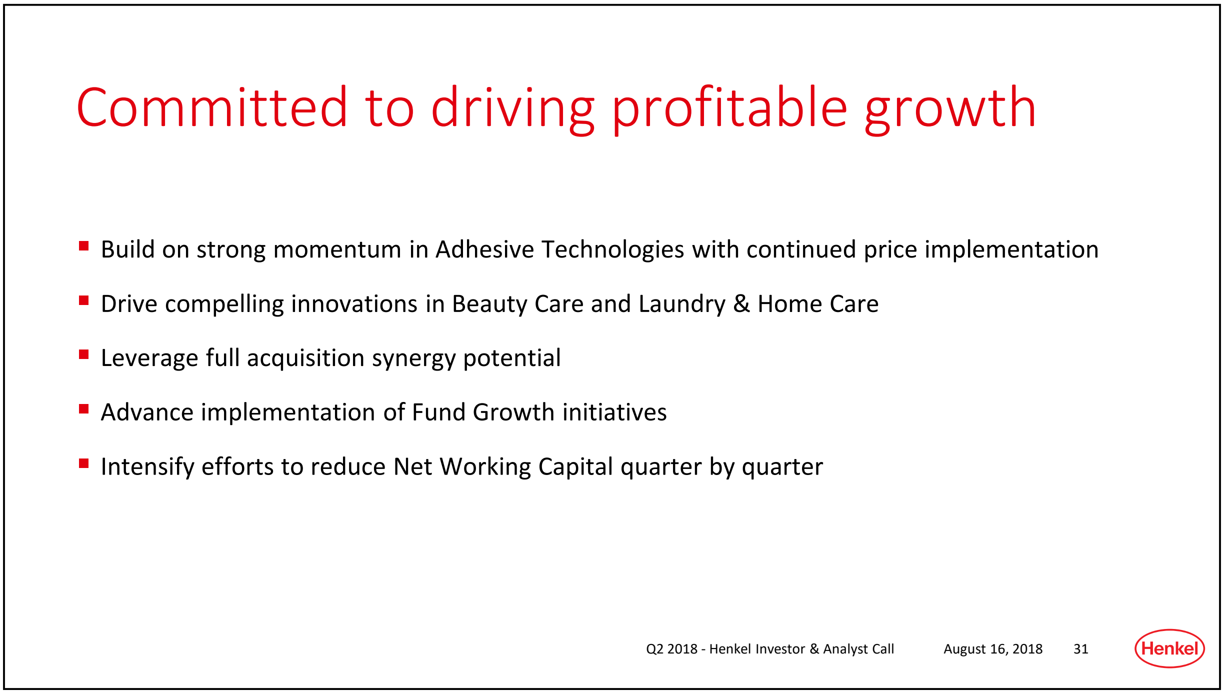
In this environment, we have updated our guidance for fiscal 2018:

We confirm our expectation for organic sales growth of 2% to 4% for the Henkel Group. We now expect organic sales growth in the Adhesive Technologies business unit of 4% to 5%. We confirm our expectation of positive organic sales growth of 0% to 2% in the Beauty Care business unit and in the range of 2% to 4% in the Laundry & Home Care business unit.

For the adjusted EBIT margin, we now anticipate an increase year-on-year to around 18%. This upgrade in particular reflects the progress we make in the implementation of price increases, our Fund Growth initiatives and the integration of acquisitions. All 3 business units are expected to contribute to this positive performance.

Reflecting the development of currencies and material prices, we now expect an increase of between 3% and 6% in adjusted earnings per preferred share.

This outlook underlines our continued focus on sustainable profitable growth and we are committed to further drive the implementation of our strategic priorities.



For the remainder of this year, we have set clear focus areas.

In Adhesive Technologies we are working hard to maintain our strong growth momentum, implementing further price measures in order to strengthen our profitable growth path.

We are driving growth in both Beauty Care and Laundry & Home Care via compelling innovations and superior execution.

We are leveraging the full synergy potential from our acquisitions.

We are advancing with the implementation of our Fund Growth and restructuring initiatives to support investments and our bottom line.

And we are intensifying our efforts to reduce Net Working Capital quarter-by-quarter.

With this we are committed to driving profitable growth.

Key take-aways

- Top and bottom line at record levels despite significant FX headwinds
- Strong organic sales growth in Q2 with continued improvement of Adj. EBIT Margin
- North American consumer goods businesses back to normal service levels
- 2018 guidance for Adj. EBIT Margin raised, Adj. EPS growth updated reflecting currency development

Let me summarize the key take-aways we wanted to convey to you today.

In the second quarter, Henkel reached record levels in sales, adjusted EBIT and adjusted earnings per preferred share despite significant FX headwinds.

We delivered strong organic sales growth driven by a very strong performance of Adhesive Technologies.

Our consumer goods businesses are back to growth, also backed by the return to normal service levels in North America.

Thanks to our continued cost management focus, we delivered a continued improvement of our adjusted EBIT margin.

Looking ahead, we raised our adjusted EBIT margin outlook, while we update the adjusted EPS growth to reflect the development of currencies and material prices.

We are well underway in the execution of Henkel 2020^{+} and our 4 strategic priorities: Drive Growth, Accelerate Digitalization, Increase Agility and Fund Growth, and we are confident to deliver on our financial ambition.

With this, let's move on now to the Q&A.

Q&A Session (p.1/7)

Question: I have 2 questions. The first question is regarding the Laundry & Home business. Obviously, we saw a margin improvement of 40 basis points, but I see that consensus expected 120 basis points. Could you elaborate a little bit on that? I guess, there were some shifting about the synergies to which we are expecting. Give us a little bit more outlook for H2. The second question is regarding currency. Given this high volatility today at constant currencies, what do you expect the full year impact will be on sales and on EPS?

Carsten Knobel, CFO: So regarding the Laundry & Home Care margin, first of all, we are continuing to doing well on the progress, and I have mentioned that on the execution of the integration of Sun and by that, also the realization of our synergies. Regarding the points, the increase of 40 points, well, maybe you expected more. There are 3 major impacts, which should be taken into account.
The first one is that there's a quite significant high FX transactional impact, especially driven by Middle Eastern countries. Secondly, the logistic costs, especially market-driven, especially in North America, impacting the situation. And thirdly, I think that's also something which you can see from others, there's a quite high competitive pressure, which is currently existing. That was the first point.

And the second question was related to FX. But as I understand, you're asking what we expect going forward. We are not guiding on FX, as you know. And therefore, I can only report what we can see currently, and this is reflected. You know that in Q1, we had the minus 8.6% impact, and we had the minus 6.1% in Q2. You may remember that we said in Q1, and we have also shown a graph on that, that the impact of the US-Dollar will go down a little bit during the year because of the comparables, the lower comparables that we faced in the second quarter, but important is what I mentioned during my presentation is the significant negative acceleration of the Emerging Market currencies, which we have seen in Q2 and which we also indicate or see that this will also remain volatile going forward. And as you know, when Hans was talking about the EPS situation from 5% to 8%, to 3% to 6% one of the significant impacts of that is the situation of FX. And I hope with that, I could clarify the 2 points.

Question: Just if we look at the currencies today, what could be the impact for the full year, at least at today's currencies?

Carsten Knobel: Would be mid-single digit on the sales for the full year.

Q&A Session (p.2/7)

Question: 3 questions, if I may. First of all, could you please explain your exposure to Turkey aside, obviously, from the FX situation? And which other countries you have significant production and sales hubs are currently experiencing Turkey-like problems in your experience or in your view? Second, I'm glad to see that your logistical challenges in the U.S. seem to be solved. Can you please explain to us how much of an impact Q2 still saw in terms of timing? How many weeks? And then third, looking at the current demand situation in Adhesives, what kind of trends do you see from Automotive and from Construction in Q3, maybe with a view into September?

Hans Van Bylen, CEO: Thank you, for your 3 questions. Turkey, perhaps in the framework, for us, it's an important country. It's a country, which is in our top 10 with 3 business units all being very successful. So for us, a key country. Concerning U.S., as you say and also as we have been reporting now, we see that during the quarter we've been coming back to normal service level and, of course, as you can imagine, being extremely focused on that, and our service levels now, both the Beauty and Laundry & Home Care are since mid of the quarter towards end of quarter back on the high levels we had before. So on that, as we said, we are back to normal in our service.

And your other question was, indeed, on Adhesive Technologies. We did see also in Q2, you saw the growth, and we have been reporting that all businesses have been contributing. Also our transportation business has been very strong in the quarter. And this is also a consequence of all the applications we apply in this industry. As you know, we do not want to talk on weight anymore. In the past, we were saying that we had x kilogram of our products in the car. Now we talk about potentially up to 300 applications. And those applications, which we delivered, are very much focused on electronics, on weight reduction and also on autonomous driving, which seems our growth fields within transportation. And that's also why we feel confident that also strategically, we are very well positioned in this business. Any additional information, Carsten?

Carsten Knobel: Yes. Maybe to your question of the U.S. when you are talking about the transportation topic, you had asked for what is the effect. I think it's very difficult to separate effects of what is base business and what we maybe recovered from that. That's very difficult, I will say, not possible to separate. Important is, and that is the message we conveyed, and as you can see also the figures if you look that North America, especially in both consumer businesses, we are back to good growth and that we are back to normal service levels, and that's an important factor. And as you know, as already indicated in the previous question, when it was regarding Laundry & Home Care margin in general, for sure logistics cost worldwide, but with a focus in North America, as you know that it's nothing what only Henkel faces, but what the market faces is a significant increase in North America when it comes to the situation, especially trucks and transportation rates. But as I said before, and as Hans said, we are back to normal service levels, and that's exactly what we indicated during our last call, that we want to achieve that, and we achieved that.

Question: Is it pretty safe to assume that during half of the quarter, you saw normal -- you saw the consumer business expect to normal service levels?

Carsten Knobel: As we said, we took immediate actions and throughout quarter 1 and during Q2, we have been very close to the normal service levels, and that was, for sure, step by step improving. And for sure now, at the end we are already there where we wanted to be and on average, the quarter 2 shows exactly what we wanted to achieve.

Question: Okay. And then sorry to follow up on it, but I asked for the current automotive demand and production demand, i.e. what you currently see in your order books. Is that, at the moment, at a pretty much normal level in Adhesives? I recognize that this too was strong...

Carsten Knobel: Yes, exactly. On top raising the organic sales growth guidance from 2% to 4%, to 4% to 5% for Adhesive Technologies, I think, is a clear indication of that.

Question: A couple of questions for me. Firstly, just going back on Laundry margins, I'm afraid. I mean, do correct me if I'm wrong, but I expect ex the Sun synergies, margins were probably down in Q2 in Laundry. And I just -- as the Sun synergies stayed from Q3, how confident are you in being able to return the division back to the positive margin development? And secondly, just in North America, obviously, a very strong organic growth figure, which is great. I just wondered if you could say there's a big difference in that figure between Adhesives and the Consumer business. And then finally, just coming back to Turkey, I think you flagged double-digit growth in Q2. Was there any change during the quarter? And how -- I mean, I actually know about that pricing. I just wondered what you -- how you think we should think about the Turkey growth development going forward.

Hans Van Bylen: Well, thank you for your 3 questions. Perhaps starting on Turkey because, of course, you can be sure that we also have a clear focus on that and check that very short term. Today, we do not see any change in business dynamics organically. So today we see huge FX topics, but checking on all our business, you can be sure we do that now permanently, we do not see a change in the local dynamics neither in our industrial business neither in our consumer business.

Carsten Knobel: Thanks to your question regarding Laundry & Home Care and the margin topic and your question of the Sun integration. It is very difficult also here now after almost roughly 2 years of integrating the business to differentiate. Nevertheless, I think we are getting - as we said, and as I have alluded to during the last couple of quarters, good integration synergies out of the Sun business and by that - related to the point of competitive pressure, which I mentioned at the beginning during a prior question, that this is also reason, I think you can say that also without Sun, the base business, would be a little bit below the market. But as I said, we are not differentiating anymore this time. It's the past of that and now almost 2 years, next quarter it will be 2 years in our books.

Your last question was related to North America. In terms of if there is a difference between the divisions. We have seen good organic growth in Beauty Care, a very strong growth in Laundry & Home Care and also a very strong growth in Adhesives. So I could have made it also short that it's not a big difference between the development of the businesses. I hope that clarifies.

Question: 2 questions again, please. On marketing, could you give us a bit more granularity on the decline in marketing sales and distribution expenditure? How much of that was down to the strings of the Adhesives business? Or put another way, can you give us any idea of the evolution in marketing of each of the 3 business units? And how that looks likely to progress through the remainder of 2018? And secondly, a lot of consumer companies have been struggling to get price increases over the first half. You don't seem to be having that problem. Have you found the pricing environment more challenging than usual?

Hans Van Bylen: Let me start with the second question. Indeed, as you see in our reporting, that we focus in all 3 businesses on trying to get price increases implemented and especially in consumer. We do some extra effort here. It's not easy. The marketing environment within consumers, at the moment, to implement price increase is extremely challenging. On the other hand, we do see that the raws and packs, also transportation costs are putting quite severe headwinds against us. So we see this as a clear way forward in order to secure our gross margins. We also see that in our gross margin development, being behind first half year but comparing also that to what others have been reporting, we do try to close that gap as much as possible. This is extremely challenging and if also looking in certain businesses how we see margins of competition developing, it is a point of attention, on which we really do our utmost to balance out the headwinds we have on the components as we have been mentioning them. Carsten, you go into a more detail in marketing?

Carsten Knobel: So marketing, selling and distribution expenses, I was already alluding to that during my presentation. We have improved marketing, selling by 110 basis points to the level of 22.5%, and the main driver, and that's really something, which I was alluding during the last quarters, is definitely the ONE!ViEW initiative where we are definitely changing the way of handling costs and realizing costs with a new approach, which is the kind of zero-based budgeting where we see continued of realization efficiency gains, which are impacting the marketing part, the selling and the distribution part.
There are also some technical topics related to that. One is that our Adhesive Technologies business gets a higher share, and by that, having lower marketing, selling and distribution expenses, especially marketing expenses, that there's an impact on the mix, and also, the FX effects contribute to that positive development. And the last factor is based on the topics of e-commerce and digitalization and also the discussion of improving the efficiency related to our marketing spend, we adapt that continuously to the market environment. And by that, having an impact also on our brand investments, nevertheless, we adequately invest behind our brands. I hope that gives some of that.

Question: Just 2 questions about the guidance, please. The first is really just one about how you're giving the guidance. I mean, the financial -- the shares are down 4% in the early opening, the Financial Times headlines says, "Glue maker Henkel lowers full year earnings after sticky Q2." And we all know that you've actually slightly increased underlying guidance this morning, and you had very solid 8% earnings growth in the first half. So the inevitable question I ask is why do you stick to the idea of giving EPS guidance to the actual currencies, given that the currency isn't under control? Just value your rationale and comments on that. The second question is why you're lifting margin guidance? The margin guidance would imply that you're going to get a 70 basis point improvement in the full year versus 20 basis points in H1 -- or Q2. So it applies a very strong H2 on the margin line. I understand that U.S. problems are weighed on the margins in Q1, but I also, to previous speakers' point, I understand that the Sun synergies run out in H2. So just what's the rationale for the uplifted margin guidance in terms of what's different in H2? That's the second question.

Hans Van Bylen: Thank you, for both of those questions. Concerning guidance, we have been showing a year guidance, which has 3 different components. And during the year, we update on the different components. And one of the components, is growth, which we discussed, where we confirm an increase for Adhesives, on margin and we feel confident that with all the measures we take, we strengthen further margins, which is telling a lot about the value we create with our company. And thirdly we're a euro company. We report and we deliver our EPS in euro currency. And also there we now made some correction because we have some influences from currencies, as we have been describing. But that is the way we guide, indeed, and we have to be consistent with that.

Carsten Knobel: Yes. To your question of margin guidance, and I tried already a couple of quarters to highlight some topic, which, from my point of view, is a very clear strength of Henkel going over the last couple of years, we're always trying to be ahead of the curve when it comes to efficiency improvements and with that certain programs or activities initiatives we have been setting up over the last couple of years.

And when we started the cycle to 2020⁺, we told you that we have 4 topics in focus: 2 which are progressing based on the things, which we initiated even before.
That is the topic of Most Efficient Structures, which is related to shared service level automation and optimization and now, more at the level of not adding people but adding automation, robotics, and I alluded to that.
And the second thing was the rollout of our ONE!Global Supply Chain initiative where we're also getting significant positive impacts in these days. And we added 2 new initiatives.
This is the ONE!ViEW, which I just alluded to, and the Net Revenue Management initiative, which will also have a positive impact on gross profit like the ONE!GSC.
With these initiatives, which are progressing very well, we are, on one side, able to partly, as I said, counterattack the things, which are negative, that means the material costs and the FX; and secondly, we are getting these efficiencies into our company on a sustainable basis, and that's the consequence that from more than 17.5%, which we guided originally, we are very confident, and that's the reason why we are updating the guidance, as you are also asking, to now a level of around 18% because we see the gains and contribution coming into the P&L, partly bringing that.
And the last part, besides this initiative is also the acquisition synergies. We are not doing acquisitions for the sake of acquisitions. We have clear business plans behind, and also here, the majority of our acquisitions is progressing well in terms of getting the synergies into our P&L, as indicated. And that makes us confident, and that's the reason why we change the margin guidance.

Question: It's a quick one on working capital and Free Cash Flow. I believe consensus currently forecasts about EUR 2 billion of Free Cash Flow for 2018. Given the EUR 639 million in H1, do you feel comfortable with what the market is expecting for the full year? And I guess, more generally, what are your expectations for both Working Capital and Free Cash Flow growth in the longer term?

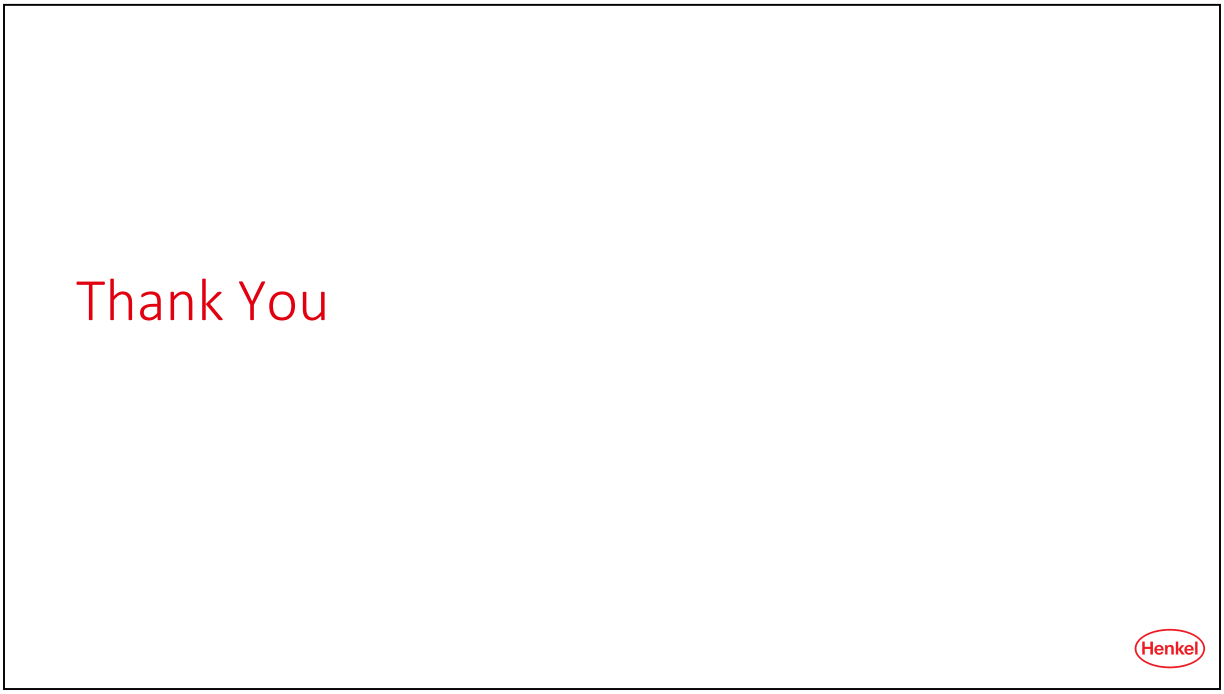
Carsten Knobel: Yes. To the first part, I think what I can tell you is you know that we are not guiding on Free Cash Flow for the year, but having EUR 639 million after first half year and as I said to you that this is something, which is slightly above the prior year despite the fact that we had a quite high onetime effect in terms of the investment behind one of our technologies in the first quarter, we are confident to improve our Free Cash Flow in this respect.

Upcoming Events

September 4, 2018	Investor & Analyst Meeting, London
November 15, 2018	Q3 2018 Earnings Release
February 21, 2019	FY 2018 Earnings Release
April 8, 2019	Annual General Meeting

Q&A Session (p.7/7)

Carsten Knobel: Your second question was more related to the point of how we see Free Cash Flow on the midterm situation, and here, I think it's very clear that we have alluded to that in our financial ambition when it comes to 2020^{+}. Here, we want to improve the Free Cash Flow on a continuous basis, and we are not giving, and there are no needs and necessity that we should give up on that. For sure, one important factor to Free Cash Flow is our Net Working Capital, and that's the second part of your question. Here, I clearly alluded during this quarter that, for sure, we are not satisfied with the 110 basis point increase to a level of 6.3% compared to the prior year situation, but I think I was very clear that this has 2 effects, which from our point of view, are effects which will go away. The one part is acquisitions. It takes some time to bring the acquisitions, which are not on the good level of net working capital as Henkel is used to in the 3 divisions, to a lower level in the future, and that has an impact currently of roughly 50 basis points. And 60 basis points are related to the North American logistic topic, the kind of, spillover effect, which we still see in Q2. That does not mean that being on prior year level is something where we are satisfied with. We have clear action plans for all 3 divisions to improve Net Working Capital quarter-over-quarter because that is also a clear indication to help us to improve the situation on our Free Cash Flow. Very clear action plans and very clear development what we see.



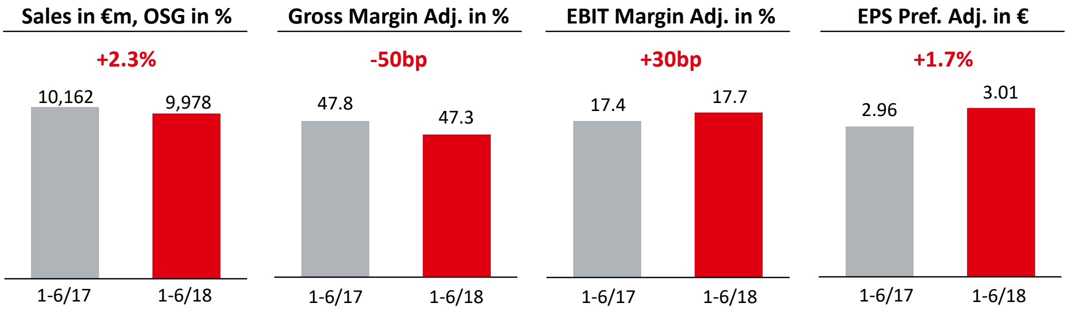
Hans Van Bylen: So thank you, Carsten.
Dear investors, dear analysts, again, thank you very much for your interest and questions. I would like to remind you of our upcoming events, our next event, and Carsten and myself, we're very pleased to welcome you for an Investor and Analyst Meeting in London, and this will take place on September 4. And please contact the Investor Relations in case you did not register yet. Many thanks, again, for calling in, for listening. And wish you a nice day. Goodbye.

FY 2018: Additional input for selected KPIs

Prices for Direct Materials	**Moderate increase vs. the level of the prior year**
Restructuring Charges	**€ 200 – 250 m**
CapEx	**€ 750 – 850 m**

Committed to sustainable profitable growth

Key Financials 1-6/2018

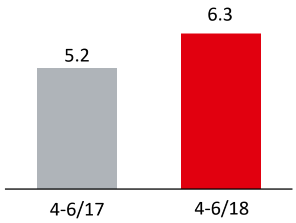


Focus on disciplined cash management

Key Financials 1-6/2018

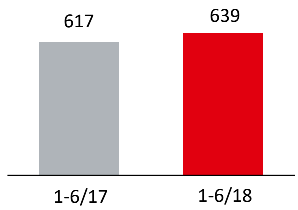
NWC in % of Sales

+110bp



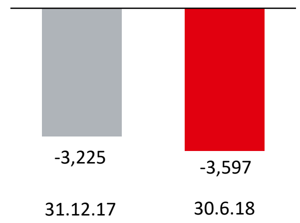
Free Cash Flow in €m

€ + 22 m

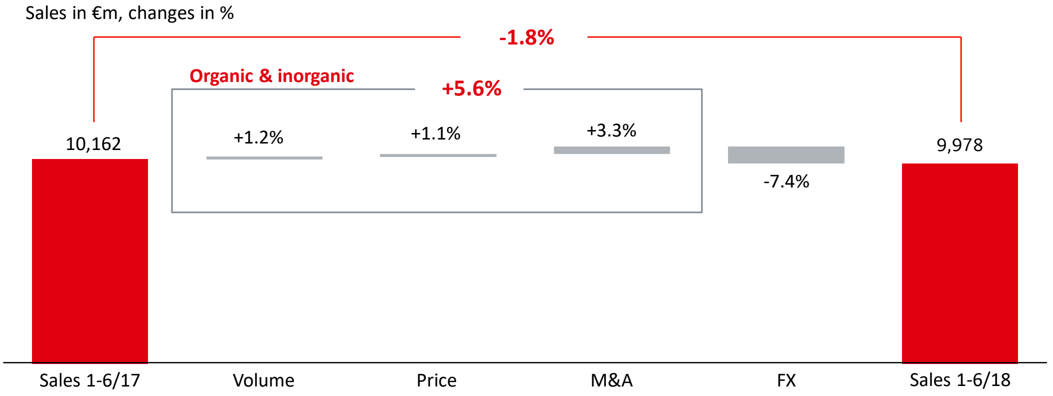


Net Financial Position in €m

€ - 372 m



Topline growth impacted by currencies



Emerging Markets driving growth

1-6/2018

Region	OSG in %	abs. in €m (share of total)
North America	-0.9%	€ 2,444 m (24%)
Western Europe	+0.1%	€ 3,154 m (32%)
Eastern Europe	+7.9%	€ 1,433 m (14%)
Latin America	+6.8%	€ 581 m (6%)
Africa/Middle East	+6.7%	€ 642 m (6%)
Asia-Pacific	+3.0%	€ 1,661 m (17%)

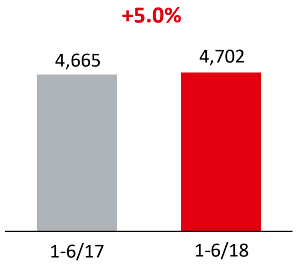
Emerging Markets: **+6.2% to € 4,045 m, 41% of Group Sales**
Mature Markets: **-0.3% to € 5,870 m**

OSG in %
abs. in €m
(share of total)

Adhesive Technologies

Key Financials 1-6/2018

Sales in €m, OSG[1] in %

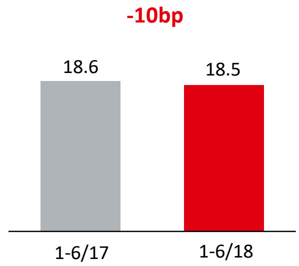


Regional Performance

Mature Markets: good, driven by North America

Emerging Markets: significant, driven by Eastern Europe and Latin America

EBIT Margin Adj. in %



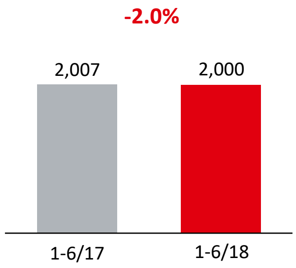
[1] Volume: 3.2% Price: 1.8%

Henkel

Beauty Care

Key Financials 1-6/2018

Sales in €m, OSG[1] in %

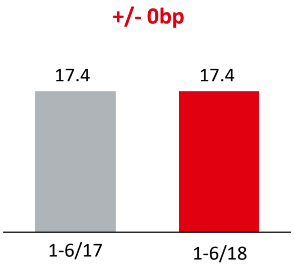


Regional Performance

Mature Markets: negative, due to North America

Emerging Markets: strong, driven by Middle East / Africa and Eastern Europe

EBIT Margin Adj. in %



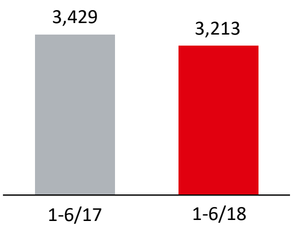
[1] Volume: -2.1% Price: 0.1%

Laundry & Home Care

Key Financials 1-6/2018

Sales in €m, OSG[1] in %

+1.1%



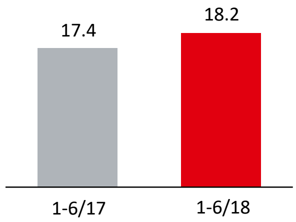
Regional Performance

Mature Markets: slightly negative, due to North America

Emerging Markets: very strong, driven by Middle East / Africa and Eastern Europe

EBIT Margin Adj. in %

+80bp



[1] Volume: 0.3% Price: 0.8%