



## Transcript Earnings Conference Call Q3 2014 November 11, 2014

### Participants – Henkel representatives

Kasper Rorsted; Henkel; CEO  
Carsten Knobel; Henkel; CFO  
& Investor Relations Team

### Participants – Active in Q&A session

**Rosie Edwards;** Goldman Sachs, Analyst  
**Gael Colcombet;** MainFirst, Analyst  
**James Targett;** Berenberg, Analyst  
**Christian Faitz;** Kepler Cheuvreux, Analyst  
**Hermine de Bentzmann;** Raymond James, Analyst  
**Celine Pannuti;** JPMorgan, Analyst  
**Warren Ackerman;** Societe Generale, Analyst  
**Guillaume Delmas;** Nomura, Analyst

**Participants – Total conference call = 68 analysts & investors**

**Participants – Total webcast = 114 analysts & investors**

## Disclaimer

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### Operator:

Good morning and welcome to the Henkel conference call. With us today are Kasper Rorsted, CEO; Carsten Knobel, CFO; and the Investor Relations team. (Operator Instructions). Today's conference call is being recorded and the webcast is available at [www.henkel.com/ir](http://www.henkel.com/ir). At this time I'd like to turn the call over to Mr. Kasper Rorsted. Please go ahead, sir.

### Kasper Rorsted:

Hello, ladies and gentlemen. Good morning from London, and welcome to our conference call. First I'd like to focus on the key developments of the third quarter 2014. Then Carsten will provide you with the third-quarter financials in greater details. And after that I will close my presentation with a summary for the third quarter and our current outlook for 2014. And finally we will take your questions.

I'd like to begin by reminding everyone that the presentation which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant US legislation can be accessed via our website at [henkel.com/ir](http://henkel.com/ir). The presentation and discussions are conducted subject to the disclaimer. We will not read the disclaimer proposed, but propose we take it as read into the records for the purpose of this call.

## Agenda

- 1 Key developments Q3 2014
- 2 Financials Q3 2014 & highlights 1-9 2014
- 3 Summary & outlook FY 2014

Now I'd like to speak about the key developments in the third quarter.

## Q3 2014 – Solid performance in a tough environment

OSG <b>+2.3%</b>	Adj. EBIT margin <b>16.4%</b>	Adj. EPS growth <b>+6.4%</b>
Sales Share in EM <b>45%</b>	NWC in % of sales <b>5.6%</b>	Net financial pos. <b>740 m€</b>

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We came out with an organic sales growth of 2.3%, increased the EBIT margin to 16.4% and hit an adjusted EPS growth of 6.4%. Sales share of our emerging markets was 45%, net working capital of 5.6% and our net financial position was 740 million euros.

The emerging markets sales growth was driven by the BRIC countries that recorded double-digit growth, so very strong contribution from the core countries in the emerging markets. But Carsten will speak about that in greater detail.

## Continued profitable growth in all business units

- Solid organic sales growth, all business units contributing
- Emerging Markets with strong OSG, Western Europe positive
- Solid improvement in adj. EBIT margin, supported by all business units
- Strong growth in adj. EPS
- Acquisition of The Bergquist Company, United States



We did see solid organic sales growth across all business groups. The emerging market remained strong and Western Europe was positive. Western Europe was predominantly driven by a very strong Germany, the strongest growth in Germany since 2012.

We saw solid improvement in our adjusted EBIT margin, supported by all business groups, and we saw strong growth in our adjusted earnings per share. We also finalized the acquisition of our Bergquist Company in the US, which will strengthen our position in the electronics market and address a new market segment that we've not been into so far, the thermal management part, which is the heat that you feel when you do surfing on your smartphones. Bergquist Company is the leader in this on a global basis.

## Persistently tough environment

- Continued headwind from FX, though at lower intensity
- European economies impacted by Russian/Ukrainian crisis
- Ongoing tensions in Middle East
- Intensified promotional & pricing pressure in HPC, sluggish consumer environment in Mature Markets
- Negative organic sales growth in HPC North America, Adhesives slightly positive



However, we also had our set of challenges. We continued to see headwinds from FX, although at a lower rate. The currency impact was minus 2.2% in the third quarter versus 6.7% in the second, so a slowdown, but we did continue to see a FX headwind.

The European economy is impacted by the Russian and Ukraine crisis. And I do want to just spend one minute on this because it was part of our core message in the second-quarter call. We are seeing the Russian crisis take place outside Russia, particularly in the surrounding countries dealing with Russia. And we're also seeing the overall German economy slowing down because of this. We have not seen that for Henkel. As I said, Henkel has had the strongest quarter in Germany since 2012. But the Russian crisis and the Ukraine crisis is having an impact on the overall European economy. We continue to see ongoing tension in the Middle East, despite very strong performance in our businesses.

We see intensified promotional and pricing pressure on the HPC side, with sluggish consumer environments, particularly in mature countries. We are seeing negative organic sales growth in our HPC North American business and Adhesives are slightly positive.

On the North American part, and we'll go into this in greater detail also, it is one part that we are completely determined to turn around. It's a huge opportunity for us and we are very determined and we have an action plan and we know what we're going to do. On the Adhesive side, we are seeing very strong underlying performance. I have spent time with you or many of you following the second-quarter earnings. The only part we need to get a better balance in is our lower-end part of our business, in our packaging and consumer goods in the Adhesive part, where we need to find a better balance between price and volume. Overall, the four other SBUs in the US are delivering very strong growth rates.

## Laundry & Home Care

Solid OSG & very strong margin improvement in Q3 2014



### Sales

- Solid OSG
- Laundry & Home Care both solid
- Mature Markets OSG:
  - Western Europe solid
  - North America negative
- Emerging Markets OSG very strong

### Return

- Adj. EBIT margin showing very strong increase
- ROCE below level of previous year

On our Laundry and Home Care side, solid organic sales growth, Laundry and Homecare both solid.

In the mature markets we're seeing a different development. We see Western Europe being solid and we see North America being negative. Negative driven by two factors. One is a very, very promotional-intensive market across all sub-elements of the North American side and also suboptimal execution from our side. I discussed this in previous calls and so has Carsten, and I have said we have a strong action plan in place to address this. The emerging markets OSG remain very strong.

The adjusted EBIT margin showing very strong increase.

And ROCE is below previous levels - levels for previous year. This is mainly due to lower reported EBIT due to extraordinary items, which Carsten will speak about, and also restructuring and acquisitions. This is the same impact for all three business groups. I will not repeat that comment. Carsten will go into further details on the extraordinary items.

## Laundry & Home Care

Strengthening innovation leadership across categories & regions

### Pril Gold



- New and enriched formula with extra pre-soaking power
- The strongest Pril formula ever, against grease & starch crusts

### Homemat Compact Alpha



- Combination of mat & liquid insect control technology
- Exclusive design collaboration with Korean artist Jekim

### Persil Duo-Caps



- New and improved concentrated brightness+ formula
- Perfect cleanliness already at 20°C & improved color protection

On Laundry and Home Care, we continue to strengthen our position when it comes to innovation, whether it's in Home Care with our flagship brand Pril; we have a very strong position in insecticides in Korea, where we're the market leader; we have a solid position in the US; and with the acquisition of the Spotless Group, we've now also created a European footprint. So we're now taking the technology on both sides of the business, the Henkel side and the acquired side, to ensure that we're bringing out stronger innovation also in the insecticides business, which is a very attractive business.

And on Persil, our flagship brand within Laundry and Home care, a 1.1 billion euros brand, we continue to bring out new innovation.

An advertisement for Persil Duo-Caps. The central focus is a white and green container with its lid open, revealing several blue and yellow dual-chambered pods. The container is labeled 'Persil NEW DUO-CAPS UNIVERSAL' and 'Active stain Remover'. Below the container, the text reads 'Goodbye stains. Hello brightness.' To the right, a single pod is shown in detail, highlighting its two chambers: a blue one labeled 'Active stain Remover' and a green one labeled 'Brightness Formula'. At the bottom left, a small text block says 'Washing at its best – the new Persil Duo-Caps with improved Brightness+ Formula and Active stain Remover for perfect cleanliness.' Next to it is a small icon of a person washing clothes. The bottom right corner features the Henkel logo. The page number '9' is in the bottom left corner, and the date 'November 11, 2014 Q3 2014 – Henkel Analyst & Investor Call' is in the bottom center.

And in this context I just want to mention the pods where we're now bringing out superior performance at 20 degrees. So very strong new innovation also when it comes to the pods in the Persil brand.

## Beauty Care

Positive OSG & solid margin improvement in Q3 2014



### Sales

- Positive OSG
- Retail positive, Hair Salon negative
- Mature Markets:
  - Western Europe positive
  - North America negative
- Emerging Markets OSG strong

### Return

- Adj. EBIT margin showing solid increase
- ROCE below level of previous year

On the Beauty Care side, we are seeing positive OSG and solid margin improvements in the third quarter of 2014. Retail is positive. Hair salon continues to be negative.

And again we're seeing mixed performance between -- in the mature markets. Western Europe, despite very difficult markets, are positive. North America negative. And I don't want to repeat the comments I made for Laundry, but they're very similar. In the emerging markets we see strong performance driven by our Asian business, driven by China.

Returns-adjusted EBIT margin showing solid increase and ROCE below level of the previous year, as I said on previous, due to acquisition, restructuring and extraordinary items, which Carsten will take you through.

## Beauty Care

Strengthening innovation leadership across categories & regions

### Smooth 'N Shine



- 1<sup>st</sup> hair regimen from Schwarzkopf created for the needs of African hair
- Combining superior nourishing power & high performance formulas

### Gliss Kur



- 1<sup>st</sup> Gliss Kur to rebuild deepest hair damages in just 1 week
- Improved formula with innovative Liquid Hair Repair

### Syoss Full Hair 5



- 1<sup>st</sup> professional Syoss hair care for full hair in 5 dimensions
- Boosts density, volume & strength; reduces hair fall\* & stimulates roots

\*caused by breakage

Also here we continue to push innovation in to ensure that we could do the appropriate pricing. Smooth 'N Shine is our African brand that we acquired more than a year ago. And we've expanded the functionality and performance of the product through our newly opened R&D center in South Africa.

Gliss Kur you all know, and we continue to push Syoss, which is rolled out in almost 50 countries across the board.

# syoss

The 1<sup>st</sup> professional care for  
**FULL HAIR**  
in 5 DIMENSIONS



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## Adhesive Technologies

Solid OSG & margin on high level of previous year in Q3 2014



Sales	Return
<ul style="list-style-type: none"><li>• Solid OSG</li><li>• General Industry and Transport &amp; Metal with strong OSG</li><li>• Mature Markets OSG:<ul style="list-style-type: none"><li>– Western Europe negative</li><li>– North America positive</li></ul></li><li>• Emerging Markets OSG strong</li></ul>	<ul style="list-style-type: none"><li>• Adj. EBIT margin on high level of previous year</li><li>• ROCE below level of previous year</li></ul>

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And on the Adhesive side, we saw solid OSG margins on very high levels, same as previous year in Q3. So solid OSG. General industry and transport and metal with strong OSG.

In the mature markets, we saw Western Europe being negative. And let me just highlight the details here. Germany continued strong. Western Europe negative is driven by one single country, France. And we are seeing the French industry significantly slowing down. North America being positive. Four out of the five macro SBUs we have in our Adhesives business are showing strong growth in North America. As I said, our packaging and consumer business, we need to find a better balance between price and volume. It is clear that we're not going to take business at any cost. And I think that we maybe have taken the price up a notch too high in the US and you've seen that on the volume side. We're working on this. This is much more a tactical issue we're dealing with. It has no strategic impact on our position in the US.

The emerging markets OSG was strong, with strong growth in India but also continued double-digit growth in China.

As I said, adjusted EBIT margins on high level, similar to previous year. And ROCE I've already spoken about from the previous chart where I went through the other business groups.

## Adhesive Technologies

Fostering technology leadership with strong innovations & acquisitions

### Packaging



- New synthetic casein-free formula for effective bottle labeling
- Enhanced machine times and controlled raw material costs

### Supplier Innovation



- Close collaboration with strategic suppliers to foster innovation
- Partnership with Kaneka for high-performance sealants in engines

### Thermal-Management Solutions



- Acquisition of The Bergquist Company in United States
- New applications in growth areas such as automotive or lighting

On the innovation side, we see innovation in a number of areas, whether that's product innovation in the packaging area; whether it's supplier innovation, with suppliers driving new raw materials into our business; or whether it's in thermal management solutions. And this is The Bergquist Company.



We're quite excited about the Bergquist acquisition, which is a company with more than 1,100 employees, is leader in thermal management solutions, based in Minneapolis in the US, and is an extension to our electronics business, which we're very committed to continue to build.

It's a very attractive business, not only short term, but also long term, with very attractive margins. So a good extension to our electronics business and right in the core of what we're trying to do as a company of delivering superior innovation and technology to our customers and thereby also allowing superior margins to be created.

With this, I'd like to stop with the key developments and hand over to Carsten. And I'll come back later and give you the summary and the outlook.

Carsten, please.

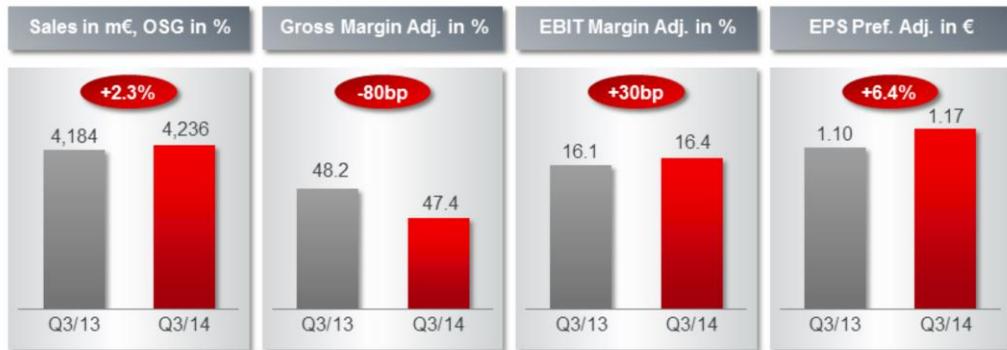
## Agenda

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- 2 **Financials Q3 2014 & highlights 1-9 2014**
- 3 Summary & outlook FY 2014

### **Carsten Knobel:**

Thank you very much, Kasper. Good morning, everyone. Let's have a look now at our details of our financials in quarter three and also some highlights on one to nine.

## Ongoing commitment to profitable growth



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Let's start with our key KPIs, and in that respect with our sales development.

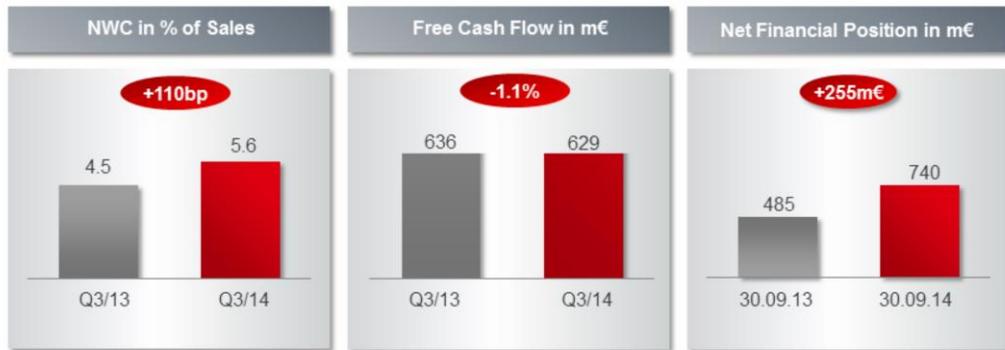
Sales came in with 4,236 million euros. And this is showing an increase in nominal terms of 1.2%. And let me put this into perspective: that's the first positive since Q2 2013 in nominal growth. Negative FX effect amounted for 2.2%, significantly lower than in the first half year, nevertheless a headwind. And organically we delivered a solid performance, 2.3% organic net sales growth, driven by all our three businesses.

Our gross margins, adjusted gross margins came in with 47.4%, so on a similar level than in Q2 2014, being 80 basis points below the previous-year quarter. And I will comment on that a little bit later during the presentation.

Adjusted EBIT margin, another increase of 30 basis points now to a level of 16.4% and even being better than the 16.1% of last year, which is a quite high comparable.

And finally, as you have already heard it from Kasper, our adjusted EPS for the preferred shares reached 1.17 euros. And this is an increase of 6.4%. So overall, a solid performance and another quarter of profitable growth.

## Strong financial position on top of acquisitions



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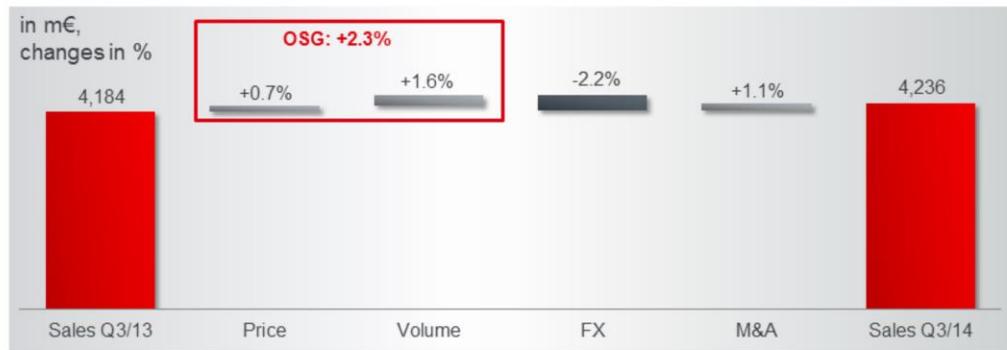


Having a look now on our cash KPIs, starting with our net working capital development in percentage of sales, we reached a good level of 5.6%. This is an increase versus the prior year of 110 points, but there are extraordinary impacts within that 110 basis points. Roughly 80 basis points are coming from one-time topics, 40 basis points are related to negative currency effects, and the other 40 basis points I mentioned are related to acquisition impacts by integrating the professional hair care businesses in Beauty Care in the US.

Looking at the free cash flow, the free cash flow came in with 629 million Euro, on the level of the prior year. And with this we are very satisfied, especially in the light of the fact that the cash flow of the first half year was below the prior year and we are now back delivering a strong cash flow.

Finally coming to our net financial position, we reached 740 million euros at the end of quarter three. This is an increase of 255 million euros compared to the prior year's quarter. And this is on top to be seen of the increased dividend payout we had at the beginning of the year and the recent acquisitions I mentioned before.

## Solid organic sales growth in a very challenging environment



- FX headwind at lower intensity, predominantly from Russian Ruble
- M&A impact mainly from three US Hair Professional companies & "E" brand in Poland

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With that, let us go a little bit more into the details and starting with our sales development. And as I said before, organically we have been driving quarter three by plus 2.3%, contributing by all business units.

And the growth is combined of an increase of our price component of 70 basis points and volume of 160 basis points.

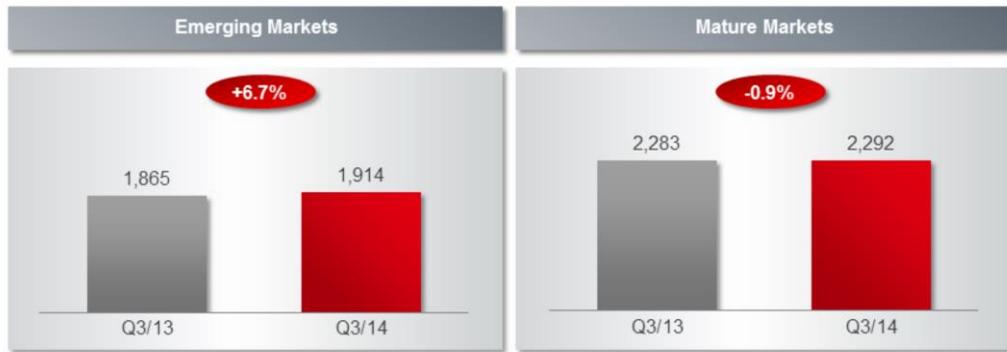
As said before, we still face headwind when it comes to foreign exchange. But this is definitely significantly lower than in the first half year. And the headwind is mainly caused by depreciation of currency in the emerging markets being more precise, especially the Russian ruble.

M&A now: You also see, based on the activities we are doing, also an impact -- now a first-time impact which is a little bit more significant, 1.1% point increase or impact by M&A. And this is related to the acquisition we have closed regarding the E brand in Poland, the Pert brand in Latin America and, as said before, the three US hair professional companies which have an impact of the 110 basis points I mentioned before.

And this has led us to 4,236 million euros in terms of nominal sales. As pointed out before, 1.2% increase.

## Organic sales growth driven by Emerging Markets

in m€, OSG in %



- Emerging Market sales share of 45%

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Looking now into the regional development, starting with our emerging markets. You heard it already by Kasper, we have seen a strong organic net sales growth in the emerging markets, amounting to 6.7%. And you see -- also see it in the chart from the absolute or nominal development an increase also in nominal terms compared to the prior year.

The mature markets show a mixed picture. Also you got that already from Kasper's statement. We have good developments in Western Europe and in Asia-Pacific mature, which is overcompensated by a negative development in North America, especially by our HPC businesses, which I will comment in a minute.

With that, the emerging market sales share amounts to 45% and a slight increase to the prior quarters.

## Polarized growth across regions

in m€, OSG in %



- BRIC with double-digit OSG, driven by double-digit China, Russia, India
- North America with negative OSG in HPC, Adhesive Technologies slightly positive

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Now having a look into the details of our regions, and here starting first with Western Europe. Western Europe accounts for a positive organic net sales growth of 0.2%. Here we have seen a solid performance of Germany in all our three business divisions, and this overcompensating the still slightly negative development in Southern Europe.

Eastern Europe, a number in terms of organic net sales growth of 3.1%, even slightly higher than what we reported in Q2 for Eastern Europe as organic net sales growth. May be somewhat counterintuitively that this was strongly driven or by a large extent driven by Russia, being precise, we have shown a double-digit organic net sales growth development in Russia. And you heard it before, we have the countries surrounding that, especially Ukraine, with a negative organic net sales growth.

Moving now to Africa/Middle East, here we have seen a double-digit growth, 14.9% being precise, and North America now with minus 3.7%. The 3.7% is related to our consumer business, Laundry and Home Care and Beauty Care, who have been both impacted by an intense level of competition and pricing, and, as already heard, also by a not optimal -- always optimal way of execution. So both businesses being negative in North America in quarter three. Our Adhesives business showed positive organic net sales growth. The good underlying momentum which you have heard was partly understated by our portfolio optimization, which is due to deemphasizing of some of our commoditized businesses in the areas of packaging and consumer goods.

Moving now to Latin America, Latin America showing a positive growth of 1.5%. The strong development in Mexico was overcompensated by the weak development in Brazil, which related then to the 1.5% organic growth.

In closing, looking at Asia-Pacific, this is a very good development, 9.7%, so more or less double-digit growth. This is in particular driven by a very good development in China and in India, precise double-digit growth rates in both countries for the Company. So overall we have a polarized situation if you look on our regional performance, especially our BRIC development, with double-digit growth and having double digits in China, in Russia and in India in this respect.

## Laundry & Home Care

Fostering profitable growth path in Q3 2014



- OSG driven by 3.0% in volume and 0.5% in price

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With that, let me now move to our three business divisions, starting with our Laundry and Home Care business.

Laundry and Home Care business showed an organic net sales growth of 3.5% organically, with a price component of 50 basis points and a volume component of 300 basis points. Both businesses, Laundry and Home Care, showed solid development in organic net sales growth.

Looking into the regions, we have seen in Laundry and Home Care in the emerging markets another quarter of very strong growth, being more precise. We have seen Eastern Europe and Latin America with a solid contribution, but Africa/Middle East and Asia both with double-digit developments.

The mature markets slightly below the previous-year level. Here we have seen a good development in Western Europe, in particular driven by our German business, which could overcompensate certain developments in Southern Europe. And in total, Western Europe slightly below because the overcompensating effect by the negative North American development here, especially due to fierce promotional environment in declining markets.

Looking at the adjusted EBIT margin, an excellent -- a very good development. Another quarter of increase here, 90 basis points now to a level of 16.8% in terms of adjusted EBIT margin.

And also looking at our net working capital, a very strong number, minus 5.1% in quarter three of this year, slightly below the previous year. But as I said, excellent development overall.

## Beauty Care

Fostering profitable growth path in Q3 2014



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Moving now to our Beauty Care division here, the 35th quarter of consecutive profitable growth. Our organic net sales growth came in at 0.8%, with a volume part of 110 basis points, partly impacted by a negative price component with 30 basis points.

Our retail business showed a positive organic net sales growth. The hair salon business still characterized by a market decline in the mature markets. And, as you know, the mature markets account in our sales for a majority of the sales and therefore, in total, sales in professional slightly below than the year before.

Looking at the regions, also here a very positive, a very strong development in the emerging markets. We have a double-digit contribution from the emerging part of Asia and a strong growth in Africa/Middle East. And also here to point out China especially, with a clear double-digit growth rate in the quarter.

Mature markets, similar situation than in Laundry and Home Care. We have a good development in Western Europe being positive, but also here mature Asia being positive, partly, or not partly compensated by the development in North America. So overall mature markets slightly below the previous year based on the negative development in North America.

Coming to the bottom line of Beauty Care, again an increase in the adjusted EBIT margin, 30 basis points, now to a level of 15.2%.

Looking at net working capital, a low number with 4.8%, also comparing to other companies working in this sector. Nevertheless an increase of 290 basis points compared to prior year. One-third of that increase is related to the part of integrating the recent acquisitions in the professional hair companies in the US.

## Adhesive Technologies

Fostering profitable growth path in Q3 2014



- OSG driven by 1.4% in volume and 1.3% in price

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Moving now to our third division, coming to Adhesive Technology. A solid development related to organic net sales growth of 2.7% increase. This 2.7% increase was related to a balanced growth in price and volume, precise 140 basis points' increase in volume, 130 basis points in price. And also the positive news here is we see an accelerating part in the price component. In Q1 we had 80 basis points. In Q2 we had 100 basis points. Now in Q3 we're seeing 130 basis points, as pointed out before in the price component.

All business divisions in Adhesives contributing to that, especially with a strong performance in general industry and transport and metal. We are back also with electronics, with a solid organic net sales growth. Packaging also solid, and consumer adhesives in total was positive.

Looking into the emerging market and mature market situation also here in the emerging markets, an organic sales growth development characterized by a strong development here, China, India and Russia showing double-digit contribution.

Mature markets, differently than in the other two divisions, we have seen in North America a slight positive situation. I've already pointed it out, and also Kasper, especially impacted also here or a higher growth not seen because of portfolio optimization in the areas of packaging and consumer. Western Europe being mixed in a way that we have seen a good development in Germany and a negative in parts of Southern Europe, being precise in France.

Adjusted EBIT margin came in on the prior level. But if you see the absolute number, 17.8%. High comparables in that area, and 17.8% in absolute terms, a very good number. Also this is related to net working capital, with 12.4%. We're seeing a strong level and a strong performance when it comes to net working capital in Adhesives.

## Gross margin impacted by direct material prices

Income statement adjusted



- Increase of direct material prices & intensified promotional pressure
- Partially offset by cost savings & supply chain efficiency improvements

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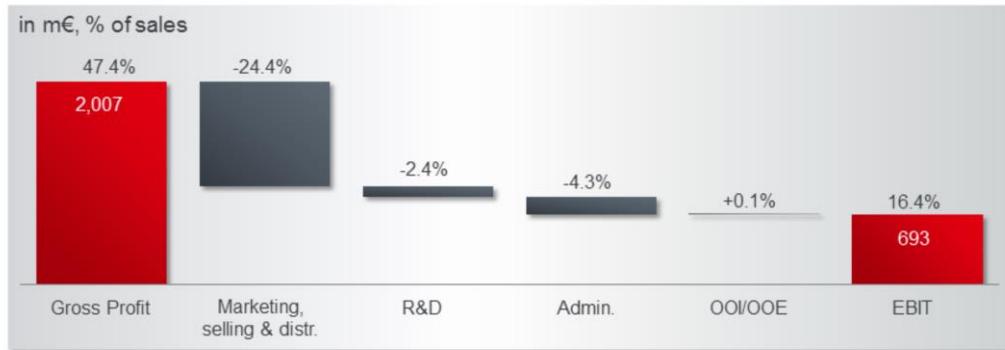
With that, I would like to move to our income statement adjusted -- adjusted income statement, and here starting from our sales to the gross profit lines.

As pointed out before, 4,236 million euros of net sales, showing a 1.2% nominal increase. If you see the gross profit, it came in with 2,007 million euros, which is minus 0.5% compared to the comparable quarter of last year, impacted by two topics, moderate higher prices for direct materials and higher promotional pressure in our consumables business.

That led to the gross margin in percent of sales, as pointed out at the beginning, of 47.4%, 80 basis points below the prior-year quarter. And this 80 basis points are characterized by 60 basis points which I pointed out to the direct material development, and 20 basis points to the impact of higher promotional pressure for our consumer goods businesses.

## Solid adj. EBIT margin increase, plus 30bp

Income statement adjusted



- Significant efficiency gains in Selling & Distribution
- Marketing expenses on prior-year level

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Further in our income statement adjustment now from gross profit to EBIT, our marketing, selling and distribution expenses decreased in percentage of sales compared to the prior-year quarter, and this is mainly due to significant efficiency gains we realized in selling and distribution.

The marketing expenses were on the prior-year level. And even after adjustment of the foreign exchange rates, we have even seen a slight increase also in our absolute marketing spend.

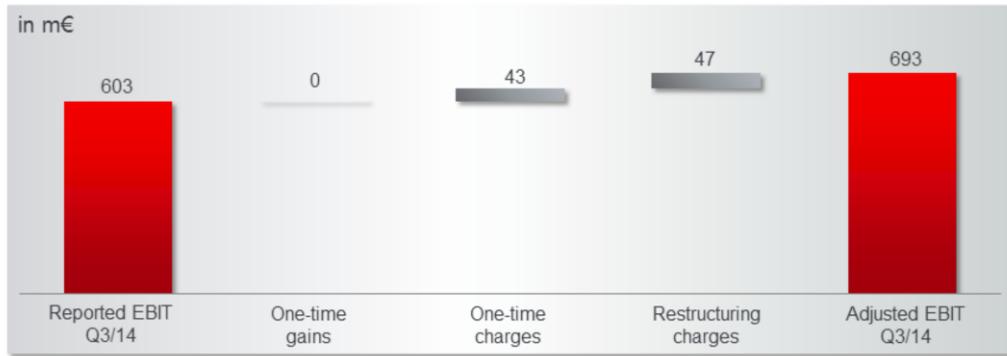
R&D expenses were on the level of Q3 2013, with 2.4%.

And our admin expenses improved by 30 basis points, so they decreased to a level of 4.3%, reflecting our strong cost discipline during this quarter.

Overall, with that, our adjusted EBIT came in with 693 million euros, reflecting what I pointed out before, an adjusted EBIT margin of 16.4%.

And this shows an improvement of 30 basis points compared to Q3 2013.

## Continuous adaptation of our structures to the market



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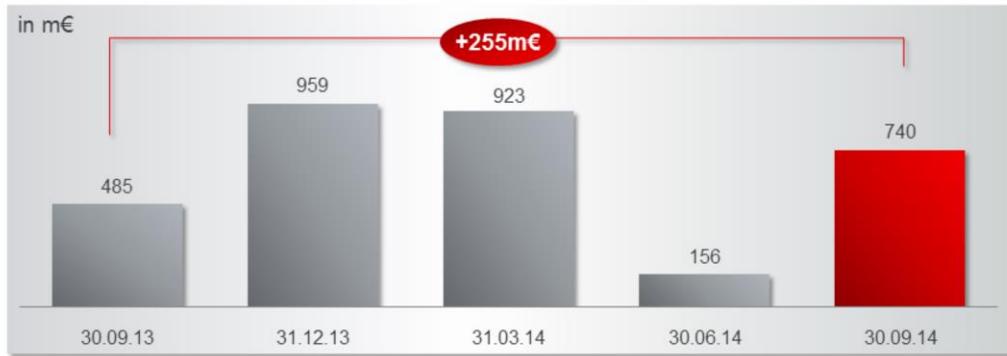
Now moving to our bridge from reported EBIT to adjusted EBIT for the quarter, we have more or less no one-time gains to report on this quarter but more or less no, because zero is no.

Moving now to our one-time charges. Here we have two topics to be mentioned. First, some charges related to the setup of our now fully integrated global supply chain company, which also went live. And secondly, we have been negatively impacted by expenses of 34 million euros for provisions related to a current proceeding by an antitrust authority in Europe, in which several manufacturers of consumer goods companies are involved. The proceeding is related to violations which are more or less 10 years ago, and being precise, between 2003 and 2006.

Moving to our restructuring charges, here we accounted 47 million euros, and this is considerably higher than in the prior-year quarter, reflecting our efforts to continuously adapt our structures to the changes and the market conditions we face and what we see.

So both the higher one-time charges and the higher restructuring charges had a negative impact on our ROCE. You heard Kasper taking about that at the beginning of the presentation. Especially the one-time effects when it comes to the antitrust are only related to our consumer businesses.

## Further improvement of net financial position



- Significant increase on top of acquisitions, dividends & investments

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With that, having a look on our net financial position, I pointed it out at the beginning, 740 million euros, an increase of 255 million euros compared to the comparable quarter of last year.

And let me emphasize a little bit on how we spent the cash:

Since the beginning of the year we paid for acquisitions roughly 350 million euros.

Secondly, we have paid higher dividends in total, 543 million euros, 100 million euros more than in the year before.

And lastly we also spent 351 million euros for investments in PPE and intangible assets. This is roughly 60 million euros more than in the period -- of the comparable period of the last year.

On top, please note that in October we have closed two acquisitions, the Spotless one and also the Bergquist one, which will have a remaining effect on cash of 1,350 million euros, which we have -- which we will record in quarter four of 2014.

And still with that we have continuing very solid balance sheet, which shows a financial headroom of roughly 3.5 billion euros while we're speaking.

## Highlights 1-9 2014: on track for FY 2014 guidance



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With that, before I hand over to Kasper, let me roughly summarize having a look on our first nine months of the year.

So organic net sales growth are at nine months with 3.3% organic net sales growth. All three business divisions supporting that, Laundry at a level of 4.6%, Beauty 2.0%, Adhesives 3.5%.

Our adjusted EBIT margin shows a strong development of 60 basis points increase to a level of 16.1% after nine months.

And our adjusted EPS for the preferred shares now shows after nine months a development of plus 7.7%. So overall a solid performance within the challenges we are facing, especially in the environment of the markets.

With this, I would like to hand back to Kasper.

## Agenda

- 1 Key developments Q3 2014
- 2 Financials Q3 2014 & highlights 1-9 2014
- 3 Summary & outlook FY 2014**

### **Kasper Rorsted:**

Thank you very much, Carsten. I'll now give you the summary and the outlook and then we'll go over to the Q&A.

## Q3 2014 – Solid performance in a tough environment

- Solid organic sales growth, all business units contributing
- Emerging Markets with strong OSG
- Mature Markets OSG: Western Europe positive, North America negative
- Solid increase in adj. EBIT margin
- Strong growth in adj. EPS
- Investment in compelling acquisitions

We, as we've said, see solid organic sales growth and all business groups did contribute. Emerging markets, with strong OSG, as we said, BRIC, with continued double-digit growth, China we see no slowdown, so our globalization with the company of 45% of our business in the emerging markets does continue to help to drive the top line for Henkel.

The mature markets had a mixed picture. Western Europe positive, driven by a very strong Germany. North America negative, with a positive adhesive business and a strong performance in four out of the five SBUs in the adhesive business in the US and a negative HPC business in the US. One element that we've highlighted on previous calls and one element that has the number-one priority in the company, to turn this situation around.

Strong increase in the adjusted EBIT margin to 6.4%, which makes us be in the guidance for the first nine months of the year.

Strong growth in adjusted EPS and we have invested in compelling acquisitions.

## Compelling acquisitions in 2014

All acquisitions closed to date, integration phase started



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We have acquired five companies so far, committed spending of 1.7 billion euros. So we not only continue to invest in the organic part of our business, but also strengthen the inorganic part of our business.

Let me give you two examples. We have, with the acquisitions we have done in the professional haircare business in the US, we have now created a number-three position in the US. Our single largest market in the world for professional hair care is now US. That position was nonexistent four years ago.

With the acquisition of Bergquist, we have extended our product portfolio in the electronics part of the Adhesive business, which is an extremely interesting part of the business. Bergquist is the leader in thermal management.

And with the acquisition of the Spotless Group, we have taken, among other things, our insecticides business from a purely Korea/North American business also into Europe, which is also a very strong business, where the brands they have all in number-one or number-two positions, and much more make the insecticides business an international business.

So we strengthened all our three business groups within the core of our competence.

## Challenging business environment

- Continued tensions impacting macro environment
- Sluggish consumer behavior, persisting promotional pressure
- Fading FX headwind in Q4 2014

- Focused & balanced investments to foster organic & inorganic growth
- Extracting value thanks to continuous portfolio optimization
- Strong focus on cost optimization

When we look upon the overall business environment, we expect a continued challenging business environment, with tensions impacting the macro environment. So a sluggish GDP environment that has not changed significantly in the last couple of months. We see sluggish consumer behavior with persisting promotional pressure, and that will continue to lead on -- continue to lead to higher promotional activity. We are seeing fading FX headwinds in the fourth quarter at a much lower rate. So we did see the high point in the middle of the year.

What do we do? We've a focused and balanced investment to foster organic and inorganic growth. We have seen that in our CapEx spend and, as Carsten also highlighted, investments that we're doing inorganically in our business. We continue to attract value thanks to continuous portfolio optimization, meaning trying to find the right balance between margin expansion and volume expansion. We need both. It's not one or the other. And it's a continuous challenge to make certain we get the right balance.

We have so far been able to do that across the board. One area where we believe we've not done it optimal, which I've spoken about to many of you throughout the individual meetings we had following the second quarter, is getting the right balance in our Adhesive business around our packaging part. That has negatively impacted the top line. This is a purely tactical optimization. There is no strategic impact on this.

And we will continue to have a very strong focus on cost, and that's why, as Carsten said, we have accelerated the restructuring to ensure that we have a continuous competitive cost base.

## Updated guidance FY 2014

	Guidance FY 2014 Old	Guidance FY 2014 Update
<b>Organic Sales Growth</b>	<b>3 - 5%</b>	<b>3 - 5%</b>
<ul style="list-style-type: none"> <li>- Laundry &amp; Home Care</li> <li>- Beauty Care</li> <li>- Adhesive Technologies</li> </ul>	all Business Units 3-5%	3 - 5% ~2% 3 - 5%
<b>Emerging Markets sales share</b>	<b>Slight increase</b>	<b>Slight increase</b>
<b>Adjusted EBIT Margin</b>	<b>~15.5%</b>	<b>Just under 16%</b>
<ul style="list-style-type: none"> <li>- Laundry &amp; Home Care</li> <li>- Beauty Care</li> <li>- Adhesive Technologies</li> </ul>	All Business Units contributing	All Business Units contributing
<b>Adjusted EPS Growth</b>	<b>High single-digit</b>	<b>High single-digit</b>



We will continue to adapt our structures to the market

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When we look upon the guidance, we will continue to expect growth between 3% and 5% for the business groups, where we believe all three would be in the 3% to 5% range. With the current outlook we believe the Laundry and Home Care and Adhesive will be in the 3% to 5% range and, with the current outlook, Beauty Care will be around 2%.

The emerging market sales share will have a slight increase. We're taking the adjusted EBIT margin up to just under 16% from the previous guidance of 15.5%.

And on the adjusted EPS growth, which we said before, we expect high single digit. As I said, following the second quarter we expect high single digit, which is defined within Henkel between 7% and 9%, closer to 7%. And that is what you're seeing. We expect a similar EPS growth in the fourth quarter, as you have seen in the third quarter. So we will deliver according to the guidance that we have given this year.

At the same time, as I've said on previous calls, we will continue to adapt our structures to the market. And you can see this on the following chart.

## Updated guidance FY 2014 for selected KPIs

	Guidance FY 2014 Old	Guidance FY 2014 Update
Price increase total direct materials	Moderate price increase	Moderate price increase
Restructuring charges	At prior-year level	~200 m€
CAPEX	500-550 m€	~500 m€

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Our restructuring charges, which we originally guided at prior-year level, which was 159 million euros, we now expect to be around 200 million euros.

Price increase of total direct materials remain unchanged.

And CapEx, we guided between 500 million euros and 550 million euros. It will probably more amount to 500 million euros, and this is simply just a pure timing impact. We are heavily investing our businesses and we're building the plants and the infrastructure as quickly as we can. So the 500 million euros versus 550 million euros, I would not put a lot of emphasis on; it's a pure timing impact that you're seeing here.

## Full commitment to execute on our strategy & achieve 2016 targets



Overall, we are fully committed to execute our strategy and deliver our 2016 target of 20-10-10, where the primary KPI for us continues to be the 10% EPS CAGR, which we're completely committed to deliver upon over the next set of years to make certain that we hit our 2016 targets.

With this, let me just stay with the upcoming events.

## Upcoming events

- March 4<sup>th</sup>, 2015  
FY 2014 Financials
- April 13<sup>th</sup>, 2015  
Annual General Meeting
- May 7<sup>th</sup>, 2015  
Q1 2015 Financials
- June 1<sup>st</sup>, 2015  
Investor & Analyst Day - Laundry & Home Care
- August 12<sup>th</sup>, 2015  
Q2 2015 Financials
- November 11<sup>th</sup>, 2015  
Q3 2015 Financials



March 4 we have our full-year earnings.

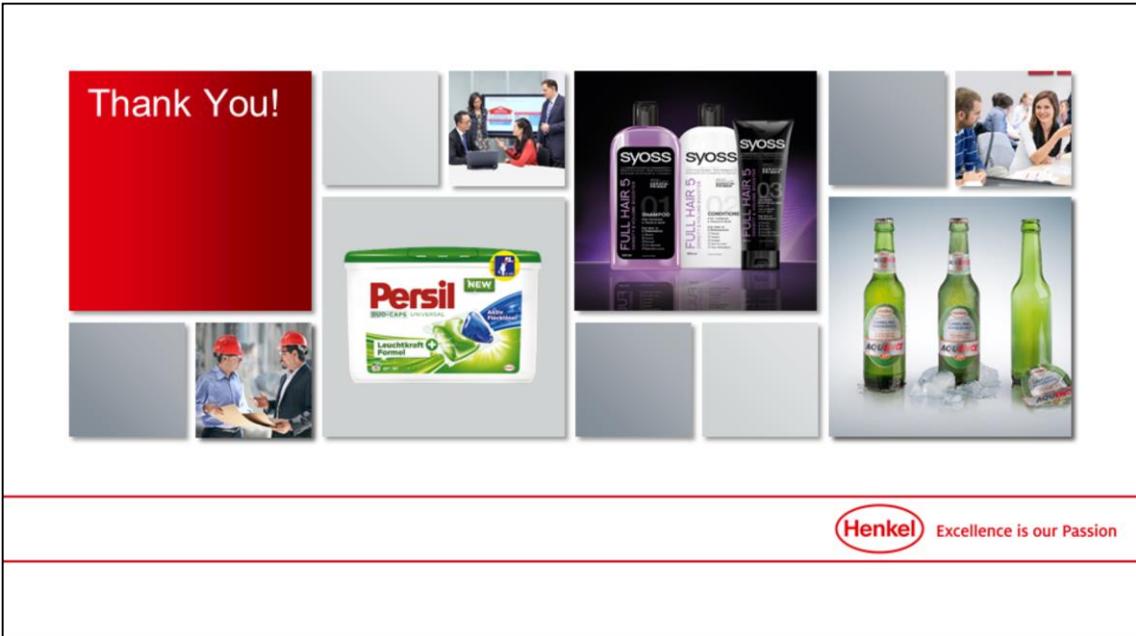
April we have the AGM.

May we have Q1.

June we have the Investor and Analyst Day which will this year focus -- this year and next year will focus on Laundry and Home Care and will take place in Dusseldorf.

August 12, Q2.

And November 11, a year from now, we have the third-quarter earnings of 2015.



Now let me stop at this stage and we'll do the question-and-answer session. So, so far, thank you very much. And Q&A, please.

## Q&A Session

**Operator:** *Rosie Edwards, Goldman Sachs*

**Rosie Edwards:** Yes. Good morning. Just two questions from me. Firstly, just on recent movements in the oil price, clearly you've talked about your outlook on 2014 for direct materials. But next year it should have a bit of a tailwind from more raw materials. But would you expect that to be passed back to customers within Adhesives and consumers within HPC? And what is the outlook for pricing next year?

And then secondly, you've also given some outlook on FX, particularly for your top line. Can you give us any clue as to how FX has impacted your margins this year and how that has trended as we've gone through sequential quarters?

**Carsten Knobel:** Starting with your question regarding the oil price, the oil price, the minor impact in Q3, the major decrease only happened in October. And therefore, based on our delay of four to six month, as we pointed out before, has comes to the P&L, this will then impact us only six months from now. But for sure, as always, then this is not depending on the oil price. When prices change, this is also something which we then also transfer to our customers and consumers. That's to that.

The impact of the FX on margin, our guidance reflects the assumptions regarding the economic environment, including FX development. So based on these, we gave the guidance on a high single-digit EPS for 2014, which we confirmed, as you have heard from Kasper today.

In Q3, the NES impact, as you know, is or was 2.2%. The gross profit, EBIT and EPS were roughly on the same level of impact.

**Kasper Rorsted:** Let me just add one comment when it comes to FX. We've now had five or six quarters of negative FX. We have not at any point of time used this as an excuse on delivery of our numbers. So that means that we have not in any call explained and said we're missing our numbers or not missing our numbers because of FX, and we've hit our numbers.

So the excuse we didn't use when it was against us, we will not use when it's in front of us. We have not spoken about adjusted or like for like; we have spoken about what we report. That was now, if you take the total tune of 1.5 billion euros has been against us on top line, you can do whatever assumptions you will on 1.5 billion euros to EBIT. So that we've had against us, we've not used that as an excuse. We will not use it as an excuse moving forward, whether it's headwind or tailwind.

**Rosie Edwards:** Okay. Thank you. And sorry, just following up on the first question, if I look over the past five to seven years, pricing has not ever been negative though in Adhesives. Is there a reason to think that would be different next year?

**Kasper Rorsted:** Same pricing and material next year when we do the year.

**Rosie Edwards:** Okay. All right. Thank you.

**Operator:** *Gael Colcombet, MainFirst*

**Gael Colcombet:** Yes. Good morning, gentlemen. My first question is on North America, with negative OSG in Q3. So I think your comments were pretty clear that you're addressing the issue and it's your first priority. I would just like to get a better understanding of when you would expect the timing of a recovery in the US. Some of the competitors are already starting to talk about slightly better market development in the US. So I was just wondering if that was also the case for you, which would justify a better promotional environment or an improving -- less promotional environment in the US.

Second question is more for the mid term. Just wondering if you could update us on the progress regarding the central hub for purchasing and logistics to be set up in the Netherlands. Would you expect significant savings from that centralization? And could you already give us a rough idea of what could be the savings impact after 2016?

And last question on M&A. You mentioned on the call a headroom of 3.5 billion euros left after the acquisitions. Is there anything in particular you're looking at at the moment? From the press interview today you seem to be very bullish on US industrials. Is that -- do you think there could be room for other adhesives acquisitions in the US? Thank you.

**Kasper Rorsted:** I will do number one and number three and Carsten will do number two. Acquisitions, no comment. We seriously don't comment on acquisitions.

On the US, I think you have to separate the market in two. One is you continue to do an extremely sluggish and promotional-driven US fast-moving consumer goods market. We have not seen any change in that. I spent three out of four weeks in the US in the month of October and did more store checks that I care to do. I've not seen any change in that. So we have a different out view -- a view on the overall market. So we do not expect that the market will significantly change. I think you can see that also in the reported numbers from the retailers. That is our opinion and there is no truth, but I'm just saying that is the way we see the market.

What we do -- can control is our own performance. And as I said, we are completely committed, I can tell you. There's an immense amount of focus and it's the single highest priority within the management team to change that around. The market I don't think will change in the short term. I'm certain that we will change. And it will take us time, but we will change it around.

**Carsten Knobel:** Related to -- regarding your question to our global supply chain, it's true that we are having one of the major projects which is related to that cross-divisional fully integrated global supply chain approach across the key divisions, including our purchasing activities, which you said rightly that we have just started that with creating a hub in the Netherlands. And this is something which is a significant project for the future. No guiding on savings because also our Company will exist beyond 2015 and majority of the savings to be expected after 2016.

**Gael Colcombet:** Thanks.

**Operator:** *James Targett, Berenberg*

**James Targett:** Good morning, gentlemen. A couple of questions from me. Firstly just on FX and margins again, just looking at what's going on with the Russian ruble. Could you just talk about how we should look at the impact on margins in Eastern Europe from the ruble in terms of how your currencies are matched there?

And then secondly, just in China, you've obviously posted very good numbers in China in the third quarter. Some competitors are talking about a destocking in the market. I just wondered if you are seeing any signs of that. Thank you.

**Kasper Rorsted:** Let me start with the China part and Carsten will do the FX part. We have not seen -- destocking only occurs if you restock, so to speak. And we have not seen our growth in China significantly slow down. And if you look upon the overall outlook that is coming for China, they're speaking about 7% to 7.2% or 7.4% overall GDP growth. So that is frankly unchanged in the last three years.

We are of course seeing different markets moving differently. But for our business, we have seen a very consistent double-digit growth in China. We continue to be bullish around China in the long term.

There is one part which is consistent for all the emerging markets, a high growth also delivers higher volatility. But for China, our experience has been in the past number of years that we've seen a lower level of volatility in China than we've seen in any of the other BRIC countries in the last five to seven years. So, as I said, we continue to be bullish when it comes to China, whether it's in fast-moving consumer goods or on the industrial side.

**Carsten Knobel:** Coming again back to FX, and partly I have to repeat what I already said before. We had an impact in Q3 of 2.2% FX when it comes to translational impact. And this is, as I pointed it out, mainly due to the Russian ruble or it had the biggest impact. But for sure, in Eastern Europe in general, but for sure also related especially to Russia and to the Ukraine, we have an over-proportional effect of negative transactional currency effects, which is impacting for sure the whole production, gross margin set-up, but which I will not quantify.

**James Targett:** Okay. Thank you very much.

**Carsten Knobel:** Welcome.

**Operator:** *Christian Faitz, Kepler Cheuvreux*

**Christian Faitz:** Yes. Thanks for taking my question. I have one question, if I may. All the others have been answered. What is your current view on key end markets in Adhesives? E.g. the building and construction end market and automotive end market also going into 2015, do you see any weaknesses there potentially coming up? Thanks.

**Kasper Rorsted:** Of course what you're asking us is a very broad question. Overall, automotive has been fairly resilient, but we are seeing a slight slowdown in automotive. On the construction market you've got to go region by region. Europe will remain very similar to what you're seeing on the GDP growth, so pretty much flat. But we are seeing an uptick in the US. So on the overall outlook, we are seeing industrial production ticking up approximately 3% for the coming year. So overall industrial, we're actually quite -- it should be solid. But Europe will remain, I would say, challenged.

And I think that until you have a resolution on the Russian situation, you will have an impacted European economy. So you're not going to expect a lot of GDP growth or industrial growth coming out of Europe. And the predominant driver of that is the Russian situation, because most countries in Europe have a substantially bigger business with Russia than the Americans will have. So America should be, industrial-wise, okay next year.

**Christian Faitz:** Very helpful. Thanks.

**Operator:** *Hermine de Bentzmann, Raymond James*

**Hermine de Bentzmann:** Hi. Good morning. I have two questions, please. The first one on the Beauty Care business. Can you maybe talk about your market share development in mature markets and in Asia?

And the second question is again on North America. Can you maybe explain what's happened in your way of execution and what is your action plan? And when do you expect this action plan to positively impact the performance of the region? Thank you.

**Kasper Rorsted:** On the US, of course I will not elaborate on our action plan because I think that would mean that would tell our competitors what we're trying to do. But I think, in short, what you've seen in the US, you've seen a dramatic increase in promotional activity to a level which is simply not sustainable. And I think we have taken that also to a level which has not been good for us as a company, but one, as I said, is the overall market has been going in that direction, the overall -- and we've overdone it.

On the market share side, we've actually seen a very positive development when it comes to market share development when it comes to our Adhesive business. We've seen increase, strong increase in APAC. We have seen North America -- no, excuse me, on the Beauty Care side of which we're speaking, we're seeing strong increase in APAC driven by China. China is really a very strong success story for us.

**[Kasper Rorsted continued]** North America, which -- where we're predominantly on the body care side, has remained at previous level, and the same in Europe. So we've not seen any decrease in our market share. What you are seeing is you're seeing a volume that's actually quite solid, but you're seeing -- due to promotional activity you're seeing less on the revenue line.

So we have no, I would say, challenge on the market share side. It is simply getting more value out of the products that we're selling at this stage and trying to make certain we get a better price development. But that has been negatively impacted by the promotional activity. So market share is not the issue at this stage.

**Hermine de Bentzmann:** Okay. Thank you. Just to follow up on your tax rate expectation for the full year, please.

**Kasper Rorsted:** Tax rate?

**Carsten Knobel:** You know we do not guide for our tax rate, but we have clearly pointed out during our strategy calls during the years that we assume or that you can calculate with a tax rate roughly of 25%. The tax rate for the first nine months and also in the quarter three of this year was 24%.

**Hermine de Bentzmann:** Thank you.

**Operator:** *Celine Pannuti, JPMorgan*

**Celine Pannuti:** Yes. Good morning. My first question is on Russia. You have sounded quite cautious in previous quarters and even in your commentary today on the situation and the speed of the impact on Europe, yet you recorded double-digit growth in Russia. Can you comment on what has been the driver of that and whether, given what's happening in the internal Russian market, we should expect whether this can continue?

Second, on the marketing spend, can you give us what has been your A&P -- what has been the move in your A&P ratio in the quarter? And as you look at the efficiency that has been driven this year, what should we expect for next year? Is there more to come? Thank you.

**Kasper Rorsted:** On the Russian side, what you are seeing, and I think you need to -- or one needs to understand the macro first. You're seeing a Russian economy that is significantly slowing down, moving into negative GDP development. So that's the first part.

We continue to see very strong development within the overall Russian market, where we have -- Russia is number four market for us in the world, where we have, I would say, one of the best management teams globally. So the Russian impact, we're clearly seeing outside countries exporting into Russia. So if you take Germany, while we're not impacted, the current prediction is that German export will slow down by 20% into Russia this year, and that 20% for the full year occurs in the second half. So we're seeing a significant slowdown. You're seeing more than 100,000 jobs in Germany lost on business related to Ukraine.

**[Kasper Rorsted continued]** So right now the Russian crisis, you're seeing in the countries surrounding Russia, whether that's German for exports or countries like Poland and of course Ukraine, it is clear that over time we also expect our Russian business to slow down. We don't expect it to get into big trouble. But what we do expect is a continued negative development of the European economy because of Russia.

And I think it would be very naive to think that that will change around before there is a resolution to Russia. You can see that in a number of industries, whether that's German export, whether it's car manufacturing in Russia or export to Russia, and also, of course, with the sanctions that are taking place in the financial markets.

So we have not changed our opinion about Russia and the Eastern European market since the second quarter. We are very concerned. And if you look upon the overall growth we are reporting in Eastern Europe, that is slowing down if you excluded the Russian numbers. So Eastern Europe is significantly slowing down because of the Russia impact. It's only reported-wise looking better because of strong Russia.

Carsten on the A&P side.

**Carsten Knobel:** Yes. Celine, thank you for this question that I can clarify again. So if we look into the quarter, our marketing, selling, distribution expenses decreased, and this is exclusively due to the fact that we have improved our situation in selling and distribution expenses, being more efficient related to selling and distribution. That means, with other words, our marketing expenses in -- related to net sales are flat. And, as I said during my presentation, if you would adjust for foreign exchange rates, we would even see an increase in absolute marketing spend. I hope that clarifies.

**Kasper Rorsted:** I just want to mention one thing when it comes to A&P. There are certain categories, if you take in Laundry and Home Care, in Laundry in certain countries, where 60% to 70% of the total market is promotional activity, if you have 60% to 70% of the total market being promotional activity, you're wasting your money if you're doing advertising because that is the way it's driven. And that is what you're seeing across the market.

We have every intention to move up our advertising spend, but it has to be in order to deliver value to our company. That's why we'll continue to take that number up. But of course, depending on the market environment, and if you're in a promotional environment where 60% to 70% of the market is promotion, we will make the investment in promotion to make sure that we continue to defend our market share positions across the board, and that's what we've done this year.

So what I've said, and Carsten also, when we look upon key developments in our fast-moving consumer goods, it's EBIT margin expansion and market share expansion. And if you get those two right, then your mix of A&P is correct.

**Celine Pannuti:** Okay. Just to follow up on that. So if I look at the overall part, so in marketing and selling and distribution expenses which has gone down significantly this year, what is the delta or what is the further improvement coming from next year? So do you think that there is another selling efficiency that we should bake in? Is there a continuous movement as you mention now from A&P into promo?

And just to rebound on these numbers you're giving, 60% to 70% promo, does that mean that the categories are in need of maybe a more sustainable price cut?

**Carsten Knobel:** Celine, we are not guiding on specific lines of the P&L, even not now looking in 2015. We will comment on our guidance at the beginning of 2015 as always.

**Kasper Rorsted:** And I think the best way of getting an in-depth understanding of this is when we have our Investor Day, which we have in June in Dusseldorf, where we are specifically speaking about Laundry and Home Care per market, per category. And we'll be happy to give you in-depth commentary on that during that day.

**Celine Pannuti:** Thank you.

**Operator:** *Warren Ackerman, Societe Generale*

**Warren Ackerman:** Good morning, gentlemen. It's Warren Ackerman here at SocGen. Two questions from me also. The first one's on Germany, a pretty amazing performance from Germany despite the macro slowing, as you commented. I was just wondering whether you could give us an idea of what the growth rate in Germany is. If you don't want to do it by quarter, maybe year to date or however you want to quantify that.

And it sounds like it's not the market, it's more share improvement. So if you could maybe go through what your market share is doing in your key categories in Germany. And looking forward to Q4, would you expect Germany to slow down as per the commentary you made about exports into Russia into Q4? So the first question around Germany.

And then second, for Carsten, I appreciate you don't want to talk too much about 2015 guidance at this stage, but obviously from a modelling point of view, looking at our numbers, it looks like there's going to be quite a big EPS boost next year from currency on the weak euro. But once we all start to consolidate all of these smaller acquisitions together, it's starting to become pretty material. I was just wondering whether you're able to, at this stage, give us some help on what the aggregate of those two points might be on currency and the consolidation or how accretive these deals in aggregate will be. Thank you.

**Kasper Rorsted:** I do want to mention the currency part one more time because we've been very consistent in the way we've communicated. We've been one of the companies that have chosen not to adjust for currency and not to adjust for like for like. So the 1.5 billion euros that we lost on currency, we didn't spend -- we didn't go back and say our EPS is, as we said this quarter, 6.4%, adjusted for currency is whatever it is. We will not do that also for currency moving forward. We will give you more in depth looking forward. But when you look upon it right now, like for like, we're still in negative currency territory. So I just want to make certain, we say that we speak about potential headwinds that might come and we've seen tailwinds, and we're still including headwinds. You didn't hear Carsten speak about what is the adjusted EPS for third quarter, even though we had 2.2% negative currency.

So that will not come. We will go back and speak about and add up the impacts of acquisitions. But what we did say in our original guidance was that we don't adjust our targets for small- to medium-sized acquisitions. We will give you the impact but we will not adjust for it.

We are, from a model standpoint, and I want to be very clear on this, completely committed to 10% EPS growth for 2016. That is our primary KPI and that is what we're striving to do and will continue to do so. So that is one guide I can give you, even though we're not in 2015.

**Warren Ackerman:** Okay.

**Kasper Rorsted:** When it comes to Germany, we are seeing a slowdown of the Germany economy, there's no doubt about that when you look upon the overall numbers. What we are seeing is we are seeing predominant market share growth in our different categories. Most of our businesses are non-export-oriented. So our consumer goods business, for obvious reasons, non-export-oriented. Of course some of the sales into the car industry is export. But we are really a -- revenue is in the country, where the country is.

So the slowdown of the German export will have, to us, a lesser impact unless it's in certain of the car manufacturers. So the predominant business growth we're seeing, which we continue to see strong in Germany for us, is market share-driven.

**Warren Ackerman:** Can you be a bit more specific, Kasper, in terms of exactly where that market share is? Is it more in the Laundry side or the Beauty side?

**Kasper Rorsted:** All three.

**Warren Ackerman:** All three.

**Kasper Rorsted:** We're building market share in all three areas. So we're very happy with our German business at this stage.

**Warren Ackerman:** Okay. Okay. Thank you.

**Kasper Rorsted:** Thank you.

**Operator:** *Guillaume Delmas, Nomura*

**Guillaume Delmas:** Good morning. A couple of questions from me. Firstly on your Beauty Care business, clearly the professional hair salon channel has been a drag to your organic sales growth for quite some time. Now despite that you acquired three brands in the US in June. So, A, can you confirm that these three brand are actually growing? And I guess more importantly, do you expect a return to positive growth in the professional channel soon as you expand the distribution of these three brands and also roll them out internationally?

And then my second question on Adhesives. Margins were high in the quarter but flat year on year, which to me is slightly surprising given that pricing was sequentially stronger. Mix must have been positive, with a strong performance in general industry. Slightly weaker on a relative basis in packaging. So what did offset that? Is it more raw material headwinds or a bit less savings in the quarter? Thank you.

**Kasper Rorsted:** I will do the first one. Carsten will do the second one. Yes, we are growing the professional haircare business in the US. And I want to stress, we really do look upon things in the long term. We think, despite the negative development in the professional haircare market that we have seen over the last couple of years, it is and remains a very attractive business for us. It's a high-margin business. It's a business where a lot of innovation takes place, where you take innovation from the professional haircare market and move it into retail. So it's an important part to be for trend scouting, to get new products in and get them into the market.

And with the acquisitions that we've done in the US, as I said, from a nowhere position, we're now number three in the US. So we expanded our footprint in our professional haircare business. It also shows the commitment that we have in one of our core categories, which is haircare, and particularly on the coloration, where we have great market share developments.

When the professional haircare market will turn around, we simply don't know. It is correlated to consumer spend and overall to GDP. I expect that the professional haircare market will turn around quicker in the US and in Asia than in Europe, because that's where the GDP is growing. In Europe we do foresee a struggling economy also moving forward, or flat economy moving forward, and that has impact on consumer spend.

But frankly we can't go in and out of categories overnight depending on how it goes. We think it continues to be a very attractive area for us. And it's a great extension to our retail business, where we move products backwards and forwards from a technology standpoint.

Carsten, do you want to speak a bit about the Adhesive business, where, by the way, 17.8% margin is still a very solid margin.

**Carsten Knobel:** Thank you, Kasper. I wanted to start with that. So, Guillaume, as Kasper pointed it out, 17.8% is a margin which we have never seen in Adhesives before and which is also quite random to see -- rare to see, sorry, in the industry at all. So therefore we are very satisfied with the 17.8%, despite the fact that it is only, in apostrophes, on the prior-year level.

The impact, especially in Adhesives in the quarter, is twofold. On the one side it has an impact on -- or the direct materials, as I pointed out before, you may remember I said 60 basis points out of the 80 basis points for the total Company is related to direct materials. This is also especially related to Adhesives. Here we have even a three-digit number, 100-basis-point impact, negative impact based on direct materials.

And for sure I also pointed out, we said that in North America, in our packaging business, we have the topic that we are changing the portfolio mix more to the commoditized -- or lowering the commoditized part. But in general, the packaging business has a quite high margin. And based on this mix effect, this has also a slight negative impact on the gross margin.

So in total, that's more or less the situation. Nevertheless, we delivered, as I said before, the 17.8%, which is on the prior-year level.

**Guillaume Delmas:** Thank you very much.

**Kasper Rorsted:** We're getting to the close. I just want to remark one thing. Our primary KPI is EPS. And we want to make sure that we get the optimal balance between market expansion and top-line expansion. In the previous years our top -- our primary guidance was margin. I'm not -- and you saw we're also taking the margin guidance for this year up. But our primary KPI is EPS because we believe it delivers the best proximity to what shareholders are looking for. So that is what we're looking at, 10% EPS growth over the period 2012 to 2016.

So, ladies and gentlemen, thank you very much for participating in our conference call today. With a tough market environment, characterized by persistent promotional pressure, sluggish consumer behavior and even though fading but still negative FX headwinds, we have delivered a quarter of solid performance. Looking ahead, the challenges in the market environment seem to remain. However, we're confident that through our innovative strength and strong brands, coupled with our continuous adaptations of our structures to the market and by further driving operational excellence, we'll continue to outperform in 2015 -- 2014 and on and beyond.

I wish you all the best. And I look forward to talking to many of you this afternoon at the UBS European Conference at 3pm. On March 4, 2015, we'll release our full -- our Q4 and full-year earnings release in the usual setting in our conference call.

Before closing, I'd like to announce the date for our Investor and Analyst Day 2015, hosted by Laundry and Home Care, which will take place on June 1, 2015, in Dusseldorf. More details will follow at a later stage, but I can already say that we're hoping to see as many of you there as possible. Thank you very much and thank you for dialing in today. Bye.

**[END OF CONFERENCE CALL]**

## Additional Information

***[Additional information only that was not shown during conference call]***

## Usage of cash: acquisitions 1-9 2014

Integration phase for recent acquisitions now starting

Laundry & Home Care		Beauty Care		Adhesive Technologies
  		  		
<ul style="list-style-type: none"> <li>Sales 2013: ~ 280 m€</li> <li>Closing effective: 14.10.2014</li> <li>Price incl. debt: 940 m€</li> <li>Western Europe</li> </ul>	<ul style="list-style-type: none"> <li>Sales 2012: ~ 60 m€</li> <li>Closing effective: 14.02.2014</li> <li>Price: 53 m€</li> <li>Poland</li> </ul>	<ul style="list-style-type: none"> <li>Sales 2013: ~ 140 m€</li> <li>Closing effective: 30.06.2014</li> <li>Price: 274 m€</li> <li>United States</li> </ul>	<ul style="list-style-type: none"> <li>Sales 2013: not disclosed</li> <li>Closing effective: 30.05.2014</li> <li>Price: 24 m€</li> <li>Latin America</li> </ul>	<ul style="list-style-type: none"> <li>Sales 2013: ~130 m€</li> <li>Closing effective: 31.10.2014</li> <li>Price before adjustments: 570 m\$ (approx. 430 m€)</li> <li>North America, Asia Pacific, Europe</li> </ul>

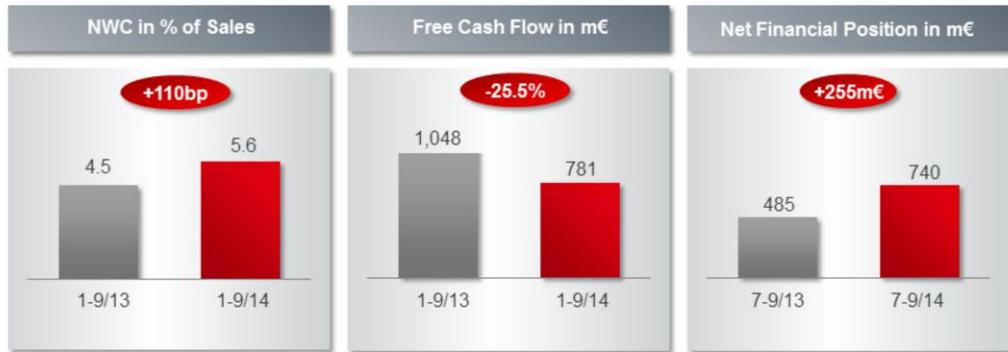
**[Additional information only that was not shown during conference call]**

## Key financials YTD 1-9 2014 (1/2)



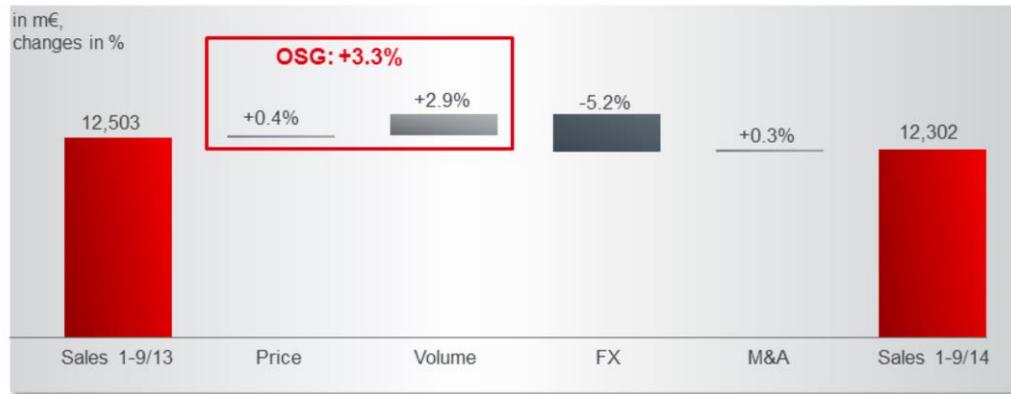
***[Additional information only that was not shown during conference call]***

## Key financials YTD 1-9 2014 (2/2)



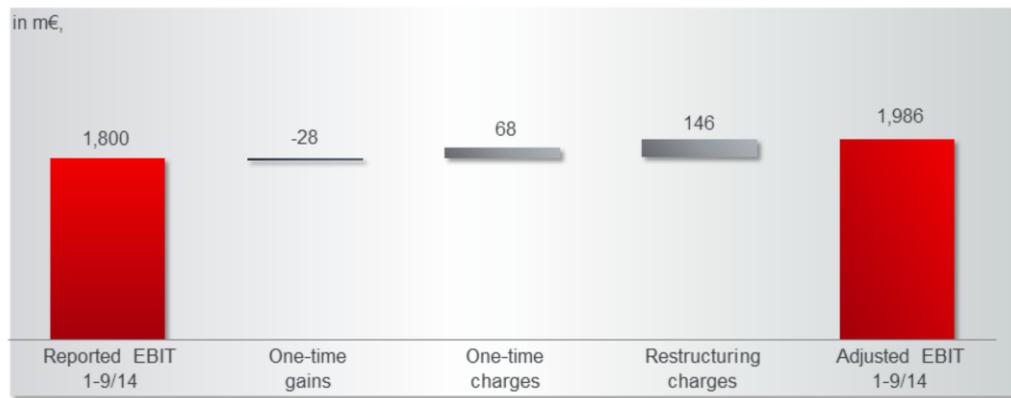
***[Additional information only that was not shown during conference call]***

## Sales growth – Henkel



***[Additional information only that was not shown during conference call]***

## Reported to Adjusted EBIT



***[Additional information only that was not shown during conference call]***

## Laundry & Home Care

### Key figures



- OSG driven by 5.1% in volume, -0.5% in price

***[Additional information only that was not shown during conference call]***

## Beauty Care

### Key figures



- OSG driven by 1.8% in volume and 0.2% in price

***[Additional information only that was not shown during conference call]***

## Adhesive Technologies

### Key figures



- OSG driven by 2.5% in volume and 1.0% in price

***[Additional information only that was not shown during conference call]***