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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:

Good morning, ladies and gentlemen, and welcome to our conference call. First I would like to focus on the key developments of the first quarter 2015. Then Carsten will provide you with the first-quarter financials in greater detail. After that I'll close my presentation with a brief summary for the Q1 and the outlook for 2015. And finally, Carsten and I will be able to 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 discussion are conducted subject to the disclaimer. We will not read the disclaimer but propose we take it into the record for the purpose of this call.

## Agenda

**1. Key developments Q1 2015**

2. Financials Q1 2015

3. Summary & outlook FY 2015

Now, let's get started.

## Q1 2015: Strong performance in a challenging environment

OSG <b>+3.6%</b>	Adj. EBIT margin <b>16.0%</b>	Adj. EPS growth <b>+13.5%</b>
OSG in EM <b>+7.7%</b>	NWC in % of sales <b>6.2%</b>	Net financial pos. <b>€ 10 m</b>

We had an organic sales growth of 3.6%. Our margin increased to 16.0%, which gave us an adjusted EPS growth of 13.5%, last time it was on this level was back in 2012. The emerging markets continue to grow very strongly, with a growth of 7.7%. Net working capital came in at 6.2%. And our net financial position was, following the close of the first quarter, EUR10m.

## Delivering on profitable growth

- Sales in absolute figures at all-time high
- Solid organic sales growth driven by all business units
- Continued very strong organic sales growth in Emerging Markets
- Solid improvement in adj. EBIT margin
- Double-digit adj. EPS growth, on track for our FY 2015 guidance



So sales in absolute figures at an all-time high and we saw solid organic sales growth driven by all business groups. It was very good to see that we continue with very strong organic sales growth in the emerging markets that again remain the growth driver for Henkel. So our strategy regarding globalization continues to pay out.

We saw a solid improvement in our adjusted EBIT margin. And as I said, we saw double-digit EPS growth, which means we're on track to deliver upon our FY 2015 guidance.

## Environment shows polarized dynamics

- Macroeconomic environment still polarized:
  - moderate pick-up in global GDP growth
  - persistently high volatility of key currencies
- Ongoing severe geo-political and social unrest in some countries
- Net Working Capital ratio above prior year mainly due to acquisitions & FX



But there are also a number of areas that gave us challenges in the past quarter.

The macro environment remains polarized. While we're seeing a slight uptick compared to previous year, there's still a number of areas that give us challenges. We see a persistently high volatility in key currencies, dollar and dollar-paid currencies is to our advantage. And particularly some of the Eastern European currencies, like the Russian and Ukraine, remains a challenge and will remain a challenge. And that gives us challenges in not only the translation but also the transaction efforts.

We continue to see severe geopolitical and social unrest in some countries, particularly in the Middle East, which we've seen now for more than three years. And despite that we have continued to deliver double-digit growth. But also in some of our key countries here in Europe, meaning Russia and Ukraine, where we are seeing no resolution bringing those countries to a position of solidity.

Our net working capital is above prior-year level due to acquisitions and FX. But in essence, they are above. And we're working very hard to get them back to previous year's levels, and Carsten will take you through the details of this.

## Laundry & Home Care

Strong OSG & strong margin improvement in Q1 2015



**Sales**

- Strong OSG
- Laundry strong, Home Care strong
- Mature Markets positive
- Emerging Markets very strong

**Return**

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

Laundry and Home Care had a very strong quarter, strong OSG and strong market improvement in the first quarter. We were extremely happy with the performance of our Laundry and Home Care business. We saw strong growth both in Laundry and Home Care. The mature markets were positive. And the emerging markets were very strong.

We saw the adjusted EBIT margin showing a strong increase. And we're seeing ROCE below the level of previous year, predominately driven by the acquisitions that we conducted last year in this space.

## Laundry & Home Care

Strengthening innovation leadership across categories

### Color Catcher



- 1<sup>st</sup> laundry sheet with concentrated stain remover
- Prevents discoloration & ensures clean laundry results at 30°C

### Persil ProClean



- Launch of Henkel's premium flagship brand Persil in the US
- Unique combination of stain fighters & boosters

### PowerShot Detergent



- 1<sup>st</sup> liquid detergent with integrated dosing device
- Optimal dosing for excellent washing results

We see on this page on Color Catcher, one of the products we bought through the Spotless acquisition. It's a color catcher product which we're very happy with. We've implemented Persil ProClean with Walmart in the US.



And a new innovation is our PowerShot detergents, which is the first ever liquid detergent with an integrated dosing system. We will be implementing this system in Europe and in the US. So this will be not a global, but a launch both in the US and in Europe, which we have a lot of expectation to. So overall a strong innovation pipeline when it comes to our Laundry and Home Care business, which had a very, very good first quarter.

## Beauty Care

Solid OSG & margin improvement in Q1 2015



### Long-term overview



### Sales

- Solid OSG
- Retail solid, Hair Salon slightly negative
- Mature Markets slightly negative
- Emerging Markets very strong

### Return

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

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We saw in our Beauty Care business a solid organic sales growth in the first quarter. Retail was solid and we're seeing the hair salon slightly negative, predominately driven by a few markets that were negative. The rest of the markets are now stabilizing or catching up.

The mature markets were slightly negative. The emerging markets were very strong again, driven by exceptionally strong China. The adjusted EBIT margin is showing an increase over previous year. And the ROCE is below previous year, also in this area predominately driven by the acquisitions we conducted in the professional space in North America in the last year.

## Beauty Care

Strengthening innovation leadership across categories

Fa Magic Oils	Styliste Ultime	Keratin Color
		
<ul style="list-style-type: none"><li>• 1<sup>st</sup> refreshing shower gel from Fa with Micro Oil droplets</li><li>• Transparent formula providing soft skin feel without greasy residues</li></ul>	<ul style="list-style-type: none"><li>• 1<sup>st</sup> comprehensive styling line developed with Claudia Schiffer</li><li>• Expert formulas with Micro-Styler-Technology for ultimate runway styles</li></ul>	<ul style="list-style-type: none"><li>• 1<sup>st</sup> coloration with Triple-Keratin: cares before, during &amp; after coloring</li><li>• For up to 80% less breakage and 100% coverage for demanding hair</li></ul>

We also, across the board, have a strong innovation pipeline, where that's around Fa or the extension of our Styliste Ultime range...

Schwarzkopf  
**KERATIN COLOR**

**1ST FIBER STRENGTH CARE COLOR SYSTEM**

**HAIR FIBER PROTECTION**

**80% LESS BREAKAGE**

**SKIN FLATTERING REFLEXES**

**100% GREY COVERAGE**

NEW 56  
Schwarzkopf  
PROFESSIONAL QUALITY COLOR  
Hair Fiber Protection  
Reduced Hair Breakage\*  
Skin-flattering Reflexes  
Lastingly Radiant Colors  
KERATIN-COMPLEX & SKIN FLATTERING PIGMENTS  
FIBER STRENGTH CARE COLOR SYSTEM  
100% GREY COVERAGE

NEW 120  
Schwarzkopf  
PROFESSIONAL QUALITY COLOR  
Hair Fiber Protection  
Reduced Hair Breakage\*  
Skin-flattering Reflexes  
Lastingly Radiant Colors  
KERATIN-COMPLEX & SKIN FLATTERING PIGMENTS  
FIBER STRENGTH CARE COLOR SYSTEM  
100% GREY COVERAGE

NEW 40  
Schwarzkopf  
PROFESSIONAL QUALITY COLOR  
Hair Fiber Protection  
Reduced Hair Breakage\*  
Skin-flattering Reflexes  
Lastingly Radiant Colors  
KERATIN-COMPLEX & SKIN FLATTERING PIGMENTS  
FIBER STRENGTH CARE COLOR SYSTEM  
100% GREY COVERAGE

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...or a new innovation within our Schwarzkopf Keratin Color area. So we're quite confident that the innovation pipeline that we have will allow us to continue to prolong our possible growth path that we've had in the past.

## Adhesive Technologies

Solid OSG & high margin level in Q1 2015



### Long-term overview



### Sales

- Solid OSG
- All businesses and regions growing
- Mature Markets positive
- Emerging Markets strong

### Return

- Adj. EBIT margin at high level, below previous year
- ROCE below level of previous year

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And now let me move on to our Adhesives Technologies. We saw solid OSG across the board. All businesses and all regions were growing. The mature markets were positive and the emerging markets were strong. Across the board we continue to see very strong growth in the emerging markets. One of the larger emerging markets is negative, which is Brazil, which is an overall economic development that we have seen in the region over the last couple of years.

The adjusted EBIT margin was slightly below previous year but still at a very high level, driven by a number of investments that Carsten will describe in detail. But overall a very strong EBIT margin and we're very happy with where we are. Again, ROCE below previous year due to the Bergquist acquisition in the US. So you can see our ROCE this year the first quarter is impacted by the EUR1.8b we invested inorganically in our business in the previous years.

## Adhesive Technologies

Fostering technology leadership with impactful activities

### Loctite Campaign



- Loctite, 1<sup>st</sup> Henkel brand to broadcast a TVC at the NFL final
- Top performance in digital activation & social media engagement

### Customer Academy



- 1<sup>st</sup> Henkel training academy in India serving customers in the region
- Flexible Packaging Academy: certified training programs

### Loctite Game Changer



- 1<sup>st</sup> solder paste stable at room temperature
- Removal of cold storage, improved logistics efficiency & cost reduction

And we've also, in the adhesive space, seen a number of key initiatives that will help us. Loctite, which is a EUR2b brand across the world, which this time now, for the first time ever, uses the Super Bowl event to promote the Loctite brand. And we had more than 45m page views on Loctite. It is our biggest brand globally. It is the brand that translates into adhesive. And it's important that we continue to push this brand very, very heavily across the board. It's also in line with our global strategy of brand consolidation. And that's why Loctite today is our biggest global brand.

We have now our first Henkel training academy in India that we opened that helps us serve customers in the region. And we are seeing, as we also indicated last year, a pickup, not only in the Indian economy but also in our Indian business with the change of government last year. So another new investment into a market that we expect at continued growth from in the future.



And Loctite Game Changer is an exciting product. It's a technology which we believe is really breakthrough. It's a solder paste which is able to retain its vital properties for a year, even at room temperature, which gives our customers, which are predominantly in the Electronics space, a lot of savings and also makes the application of the product much easier. And on top, it benefits also the environment.

Now I'll hand over to Carsten, who will take you through the financials in greater detail.

Carsten, please.

## Agenda

1. Key developments Q1 2015

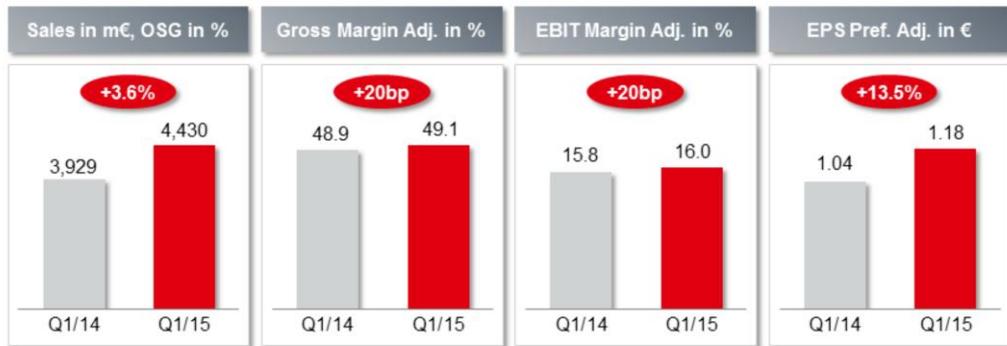
2. **Financials Q1 2015**

3. Summary & outlook FY 2015

### **Carsten Knobel:**

Thank you very much, Kasper. Good morning to everyone. And, as said, I will now give you some more details on our financials of the Q1 2015.

## Continuous commitment to profitable growth



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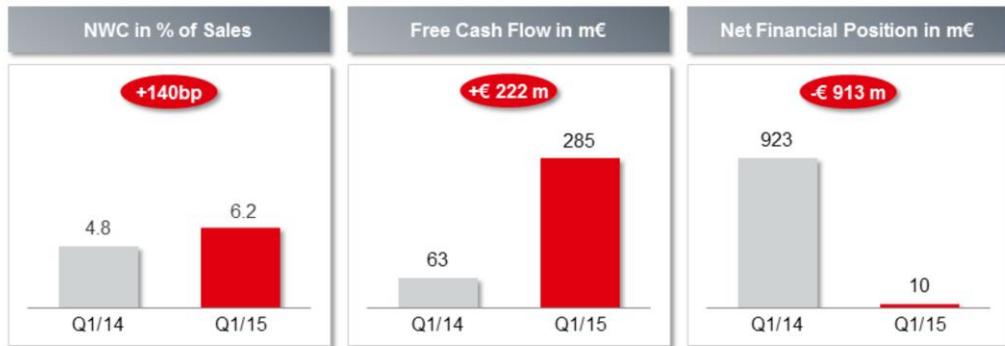


Let's start with our key KPIs, and by that focusing first on our sales development. Our sales came in with EUR4,430m, and, in that respect, showing a significant growth of nominal ways of 12.7%. Organically we delivered a solid performance. Sales were up by 3.6%.

Our adjusted gross margin came in at 49.1%, and by that 20 basis points up compared to the prior quarter. And you see also 20 basis points' improvement on our adjusted EBIT margin, reaching a value of 16.0%. As I said, 20-basis-point increase compared to Q1 2014.

And finally, our adjusted EPS preferred share growth is 13.5% and reaching EUR1.18, with that overall a strong performance and by that a good start into the fiscal year of 2015.

## Focus on disciplined cash management



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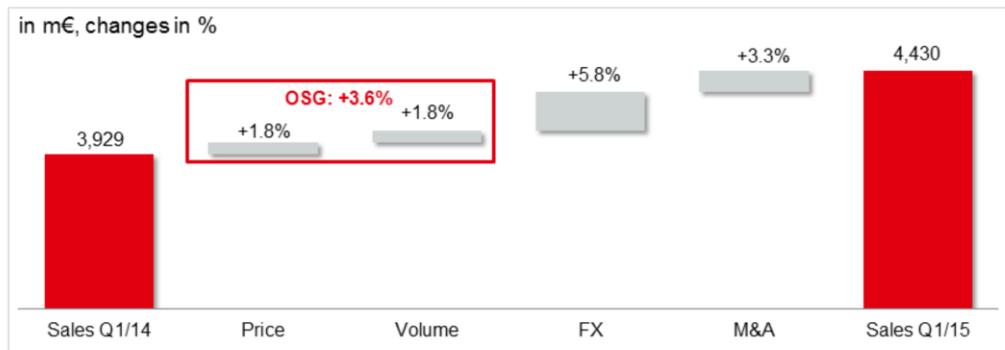


Looking on our cash KPIs, we have also here focused again on a very disciplined cash management, starting with our net working capital development. Net working capital came in at the level of 6.2%. This is up to prior year by 140 basis points. And we have here two effects to be mentioned. One is the negative currency effects amounting for roughly 70 basis points and the acquisitions we closed in the second half of 2013, impacting us by roughly 50 basis points. So in total, 120-basis-point impact. So on a comparable number we are more or less flat compared to the prior year.

Looking now on our free cash flow, the free cash flow report shows EUR285m. This is significantly higher than the comparable figure of the prior-year period, driven by a solid increase in the operating cash flow.

And finally our net financial position, Kasper has already mentioned that. It came in at EUR10m at the end of March, decreased by EUR913m compared to the number of the prior year. Here considering the increase in our dividend payout, the acquisitions we did and the higher investments of last year amounting to roughly EUR2b. So it is remarkable that we are back also here to positives after the minus EUR153m which we recorded at the end of December 2014.

## Double-digit nominal sales growth, balanced OSG growth



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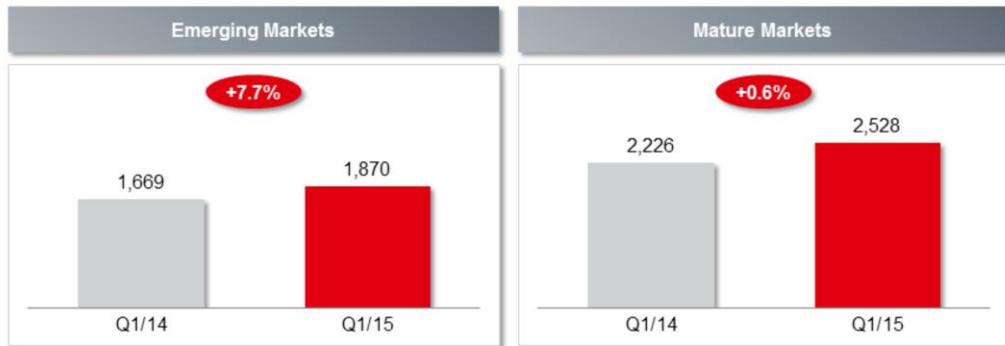
With that, let me move to our sales again and having here a closer look. The Henkel Group-level sales increased, as I said before, organically by 3.6%. This is driven, first of all, by all our three business divisions. And the growth is shown here, as you can see from the chart, in a balanced way between price and volume, each component 180 basis points up.

We had positive FX effect, amounting to 5.8%. The tailwind here is mainly driven by the US dollar, which overcompensated the depreciation of currencies in the emerging markets, especially here the Russian ruble.

Lastly, our acquisitions, which I already disclosed related to 2014, have a positive impact on sales of 3.3%. And with that we are reaching the EUR4,430m which I already mentioned before, and with that showing a double-digit nominal increase of 12.7% compared to the same quarter of the last year.

## Emerging Markets very strong, Mature Markets positive

in m€, OSG in %



- Emerging Market sales share of 42%, on level of prior-year quarter

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Having now a look on our emerging markets and the mature market situation, emerging markets showed a very strong growth, while mature markets had a positive growth in organic net sales terms. Looking at that more in detail, the emerging markets increased nominally by 12%, reaching a level of EUR1,870m. And as I said before, this is reflected in an organic development by 7.7%. And looking into the mature markets, also here we have seen a double-digit growth in terms of nominal terms increase by 13.6%. This is mainly helped also by FX and the acquisition effect of the three major acquisitions of last year, reaching a level of EUR2,528m. And organically this is reflected in an increase of 0.6%.

The emerging markets in total accounted for 42% of our total Group sales. And this is stable compared to the prior-year quarter.

## Broad-based growth across regions

in m€, OSG in %



- Western Europe with uneven dynamics
- Asia Pacific driven by very strong China, strong India and double-digit Indonesia

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And with that, I would like to move now to the regions in more detail, and here starting with Western Europe. Western Europe remains at the level of the prior year, with positive performance of some countries, like Germany or France, overcompensating negative developments of other countries, for example, Italy.

Eastern Europe recorded a strong organic net sales growth, in detail 6.7% organic development, here driven to a large extent by Russia. In fact the developments, as we have reported over the last two or three quarters, are quite polarized in the Eastern European region, while Russia and Ukraine show double-digit growth in organic terms. We have, based on the political tensions, also some countries in the surrounding area of Eastern Europe which did not reach their previous-year level.

Africa/Middle East continues their double-digit growth path, and in particular 12.3% in the Q1 2015.

Coming now to North America. North America showed a solid development in quarter one, with a development of plus 2.4%, here supported by a positive performance from all our business units in the United States. So we see here first positive signs. But it takes more, from our point of view, than a quarter to observe sustainable improvements or developments.

Coming now to Latin America, also here a strong growth, 5.3%. We had here a very strong development in Mexico, overcompensating the already-mentioned situation in Brazil, where we had a weak development which Kasper alluded to.

And finally, Asia-Pacific, also here a strong development, 5.9% in organic terms. And this was driven by a very strong growth again in China, a strong performance in India and a double-digit development in Indonesia.

## Laundry & Home Care

Fostering profitable growth path



- OSG driven by 2.3% in price and 2.9% in volume

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With that, let me now move to our three divisions and give you also an overview about our key developments, and starting with our Laundry and Home Care business. Laundry and Home Care reached a nominal growth in terms of net sales of 13.2%. This was especially supported also by the effect of acquisitions, 5.9% was the effect. And you see we had also a very strong development in organic net sales terms, 5.2%. Here also very positive, a balanced growth, 2.3% in price, 2.9% increase in volume. Both businesses, Laundry and Home Care, showed strong developments in OSG.

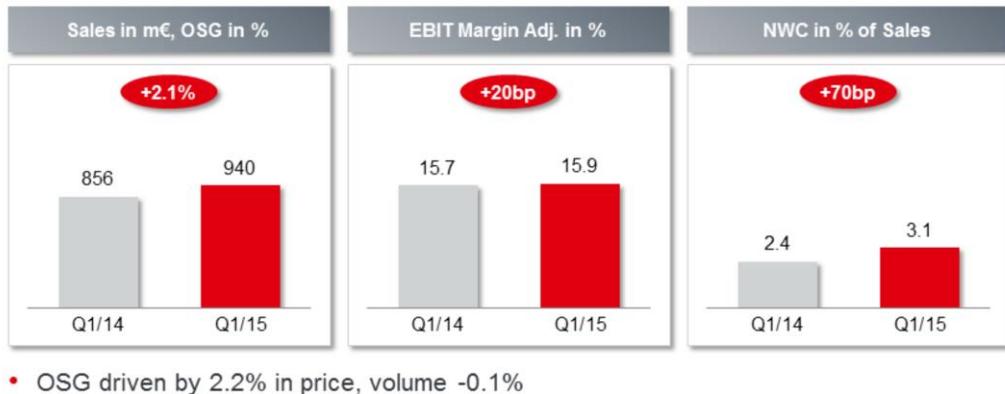
Looking into the markets, in the emerging and the mature markets. The emerging markets again showed a particular momentum in organic net sales growth, with a very strong growth supported by Eastern Europe and Asia-Pacific with very strong contributions, and Africa/Middle East with double-digit.

The situation in the mature markets was positive compared to the prior-year quarter. The main driver here was, the positive performance in Western Europe, especially by a strong development in Germany. The North American business remained at the level of the prior year.

Bottom line, as you can see from the chart, adjusted EBIT margin showed again a strong development, 50-basis-point increase now to a level of 17.1% in Q1 2015. And net working capital came in at the level of minus 3.9%. This is above the prior year. The acquisitions played a role of roughly 120 basis points impacting the results.

## Beauty Care

Fostering profitable growth path



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With that, I would like to move to our Beauty Care business. Beauty Care continued along our long-established path of profitable growth. We have also here a sales increase nominal of roughly double-digit, precise 9.9%. It is supported by 3.6% of acquisitions. And the organic development came in with a solid number of 2.1%. This growth is exclusively driven by price. The volume remained flat.

Looking at the two businesses, retail and professional. Retail showed a solid organic net sales development. Our hair salon business is still characterized by a difficult market environment. And with that we had the slightly negative development compared to the prior year.

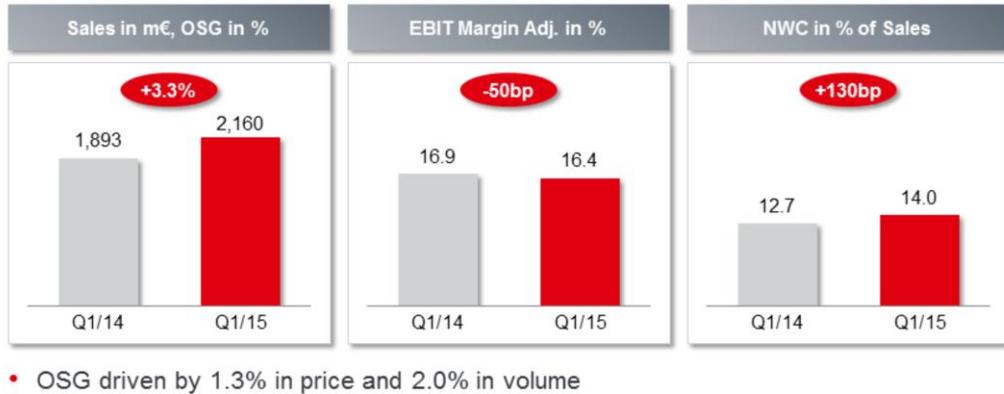
Looking into the sales development in the different markets, starting first with emerging markets, we had also here a very strong development, supported by double-digit contributions of the emerging part of Asia, of Africa/Middle East and of Latin America. Also here in particular again, China showed a clear double-digit development in our Beauty Care area.

Looking into the mature markets, the mature markets maintained on the prior-year level. Here is the situation also a mixed one. We had in Western Europe a negative organic sales development, while North America recorded solid positive organic net sales growth.

Looking into the bottom line, you also see here, again, a growth in our adjusted EBIT margin, 20 basis points up now to a level of 15.9% for the quarter one. And looking in our cash situation, net working capital in percent of sales came in at 3.1%. This is an increase of 70 basis points compared to the prior year. But taking the two effects which are recorded on the Group, acquisitions and FX, acquisitions is around 70 basis points of impact and FX around 90 basis points. So we have a negative impact or a comparable impact of 160 basis points which we didn't have in the quarter one of the year before.

## Adhesive Technologies

Solid OSG, profitability below high level of previous year



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With that, let me move now to the last division, which is Adhesive Technologies. Adhesive Technologies increased also their sales nominally with double-digit, precise 14.1%. 1.8% was coming by the support from the acquisitions. 3.3% is the organic net sales development. Also here a balanced mix of price and volume. Price was up 130 basis points, volume 200 basis points.

All our segments within adhesive supported this performance. We had a solid development in general industry, transport, metal, electronics and consumer, while our packaging showed a positive organic net sales growth.

Regionally speaking, the Adhesive Technologies could increase strongly in the emerging markets, with Africa/Middle East contributing double-digit, Eastern Europe strong, and here especially contributing is Russia. As well Mexico, in Latin America posted double-digit growth, and by that showing a solid development overall in Latin America for the region.

The mature markets, overall positive. We have North America contributing with a solid increase and a flat development in Western Europe.

Looking here also into the adjusted EBIT margin, the adjusted EBIT margin came in at a high level of 16.4%. Nevertheless still 50 basis points below the prior-year quarter, with the high comparable, as I mentioned before, of the 16.9%.

There are various effects playing into that. As we have already flagged, the FX effects, especially from Russian ruble and the Ukraine hryvnia, needed here to be considered. Moreover we are supporting our business by investing in our brands. Kasper already talked about that. The Loctite support especially in the US, with the Super Bowl campaign, but also new product development, innovative approaches, and by that changing our structure of the way how we support the innovations had an impact in the quarter one.

On the cash side, net working capital reached the level of 14%, which is above the prior-year level. The two effects of acquisition and FX are amounting - FX 60 basis points and acquisition 20 basis points, so overall 80 basis points of impact related to that.

## Gross margin slightly improved

Income statement adjusted



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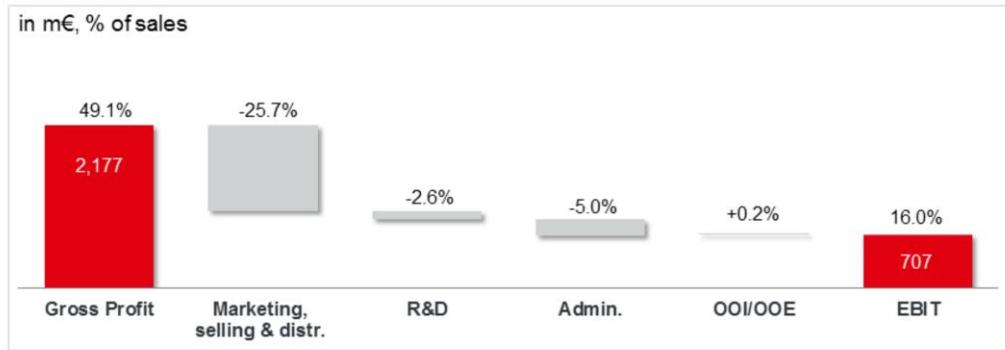


With that, let me move to our income statement adjustment and now from sales to gross margin. The sales development I already commented on, the 12.7% increase in nominal way. The cost of sales came in at EUR2,253m, which reflected then a gross profit of EUR2,177m, which is an increase of 13.3%.

Here we had improvements. Slightly lower prices in total direct materials; secondly, we could gain and save related to cost reduction measures; and thirdly, we had improvements in our production and supply chain efficiency, which contributed to this overall performance. And as a consequence, we are showing a gross margin related to sales of 49.1%. And this is an improvement of 20 basis points to the prior year.

## Solid adj. EBIT margin increase, plus 20bp

Income statement adjusted



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Moving further down in the income statement adjustment and now from gross profit to EBIT. In absolute figures and coming to our marketing, selling and distribution expenses, the absolute number related to that item was increased by 10.6% compared to the prior-year quarter. In percentage of sales, this is a comparable slightly decrease. And there are two reasons behind that development, which we have also told you over several quarters over the last year.

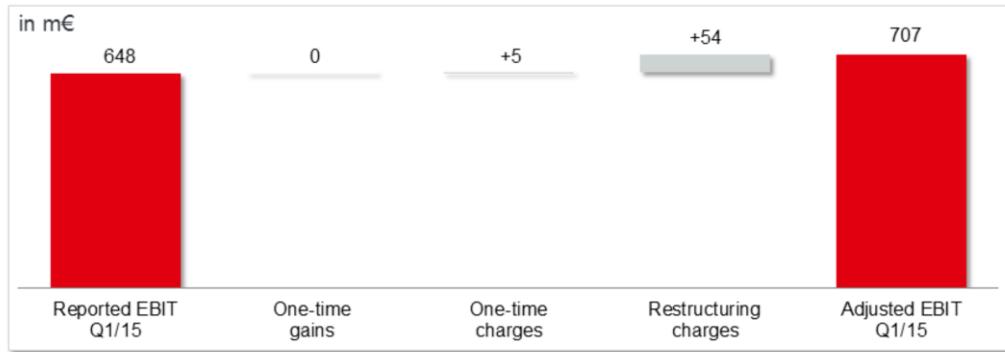
The first reason is we have strongly consolidated our brands, and this is paying off. We came from a level of more than 1,000 now to a level of roughly 250 brands. And the second reason is the shift from classical advertising towards promotion, which impacted or which is impacting this line of marketing, selling and distribution expenses.

Moving to R&D. R&D, at the level of 2.6%, remained at the level of the Q1 2014.

Admin expenses are up by 50 basis points to a level of 5.0%. And this is mainly due to two reasons. One is related to our acquisitions we executed in 2014. And the other one is due to negative FX effects.

Other operating income, other operating charges, the balance of that with EUR12m remained at the similar low level as in the prior-year quarter. And that led us to EUR707m of adjusted EBIT, all representing 16.0% in the adjusted EBIT margin mentioned several times before.

## Continuous adaptation of our structures to the market



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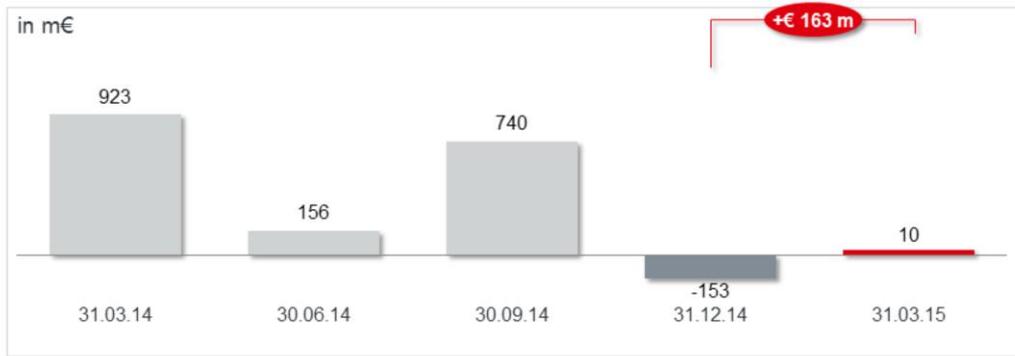


Moving now to our bridge from reported to adjusted EBIT, not very spectacular developments. What you can see here, we recorded no one-time gains in Q1 2015. We had one-time charges in an amount of EUR5m, which is related to the project ONE-GSC, and here specifically to the optimization of our IT system architecture related to this project.

And we had restructuring charges on a level of EUR54m. This is significantly up compared to the prior year. And this is especially related to increased restructuring expenses to one of our acquisitions, which is the Spotless Group, in our Laundry and Home Care business.

With that, we come to the point of the EUR707m, which I alluded already before. And this is an increase of 14.1% compared to the prior-year quarter.

## Improvement of net financial position



- Positive net financial position despite acquisitions, investments & dividends in 2014

With that, let me move to the last KPI, the net financial position. The net financial position came in at EUR10m, being up EUR163m versus the end year 2014 figure. We reported extensively also in our last call for the full year 2014 on how we spend the cash for acquisitions, higher investments, in PPE and intangible assets, as well as the higher dividends.

So we have a very positive inflow from operating cash flow, as I mentioned before. And that helped us also to regain a positive financial position.

With that, I thank you and hand over back to Kasper.

## Agenda

1. Key developments Q1 2015
2. Financials Q1 2015
- 3. Summary & outlook FY 2015**

**Kasper Rorsted:**

Thank you, Carsten.

## Q1 2015

### Strong performance in a challenging environment

- Sales in absolute figures at all-time high
- Solid organic sales growth driven by all business units
- Very strong OSG in Emerging Markets, Mature Markets positive
- Solid adj. EBIT margin increase
- Double-digit adj. EPS growth

Overall it was a good quarter for Henkel. We saw a strong performance in a challenging market environment. In sales, it was the absolute highest quarter we had. So very good. We saw solid organic sales growth driven by all business groups.

And it's good to see, as I said in the opening, that we continue to see very strong organic sales growth in the emerging markets. And I think you can see the footprint and the position we have in emerging markets has now allowed us, throughout a number of years and a number of quarters, to continue to have very solid growth in the emerging markets despite also volatile environment in those markets.

The mature markets returned to positive. We saw a solid adjusted EBIT margin increase and a double-digit adjusted EPS growth of 13% plus, versus high single digit last year. So we're back on track where we need to be.

## Disciplined strategy execution in uncertain environment

- Macroeconomic environment:
  - moderate, uneven pick-up in global GDP growth
  - currency uncertainties remain
- Persisting geo-political tensions
- Well-paced introduction of innovations across our brands and technologies
- Continuous cost focus & adaptation of our structures
- Disciplined approach on acquisitions

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At the same time, it is a more volatile macro environment. We see an uptick in the GDP, moderate but uneven, which of course, depending on the footprint of the different business groups, have different impact, but overall a slightly uptick.

We see and will continue to see movements in the currencies, which on one side gives us an upside, particularly on the dollar and the dollar-paid currencies. But it also has a set of challenges, particularly in Eastern European, where we have very high translation and transaction impact. When we guided for the full year, I mentioned that we saw a negative impact for Russia and Ukraine on the earnings side compared to previous years of approximately EUR100m.

And now let me just make one statement before we get to the end of it. In the past two years we have had very strong headwinds in currencies. And we have said nothing about it. We have not been a company that's spoken about adjusted earnings, underlying growth, adjusted currency earnings. And we don't do that in the future.

So you didn't hear us whine in the last two years. You will not hear this excuse that we had the currencies on our side at this stage. We're looking upon a four-year period. And our assumption is that over time it will even itself out. Just to remind everybody, we still have a significant gap when it comes to currency over the last two and half years.

We have seen and we're seeing a well-paced introduction of innovations across our brands and technologies. We will continue to focus very much on cost and continue to adapt our structures, particularly to how we see the GDP development moving forward in the years to come. So we have the right structures for the future.

We have been very disciplined when it comes to acquisitions. We will continue to be so in the future. And in order to remain disciplined on acquisitions, our answers today, should you ask, will be no comments.

## Guidance FY 2015 - confirmed

	Guidance FY 2015
<b>Organic Sales Growth</b>	<b>3 – 5%</b>
• Laundry & Home Care	3 – 5%
• Beauty Care	~2%
• Adhesive Technologies	3 – 5%
<b>Emerging Markets sales share</b>	<b>At prior year level</b>
<b>Adjusted EBIT Margin</b>	<b>~16%</b>
• Laundry & Home Care	
• Beauty Care	All Business Units contributing
• Adhesive Technologies	
<b>Adjusted EPS Growth</b>	<b>~10%</b>

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How is our guidance? We're confirming our guidance for the year. That means an organic sales growth of between 3% to 5%, an adjusted EBIT margin of 16% and adjusted EPS growth of around 10%.

I just want to again reiterate that our primary EPS target for our four-year cycle is our EPS growth. That is what we are focusing most on. So we're trying to ensure that we get the organic sales growth on one side and the margin on the other side in the right balance to ensure that we deliver the EPS growth. But the EPS growth is the primary one. I want to make certain I reiterate that again and again and over, because that is how we are managing the business.

## Upcoming events

- June 1<sup>st</sup>, 2015  
Investor & Analyst Day  
Laundry & Home Care, Düsseldorf
- August 12<sup>th</sup>, 2015  
Q2 2015 Financials
- November 11<sup>th</sup>, 2015  
Q3 2015 Financials



With this, I come to the end. I want to remind everybody that on June 1 we have the Investor and Analyst Day for our Laundry and Home Care business. And I hope that you will come and see the business is performing exceptionally well. And you will get an insight to what Bruno and his team is doing, not only in execution but of course also on innovation pipeline. On August 12 we will reveal the second-quarter numbers and on November 11 the third quarter.

Thank you!



With this, we are coming to the formal end of the first-quarter call. And Carsten and I will now be happy to take your questions. Thank you very much.

## Q&A Session

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

**Hermine de Bentzmann:** Hi. Good morning. I have two questions, please. The first one on Western Europe. Can you maybe come back on the trend you are seeing in each division, particularly in Beauty Care? I heard that you said that this division was declining in Western Europe. Can you maybe provide more details and particularly what was the growth of the market? And did you gain market share in this division in Western Europe?

And my second question is on Eastern Europe, which was quite resilient this quarter. Can you also give some details by division? And I was wondering if you expect Russia to remain quite dynamic through the rest of the year. Thank you.

**Kasper Rorsted:** So I will not go into details on quoting each of the divisions, but we are expecting a challenging Western Europe. And I think we've said that consistently. The current GDP forecast for Western Europe is 1%. And as you can see that the overall resolution on the crisis or the Greek crisis in Western Europe has not been resolved.

So we expect -- we are seeing a strong market share position. So we have not lost. We have gained or maintained market share across the board in Western Europe. So we have a very strong position in Western Europe. But we're not expecting a pickup in Western Europe at this stage. We think that Western Europe will continue to tag along. And if you get a GDP growth of 1%, you have to go to and break it down, like Carsten said, and you're seeing a very different development in the northern part of Europe and the southern part of Europe.

Just as a reference point, the GDP of 2014 in Italy was 7% below the actual GDP of 2008. We are starting to see a pickup in the GDP in Spain, but it's still substantially below 2008 and will not come up to the 2008 level before 2020. So we're not seeing a pickup in Western Europe. We're seeing market conditions that are continuing -- are as they are. But we have a strong market share position; we've not lost market share.

On Eastern Europe, we have seen a strong organic sales growth, driven by Russia. But I think you have to go below the ruble, so to speak, and see if you are you seeing volume growth. And what we are seeing in our fast-moving consumer goods businesses, flat to slight volume growth. But we are seeing volume decline in our industrial businesses.

So I would take the 6.7% with a bit of caution because it's driven by high organic growth in currencies that have high inflation at this stage. So that's how we're seeing it. But Russia continues to hold up. But of course is impacted by the crisis. But amazing to see we continue to see positive organic volume growth in Eastern Europe.

As I said in my call also, we -- our expectation is still that the financial impact of the Russian and Ukraine crisis this year compared to the results of last year will be a minus of EUR100m. So that's included in the guidance. But we're seeing no change to that. So it's a significant financial negative impact on our numbers.

**Hermine de Bentzmann:** Thank you.

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

**Christian Faitz:** Yes. Thanks for taking my two questions. First of all, can you share with us how your newly launched Persil premium brand in the US is taking off?

And then can you elucidate the negative FX effect on margins in adhesives? Is this mainly feedstock-related because feedstocks are typically denominated in US dollars? And related to adhesives, the consumer craftsmen adhesives business was relatively weak. You mentioned extraordinary campaigns such as the Super Bowl campaign, but does that explain all? Thank you.

**Kasper Rorsted:** I will take the first question. Carsten will take the second. We will not comment on specific product launches in a specific country. Our strategy regarding Persil is to roll out more and more globally. We are in more than 50 countries globally with Persil. It's a \$1b brand for us. We're present in countries like Mexico and Korea now, so new country entries in the last two years.

So we don't comment specifically on one brand in one country. Of course it's important for us that we roll out globally. But it's also far too early to say anything. So we will eventually comment on it, but at this stage we will not.

**Carsten Knobel:** Your question related to adhesives, so first of all, overall the margin, as I said, the 50-basis-points decline compared to the prior year is one. We're starting from a very high comparable figure. And the rest is as I explained. There are several reasons which are responsible or causing that.

One is, and the one major reason on that, is the FX situation, translational and transactional impact which we have. And here for sure Eastern Europe is playing a major role. But there are also the other points which I made. This is the investments in terms of brand campaigns, but also in infrastructure related to the innovation approach of our product development, technical service and research on that.

And your second part was specifically going onto the consumer adhesives part. Here the adjusted EBIT margin declined even stronger. Yes that's correct. And the major reason of that is not the higher marketing investments; the major reason is that this is -- or that we are over-proportionally affected by the Russian ruble and the Ukraine hryvnia due to the strong and over-proportionally strong presence in Eastern Europe with our construction business. And that's the reason behind.

**Christian Faitz:** Okay. Thanks a lot.

**Operator:** *Iain Simpson, Societe Generale.*

Iain Simpson: Thank you very much. A couple of questions from me, if I may. That Purex liquid shot thing is, I think, the first big Purex innovation we've seen in a while. Any guidance or commentary on how that's going down would be very well received.

And then second question, if I may. When you look at your overall beauty portfolio, the last time that business really had strong growth was with the launch and rollout of Syoss. Do you need to be doing something different? A lot of what is coming out seems like good innovation, but largely incremental innovation. Thank you very much.

**Kasper Rorsted:** I'm curious. I wouldn't comment on a single innovation, but of course the overall purpose is to regain a star position of North America. And Iain, you know that we have been quite dissatisfied with our performance last year and we've been very vocal about that. So we are undertaking a number of initiatives, where the dose is just one of them. But it's important for us that we continue to push the overall innovation pipeline. So I would not comment on one, but just saying we're doing a number of different efforts to ensure that we actually will come back to the growth level that we had.

If I then look upon our Beauty Care business, the 2%, I would argue, is within line of the market. If I look upon what our competitors or peers, if you want to call them that, have just released, I think they're at 2%, very much within the market and substantially above some of our larger competitors, not only in the US but also in Japan or here in Europe. We still are a bit below some of our French competitors. So that is one.

The second part is that our retail business continued for a very, very long period of time to show a stellar performance, and we are now seeing a stabilization of the professional business. Professional business has been impacted by our relatively strong position in Southern Europe, because in most other countries we are actually seeing a very solid growth in our professional business.

So I don't think it's due to Syoss or not Syoss. Frankly you've just seen a slowdown in the market at this stage. And over time we assume that that market will go back to more solid growth. But if you look upon the competitive scenario and just go through quarter by quarter, you have seen a sequential slowdown in the market. So that's where it is. I would not relate it to the Syoss or non-Syoss.

**Iain Simpson:** Thank you very much.

**Operator:** *Iain Simpson, Societe Generale.*

**Iain Simpson:** Thanks. Thanks for allowing me a follow-up so quickly. It would be very interesting to hear a little bit on Spotless and Bergquist and how the integration of those have gone. Specifically how should we think about the phasing of synergies? So when we look at that first-quarter margin number, does that include already the synergies from those businesses? Or should we see synergies build throughout the year?

And then just another question on the margin front, if I could try. Would I be right in thinking that oil, kind of, hits you with a four- to six-month lag typically so that you should get more of an input cost benefit to margin in the second quarter than in the first? Thank you.

**Kasper Rorsted:** Iain, happy to answer your question. So starting with your second one, I think you're exactly referring what we're always commenting on, that it takes four to six months in order to get the things into the P&L. So I can add nothing than what you already rightly commented.

To your first question and the question of the acquisitions and the integrations, you know that the acquisitions have been consolidated into our financials as of closing. And this happened, in the majority, in the fourth quarter of last year. Being more precise, mid and end of October when it comes to Bergquist and Spotless. The acquisition of the professional hair care companies was a little bit earlier, in end of second quarter. And this is, in general, the situation.

And for sure we're having a clear plan related to synergies, be it defensive or offensive in order to get that executed. But overall we have an experience, and this is also valid for these three acquisitions, that the integration of an acquisition started in end of 2014. And it will take us one and half to two years, so until mid to end 2016, to get the full synergies executed and brought to a P&L. And that's therefore too early to think about that already in Q1. There could be significant integration parts executed, and I think that's a fair comment.

**Iain Simpson:** That's very clear. Thank you.

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

**Hermine de Bentzmann:** Thank you very much for taking a follow-up. Just a question on the marketing and selling expenses that are flat in Q1 on a reported basis despite your high investment in Adhesive Technologies. I was wondering how we can see this ratio evolving through the year and if you will continue to invest more significantly in the adhesive division. Thank you.

**Carsten Knobel:** To avoid misunderstanding, I think, first of all, in nominal terms we are up. Or in absolute figures we are up by 10.6%. In relative terms --.

**Hermine de Bentzmann:** I was talking as a percent of sales. Sorry.

**Carsten Knobel:** Okay. In relative terms, yes, I also said that we are more or less flat. That's correct. We're not guiding on the quarter and we're not guiding that also on a year. I think we always commented that we cannot look at this KPI isolated. We have always a set of KPIs, which is our top line, which is our gross margin, which is our market shares and which is our bottom line. And for sure then we will always find the necessary amount where we have to support our businesses. And this is valid for beauty, laundry and our adhesive situation. And more I think is not necessary to comment on.

**Hermine de Bentzmann:** Okay.

**Operator:** *Iain Simpson, Societe Generale.*

**Iain Simpson:** Thank you very much for allowing me a second follow-up. What would be great would be if you could give a little bit of color on competitive intensity and how that's shifting within your markets and your categories. I think you made a reference to price competition in Western European beauty being pretty elevated. But it would be great if you could give any color on what is happening to the competitive landscape, certainly in US laundry, but also in Western European laundry, where you've had some very sustained share gains for a couple of years now. And I just find it odd that none of your competitors seem to be responding in size.

And something that we very rarely hear about, I guess, have there been any shifts on what's happening in any of your adhesive markets from a competitive landscape? Or are we seeing any developments there in terms of how people use the input cost dividend they get? Thank you very much.

**Kasper Rorsted:** So, Iain, it seems to be your day today. As normally one of the first pages I would also comment on, if you go back to the previous slides, where we said high promotional and price pressure in the market. And it was very deliberate that we removed that sentence this time, not because it's not there. But if you come to a position where you mention it all the time, that means that it's the definition of the market.

So the first statement is that we are seeing a very high level of price and promotional pressure. But that is now on a constant high level. So if you go into most retailers, you will see a number of categories will be trading on promotion between 50% or 70% of the category. So it's at a very high level, but it's on an unchanged high level. That's why we took it out, because if that's how the market is, frankly there's no point in mentioning it all the time. That is the description of the market.

And that goes for Western Europe and the US. So we have seen no change in the competitive market scenario, meaning there is an enormous high level of promotional pressure. If that were to change, for the good or the bad, depending on whether you consume or manufacture, we will of course state it in our slides. But right now we're seeing an unchanged position.

When it comes to input cost, we are seeing very marginal changes in our overall input cost in our branded businesses. And that's where also price changes. Of course due to the promotional pressure, these price changes happen with a very rare frequency once or twice a year. And on industrial businesses, it's a very different picture. We price 10 to 12 times a year, up or down. And of course what we are seeing is we are seeing negative pricing impacts. Doesn't mean I'm going to the net, but within the business as soon as we see a price input change.

So whereas we, over time, when prices go, now input costs will go down, we will see a positive improvement. In the short term we very often see a negative improvement because we get price pressure before it hits the P&L and we see restatements in our inventory lines. And that's why we are seeing stronger price pressure on a quicker point on our industrial business than we do on our, what we call consumer goods businesses. But just the reason is also that 50% to 70% of those categories are sold consistently on promotion. So list price is sometimes less relevant.

Last question, please.

**Iain Simpson:** Okay.

**Kasper Rorsted:** Last question. Iain, do you want to take the last question since you've been on all day?

**Iain Simpson:** I think three is enough even for me. I'll let someone else have a go. Thank you.

**Kasper Rorsted:** Thanks, Iain.

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

**Christian Faitz:** Yes. Thanks for giving me the last question. Just a question on granularity on end-market demands in the industrial adhesives business. Can you give -- can you show us trends how the automotive industry is developing in your specific areas, how electronics is developing at this point in time and also construction? Thank you.

**Kasper Rorsted:** Bear with me one second. So if I start with, of course, a big part of our adhesive business is linked to the sectors that we serve, as I'm certain you're aware of. And what we are seeing, we're seeing different trends.

We're seeing in the automotive business, and I'll speak about vehicle production, we're seeing a growth in vehicle production of 0.6% versus previous year in the first quarter. And just as a reference point, in the first quarter of last year was 5.2% growth and now it's 0.6%. So you're seeing that industry is slowing down slightly.

On the semiconductor market, we do not have the first-quarter numbers yet, but we do have the January and February numbers. And they're quite solid. They're growing between 7% and 9% in January and February, the market. They grew 10% last year in the first quarter and was minus 0.4% in the fourth quarter. So that's underlying a fairly solid market growth.

And the third very large market we serve is the consumer goods market, which is food, beverage and tobacco, which is pretty stable, around 3%, which is similar to last year. So you are seeing the markets are frankly stable compared to last year, maybe slightly down, and then you have to put the footprint in. So there's no significant impact.

The one that has a significant change in the first quarter is the construction sector. It was 4.8% growth, the market in the first quarter of 2014. And its 1% in the first quarter of 2015. And that of course for us has an accelerated effect because our predominant position in the construction market is Eastern Europe. And Eastern Europe is defined by two very large markets, Russia and Ukraine.

And Ukraine is double-digit down in the first quarter compared to last year. And the first quarter last year was weak. And as I mentioned at the start, we are also seeing a negative volume impact in Russia. So you are seeing, if you want to look upon the market, those that are slowing down are construction on one side and then a slight slowdown or you can say a slowdown in the light vehicle production.

**Christian Faltz:** Okay. Great. Very helpful. Thank you.

**Kasper Rorsted:** Thank you. That was the last question. We're now getting to the end. So I'd like to thank everybody for participating in today's call.

I think we continued a disciplined execution of our strategy and delivered a quarter of strong performance, the best quarter ever. And we're very happy that we came back to the reference frames of double-digit EPS growth to make sure that we catch up. And you can hear, we're very focused on catch up, the 7% plus we delivered last year. So I want to make sure that we do that and deliver on our 20-10-10 targets.

Looking ahead, the volatility and uncertainty in the market environment seems to remain. Nevertheless, we are confident that through our innovation strength and core brands, coupled with the ongoing adaption of our structures to the market and by further driving operational excellence and cost focus, we will continue to outperform and deliver upon our targets.

Before closing our call today, I'd like to remind you of our Investor and Analyst Day, which will take place here in Dusseldorf on June 1, focusing on our Laundry and Home Care business, which you saw had an exceptionally good quarter. And I hope you will come. If you haven't registered, you should do that as quickly as you can so you make sure you get a seat.

So thank you very much. I hope to see you all. And if not, I hope to speak, so does Carsten, with you all throughout the quarter and no later than on August when we release our second-quarter numbers. Thank you for dialing in today.

**[END OF CONFERENCE CALL]**

## Additional Information

## Guidance FY 2015 for selected KPIs - confirmed

	Guidance FY 2015
<b>Total direct materials</b>	Stable prices
<b>Restructuring charges</b>	€ 150-200 m
<b>CAPEX</b>	€ 550-600 m

***[Additional information chart not shown during conference call]***