

# Henkel FY 2017

Hans Van Bylen, Carsten Knobel  
Düsseldorf, February 22, 2018



## Commented Slides / Earnings Conference Call FY 2017 February 22, 2018

### Henkel representatives

Hans Van Bylen; Henkel; CEO  
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& Investor Relations Team

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### **Hans Van Bylen, CEO:**

Dear Investors and Analysts,

good morning from Düsseldorf and very much welcome to our full year 2017 earnings call.

I would like to begin by reminding everyone that the presentation which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant U.S. legislation can be accessed via our website at [henkel.com/ir](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 as read into the records for the purpose of this conference call.

# Agenda

1. Key Developments 2017
2. Henkel 2020+ Progress in 2017
3. Financials FY 2017
4. Summary & Outlook FY 2018

Today I'm going to lead you firstly through our achievements in 2017 and highlight the key developments.

Afterwards, I will report on the progress with the implementation of our strategic priorities.

Carsten will then comment on the detailed financials for the year.

After that I will close my presentation with a brief summary and the guidance for fiscal year 2018.

And finally, Carsten and I will take your questions.

## FY 2017: Strong profitable growth

<b>Sales</b>	<b>Organic Growth</b>	<b>Adjusted EBIT</b>
<b>€ 20.0 bn</b>	<b>+3.1%</b>	<b>€ 3.5 bn</b>
<b>Adjusted EBIT Margin</b>	<b>Adjusted EPS Growth</b>	<b>Dividend increase<sup>1</sup></b>
<b>17.3%</b>	<b>+9.1%</b>	<b>+10.5%</b>

<sup>1</sup> Proposal to shareholders for the Annual General Meeting on April 9, 2018 (per pref. share)

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2017 was a very good year for Henkel with strong profitable growth.

For the first time, we exceeded annual sales of more than 20 billion euros. We grew sales nominally by 7.0% compared to the prior year. Organically Henkel delivered a strong sales growth of 3.1%. This was supported by a continued strong organic performance of 3.2% in the fourth quarter.

Adjusted operating profit grew significantly by 9.1% to 3.5 billion euros. The adjusted EBIT margin increased by 40 basis points to 17.3%. Also here, the positive development continued in the fourth quarter with an increase of the adjusted EBIT margin by 60 basis points to 16.4%.

Adjusted earnings per preferred share grew by 9.1% for the year from EUR 5.36 to EUR 5.85.

At our Annual General Meeting on April 9, we will propose to our shareholders a dividend increase of 10.5% to EUR 1.79 per preferred share.

## Delivering on our ambitions



- New highs for sales, profitability and earnings
- All business units contributing to profitable growth
- Strong organic sales growth driven by Emerging Markets and Mature Markets
- Profitability and earnings driven by intensified cost management focus
- Successful closing of compelling acquisitions, integration well on track
- Substantial progress in implementation of strategic initiatives

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With these results, we delivered on our ambitious and reached new record levels in sales, profitability and earnings. All three business units contributed to this strong performance.

The Emerging Markets continued to achieve a very strong organic sales growth of 5.3%. Mature Markets showed a positive organic growth of 1.5%.

We continued to improve profitability and earnings driven by our intensified cost management focus. Adjusted EBIT, adjusted EBIT margin and adjusted EPS all reached new record levels.

We successfully strengthened our portfolio with compelling acquisitions and are progressing well with the integration.

And in our first year of the strategic cycle, we are very satisfied with the progress we made in the implementation of our strategic initiatives.

We achieved this performance thanks to the huge commitment and passion of our strong global team.

## Continued challenging environment

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- Persisting geo-political tensions, political and macro-economic uncertainties
- Difficult conditions in consumer goods markets; positive momentum in industrial production
- Headwinds from key currencies, especially in the second half
- Increasing raw material prices impacting Gross Margin
- Organic sales growth in Beauty Care Retail below our expectations

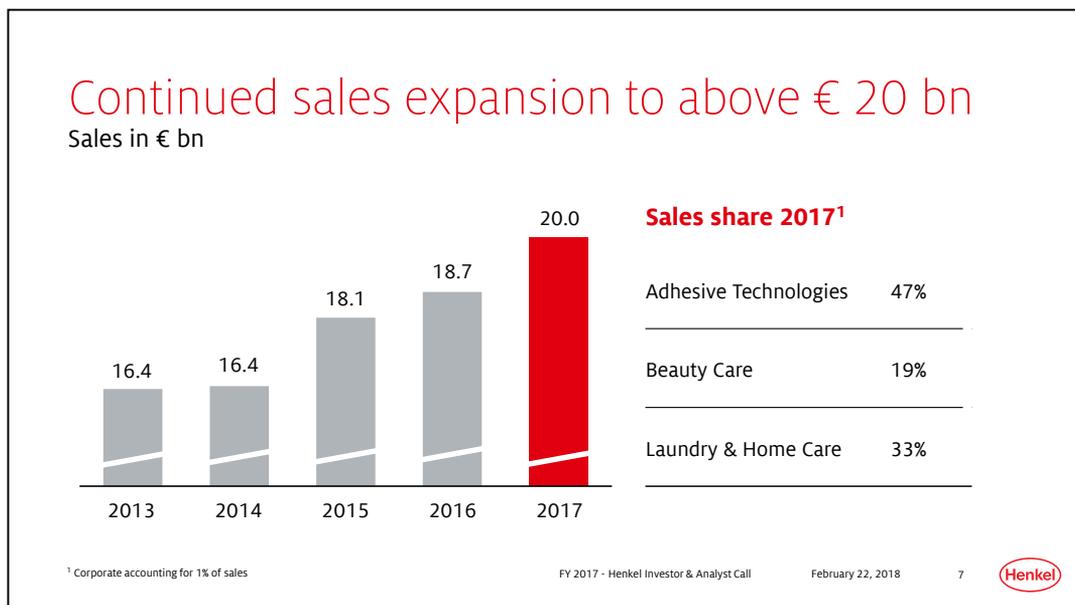
We delivered this strong set of results in a continued challenging environment, characterized by persisting geopolitical tensions and political and macroeconomic uncertainties.

The business environment in the consumer goods markets remained difficult throughout the year. On the positive side, the industrial production showed a good growth momentum.

We faced FX headwinds from key currencies, especially in the second half.

Increasing raw material prices adversely impacted our gross margin.

Looking at our business development, organic growth in the Beauty Retail business remained below our expectations.



After a period of flat nominal sales development, we have been able in the past couple of years to make a substantial step change exceeding sales of 20 billion euros.

Our portfolio represents a very robust and balanced setup and our highly attractive business units offer attractive growth opportunities.

Laundry & Home Care represents 33% of our business and Beauty Care 19%.

At close to 50% Adhesive Technologies contributes by far the largest share to Henkel's group sales and even over-proportionally to earnings.

# Adhesive Technologies

Driving profitable growth

Sales

€ 9.4 bn

Organic Growth

+5.0%

**LOCTITE**

**TECHNOMELT**

Adjusted EBIT

€ 1.7 bn

Adjusted EBIT Margin

18.5%

**TEROSON**

This unit posted 9.4 billion euros in sales, a nominal increase of 4.8% and a very strong organic sales growth of 5.0%, with all businesses contributing. General Industry and Electronics posted significant and even double-digit growth respectively.

The adjusted EBIT showed a very strong growth of 6.4% to 1.7 billion euros and the adjusted EBIT margin reached a new all-time high of 18.5%.

# Adhesive Technologies

## Highlights FY 2017

- **Consumer Electronics**  
 Double-digit growth driven by applications for mobile devices enabling new designs and functionalities
- **General Industry**  
 Significant growth in Manufacturing and Assembly with high-performance Loctite products
- **Automotive Industry**  
 Very strong growth driven by comprehensive portfolio of more than 300 innovative solutions

This excellent performance was driven by high-impact solutions.

For example, in the Consumer Electronics business, we achieved double-digit growth, thanks to innovative solutions under our major brands Technomelt and Loctite. These enable our customers to develop new functionalities and designs for mobile devices.

In General Industry our high-performance Loctite products drove significant growth and market share gains in the Manufacturing and Assembly segment.

In the Automotive Industry business we achieved very strong growth, driven by our comprehensive portfolio of more than 300 high-impact solutions. Those enable manufacturers and suppliers, for example, to further progress on the way to e-mobility and autonomous driving.

To sum it up, Adhesive Technologies showed an excellent operating performance, outperforming competition and is well positioned to continue its profitable growth trend. With sales of 9.4 billion euros, we further strengthened our unrivaled position. And with our continued margin expansion we have set a benchmark in the industry.

## Beauty Care

Driving profitable growth

Sales

€ 3.9 bn

Organic Growth

+0.5%

Adjusted EBIT

€ 665 m

Adjusted EBIT Margin

17.2%



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In a challenging environment, Beauty Care delivered 3.9 billion euros in sales, nominally 0.8% above the prior year. Organically, sales came in at +0.5%. In a continued weak global mass beauty market, organic growth in the Retail business was stable. The Hair Professional business continued its successful development and delivered good organic sales growth, further strengthening its global #3 position.

At the same time profitability increased thanks to our intensified cost management focus. The adjusted EBIT grew by 2.7% to 665 million euros and resulted in a new high for the adjusted EBIT margin of 17.2%.

## Beauty Care

### Highlights FY 2017

- **Professional**  
 Strong performance of Schwarzkopf innovations and acquired businesses enhance market position
- **Coloration & Styling**  
 Strong sales growth and market share gains across regions thanks to successful innovations
- **USA Retail**  
 Ongoing strong momentum driven by Body Care and further expansion of mega-brand Schwarzkopf

The overall topline growth in Beauty Care was below expectations, with a mixed development across categories and businesses.

The Hair Professional business continued its organic growth momentum further enhancing its market position. Growth was especially driven by our Schwarzkopf innovations and our acquired brands, Kenra and Sexy Hair.

In Retail, our more volume-oriented Hair Care business was below last year, while our Hair Coloration and Styling businesses achieved strong sales growth and market share gains under the got2b, Natural & Easy and Live brands.

On a regional level, we achieved strong growth in the U.S. driven by both Body and Hair Care. We further expanded our mega-brand Schwarzkopf through successful innovations such as Gliss Kur. In China on the other hand, although sell out was very good, we faced destocking in the offline channels.

In summary, performance of Beauty Care was characterized by topline challenges in Retail and a good performance in Hair Professional. Under the new leadership we will focus on strengthening our global and local brands, launching exciting innovations and driving sales across all channels.

## Laundry & Home Care

Driving profitable growth

Sales

€ 6.7 bn

Organic Growth

+2.0%

Adjusted EBIT

€ 1.2 bn

Adjusted EBIT Margin

17.6%

**Persil**



**Purex**

Let me finalize the business unit overview with Laundry & Home Care.

The business unit achieved 6.7 billion euros in sales growing nominally by 14.8%. Organic sales growth reached 2.0% driven by positive growth in Laundry Care and strong growth in Home Care. Growth was impacted by market deceleration of our important Middle East/Africa region.

The adjusted EBIT grew by 17.0% to close to 1.2 billion euros. The adjusted EBIT margin came in at 17.6%, a new all-time high. This performance also reflects the very good progress we made with the integration of our acquired Sun business.

## Laundry & Home Care

### Highlights FY 2017

- **Special Detergents**  
 Double-digit growth of Perwoll thanks to successful expansion of portfolio with international innovations
- **Toilet Care**  
 Significant growth driven by Power-Activ innovations launched in more than 60 countries
- **Eastern Europe**  
 Strong growth especially driven by launch of successful innovations



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

Our performance was, amongst others, driven by the ongoing growth momentum of our Special Detergents segment. Perwoll increased double-digit, through the successful expansion of our portfolio with international innovations.

In Toilet Care we delivered significant growth. The success of Power-Activ, the global #1 toilet rim block, is driven by the launch of new variants in more than 60 countries worldwide.

In Eastern Europe, our very strong growth was driven by our Laundry Care business. Successful innovations across categories, for example, the new Persil 360° drove this development.

Overall despite challenges in some markets, Laundry & Home Care continued to deliver profitable growth through our existing business and acquisitions. Thanks to our strong market positions and the ongoing implementation of our strategic priorities, we feel well positioned to continue on our growth path going forward.

## Delivering on Guidance 2017

	<b>Guidance</b> (Feb 2017)	<b>Guidance</b> (Nov 2017*)	<b>Actual</b>	
OSG	<b>2 - 4%</b>	<b>2 - 4%</b>	<b>3.1%</b>	✓
Adj. EBIT Margin	<b>&gt;17.0%</b>	<b>&gt;17.0%</b>	<b>17.3%</b>	✓
Adj. EPS Growth	<b>7-9%</b>	<b>~ 9%</b>	<b>9.1%</b>	✓

\*Updated on November 14, 2017

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Summarizing the year, we achieved a strong set of results, delivering on our guidance.

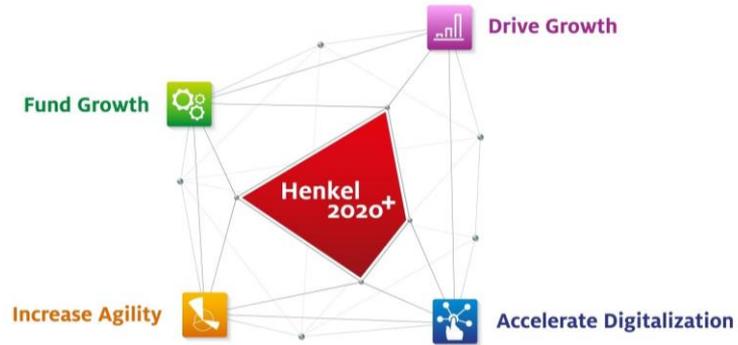
Both organic sales growth of 3.1% and the adjusted EBIT margin of 17.3% were perfectly in line with our outlook. With an increase of 9.1%, adjusted earnings per preferred share were in line with our updated guidance of around 9%.

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Let me now talk about the progress we made in implementing our strategic initiatives and achieving our financial ambition.

## Henkel 2020+ Strategic Priorities



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For each of the four strategic priorities, Drive Growth, Accelerate Digitalization, Increase Agility and Fund Growth, we are implementing strong initiatives with high dynamics and huge commitment.

## Drive Growth

- Customer & Consumer Engagement**  
 Roadmaps for top 100 industrial customers  
 Digital Connect2Consumer program
- Leading Brands & Technologies**  
 Sales of top 3 brands increased to € 6.4 bn  
 Focus on successful development of local brands
- Exciting Innovations & Services**  
 Superior tailor-made solutions in growth segments  
 First influencer brands established in Hair Professional
- New Sources of Growth**  
 Compelling acquisitions complementing our portfolio  
 VC investments in digital services & technologies

Let's start with Drive Growth.

Firstly, we want to drive growth through superior customer and consumer engagement. In our industrial business, we are implementing ambitious roadmaps for our top 100 industrial customers to accelerate growth with tailor-made solutions. In our consumer businesses, we expanded our digital Connect2Consumer program to create insight-driven innovations and services.

This ties in with strengthening our leading brands and technologies. We increased sales of our top 3 brands to more than EUR 6.4 billion. Worth mentioning that Henkel now has a 3 billion euro brand, named Loctite. At the same time, we further focused on our local brands that showed a successful development based on their strong positioning in their respective markets.

We are launching exciting innovations and services as illustrated in different highlights of the business units. Another example is the launch of our first influencer brand #myidentity in the Hair Professional business.

In addition to acquisitions of around 2 billion euros in 2017, Henkel has captured New Sources of Growth through investments and cooperations in digital services and technologies, for example, in the area of 3D printing and innovative consumer business models.

# Accelerate Digitalization

- **Drive Digital Business**  
 Double-digit increase of digital sales in all business units
- **Leverage Industry 4.0**  
 Smart factory concepts and further digitalization of integrated Global Supply Chain
- **eTransform Organization**  
 Chief Digital Officer driving digital transformation, launch of Henkel<sup>x</sup>

Moving on to our second priority, Accelerate Digitalization.

In 2017, we have further expanded our digital business and achieved double-digit growth across all business units. In our industrial business, we launched a new state-of-the-art eCommerce platform and achieved already around 1.5 billion euros in digital sales. In our consumer businesses, we drove digital sales by stepping up engagement with pure online as well as brick-and-click-retailers.

We leverage Industry 4.0 by implementing smart factory concepts in our industrial and consumer operations and further digitalization of our integrated Global Supply Chain. For example, the real-time production analytics based on 0.5 billion data points per day enable us to reduce downtime, eliminate waste and increase output.

Last but not least, we are progressing with the eTransformation of our organization. The newly appointed Chief Digital Officer established a dedicated organization, driving the digital transformation across all units. Henkel<sup>x</sup> will be the new platform to bring together internal and external networks and collaboration events, digital engagement formats, as well as new ways of working.

# Increase Agility

- **Energized and Empowered Teams**  
 “Henkel 2020+ Talks” – powerful global dialogs between leaders and employees
- **Fastest Time-to-Market**  
 Adhesive Technologies’ 28 customer-facing steering units enable closer customer collaboration, acceleration of time-to-market of consumer goods innovations
- **Smart Simplicity**  
 Implementation of flexible business models to adapt to fast-changing markets

Increasing Agility is another key priority for us.

Energized and empowered teams are crucial for our success. We have established Henkel 2020+ Talks, providing a platform for powerful dialogs between leaders and employees. To create a the more agile organization, Henkel has fostered the entrepreneurial spirit of its employees.

In Adhesive Technologies, 28 customer facing steering units enable closer customer collaboration. As part of the Fastest Time-to-Market initiative, innovation lead times have been reduced and entries into new markets have been accelerated.

In the area of Smart Simplicity, we are implementing flexible business models capable of adapting to fast-changing markets.

# Fund Growth

- **ONE!ViEW**  
New approach to further optimize cost management
- **Net Revenue Management**  
Increased efficiency of our promotion activities
- **Most efficient structures**  
Continue optimization and consolidation of structures
- **ONE! Global Supply Chain**  
Optimize cost, fully capturing cross-business synergies

Our fourth strategic priority is Fund Growth that – on top of our continuing rigorous cost management – includes four initiatives.

ONE!ViEW drives higher efficiency through optimized cost management and increased transparency on a global scale.

ONE!GSC integrates Henkel's global supply chain organization across all business units.

Henkel also rolls out Net Revenue Management across all business units and further increased efficiency in its structures.

As those four initiatives are instrumental to deliver on our financial ambition, Carsten will provide more visibility on their potential.

## Henkel 2020+

Fully committed to deliver on our financial ambition 2020

	<b>Henkel 2020 ambition</b>	<b>Status 2017</b>
OSG	<b>2 – 4%</b> (Average 2017 – 2020)	<b>3.1%</b>
Adj. EPS Growth	<b>7 – 9%</b> (CAGR 2016 – 2020, pref. share)	<b>9.1%</b>
Adj. EBIT Margin	Continued improvement in adjusted EBIT margin	<b>+40bp (17.3%)</b>
Free Cash Flow	Continued focus on free cash flow expansion	<b>€ 1,701 m</b>

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Ladies and Gentlemen,

looking at the strong results in 2017, we had a good start into our strategic cycle and made substantial progress in the implementation of our strategic priorities.

With this, let me hand over to Carsten.

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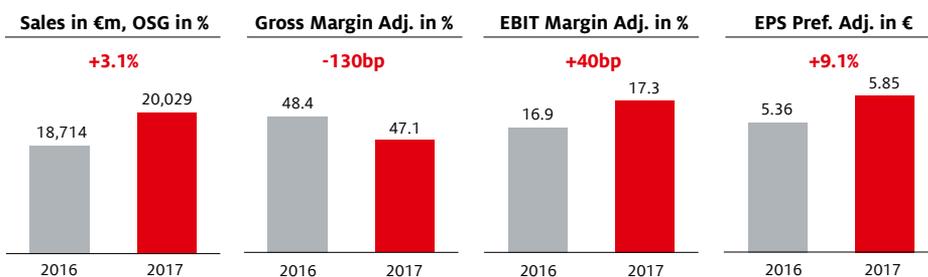
**Carsten Knobel, CFO:**

Thank you very much, Hans. And also from my side, good morning to everyone.

Let us now have a look at the financials of the full year 2017 in more detail.

## Commitment to sustainable profitable growth

Key financials FY 2017



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Let's start, as always, with our key KPIs. In 2017, our sales exceeded 20 billion euros for the first time and reached 20,029 million euros. In nominal terms, this represents an increase of 7.0%. Organically, as already indicated, we delivered a strong sales growth of 3.1%.

The adjusted gross margin reached 47.1% compared to the 48.4% in the prior year. Excluding the impact of acquisitions of around 90 basis points, our adjusted gross margin amounted to 48.0% and that is 40 basis points below the prior year. Increasing direct materials, negatively impacted the gross margin in 2017.

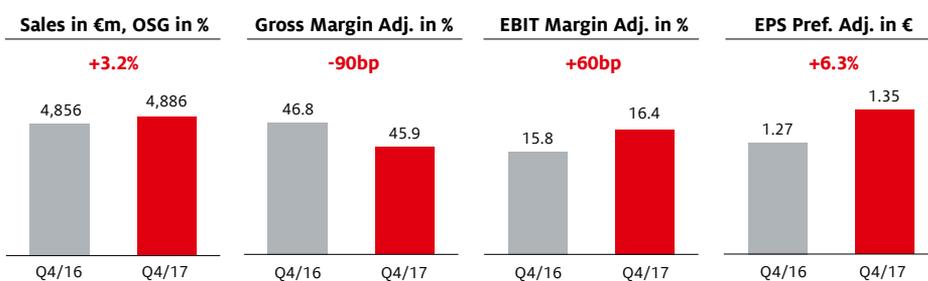
Despite this, our adjusted EBIT margin came in at a record new high of 17.3%, up 40 basis points compared to the prior-year level. Also here, excluding the impact of acquisitions of 30 basis points, profitability would have increased to 17.6%.

Our adjusted earnings per preferred share increased by 9.1% to EUR 5.85, the highest adjusted EPS we ever had in a year.

With this set of results, we delivered on our commitment to sustainable profitable growth.

## Commitment to sustainable profitable growth

Key financials Q4 2017



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Before moving now to more details on the full-year figures, let me shed some light on the Q4 financials.

Our sales in Q4 amounted to 4,886 million euros. In nominal terms, this is an increase of 0.6%. At minus 4.7% FX effects were a significant headwind in the quarter while acquisitions contributed with 2.1% to this growth.

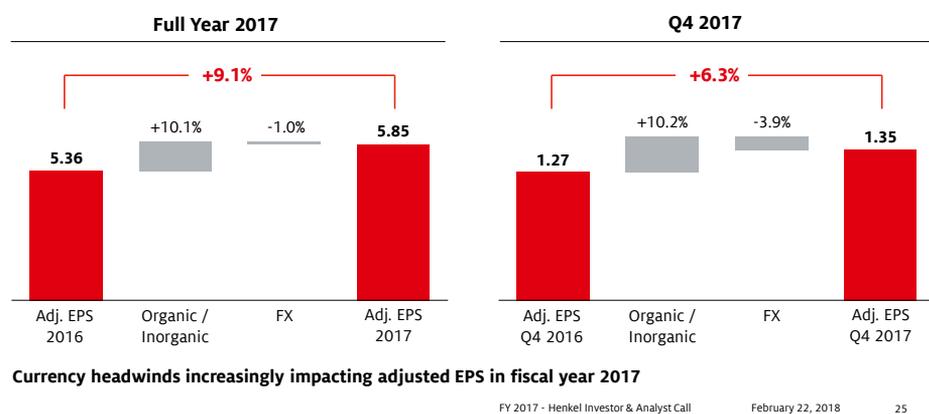
Thanks to our diversified and robust businesses mix, we delivered a strong organic topline growth of 3.2%. In Q4, Adhesive Technologies showed an outstanding momentum with organic growth of 6.4% even accelerating compared to the already very strong increase in the first three quarters of 2017. Laundry & Home Care delivered a softer quarter of 1.2% mainly due to a weaker development in Middle East/Africa. Beauty Care was negative at minus 1%, mainly due to the ongoing destocking in the Chinese market.

Our adjusted gross margin came in at 45.9%, 90 basis points below the prior-year quarter. Also here, excluding the impact of acquisitions of roughly 30 basis points, our adjusted gross margin amounted to 46.2% and that is 60 basis points below the prior year, a slight subsequent improvement compared to Q3.

With a 60 basis points improvement in the adjusted EBIT margin to 16.4%, we delivered a strong increase in profitability.

Lastly, our adjusted earnings per preferred share increased by 6.3% to 1.35 euros.

## Adjusted EPS growth – FX impacts



Let me highlight the increasing impact of FX on our adjusted EPS growth.

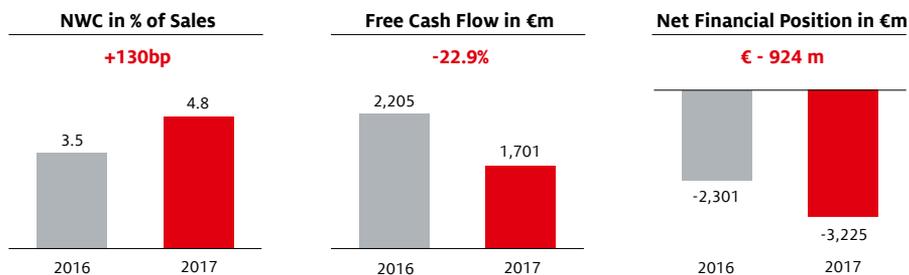
For the full year 2017, FX negatively impacted adjusted EPS by EUR 0.05 or 1 percentage point. At constant currencies, we would have delivered an adjusted EPS growth of 10.1% over prior year, which you can see on the left side of the chart.

FX turned into a headwind throughout the second half and especially in the fourth quarter alone, FX negatively impacted adjusted EPS by EUR 0.05 or 3.9 percentage points. Looking at our operating performance at constant currencies, we continued to deliver a double-digit adjusted EPS growth, 10.2% to be precise, also in the fourth quarter.

Looking ahead, we expect the strong volatility in the currency markets to continue in 2018.

## Focus on disciplined cash management

Key financials FY 2017



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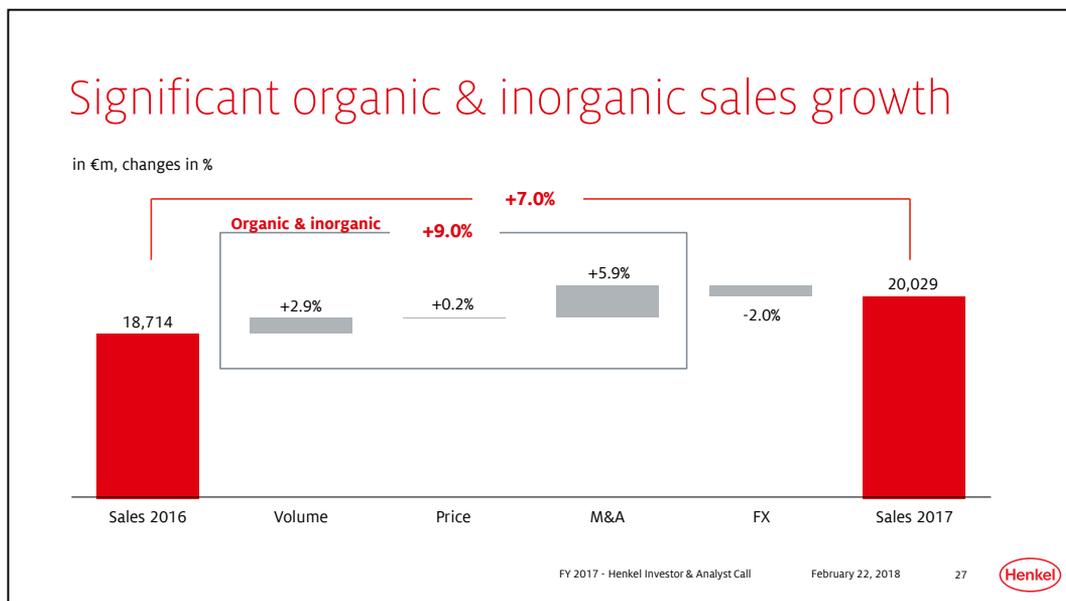


With that, let me come back to the full year 2017 result and now focusing on our cash management.

The ratio of net working capital to sales increased to 4.8%, 130 basis points up versus the prior year. Almost half of this increase is related to acquisitions and one-time effects. The remaining increase is attributable to higher net working capital in our consumer goods businesses. We are not satisfied with this development and we will put high emphasis on getting back to a lower level as you have been used to by us in the prior years.

The free cash flow remained strong at EUR 1.7 billion, decreased compared to the prior year mainly to a higher CapEx and higher net working capital, but is in line with the average over the last 4 years, where we recorded roughly also EUR 1.7 billion if you take the period from 2013 to 2016.

Finally, our net financial position was lower at minus 3.2 billion euros, primarily due to payments for acquisitions. But I will also provide you some more details on that later on.

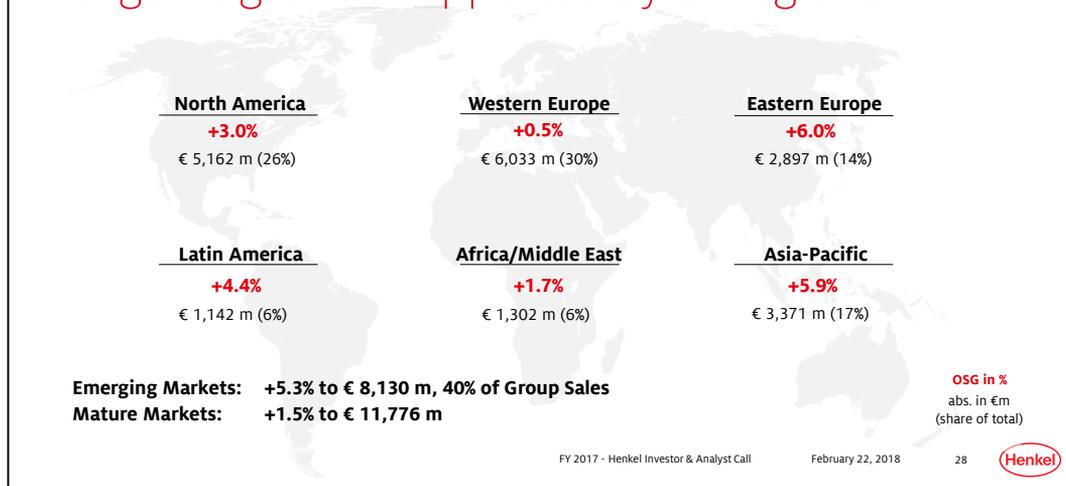


Taking now a closer look on our sales bridge at the group level, our organic plus inorganic growth amounted to 9.0%, a significant increase in the year 2017.

Organically, as indicated, 3.1% mainly volume-driven while prices increased by 20 basis points. The net effect of our acquisitions and divestments had a positive impact on sales of 5.9%, in absolute terms more than 1.1 billion euros with Sun being the main component representing 4.6 percentage points out of that 5.9% mentioned.

In 2017 currencies turned into a headwind in the second half, resulting in a negative full-year impact on sales of 2.0%. The development was driven by FX headwinds in Emerging Market currencies. Not surprisingly, the same currencies we reported also in the quarter before, which means the Egyptian pound, The Turkish lira, the Chinese yuan and also the weakening U.S. dollar.

## Organic growth supported by all regions



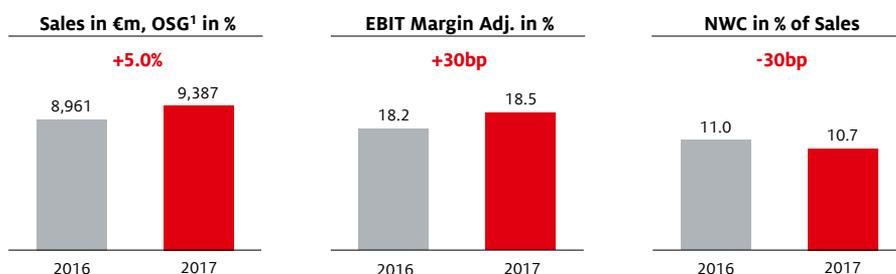
The strong organic growth was broadly supported by all regions.

Growth continued to be driven by the Emerging Markets with a very strong organic sales growth of 5.3%, in absolute terms 8.1 billion euros, representing about 40% of our Henkel group sales. The sales share is below the prior year due to the impact of FX and also the focus of acquisitions in the Mature Markets. Regarding the sales development in the Mature Markets, here we also have seen a positive organic growth of 1.5% to an absolute level of 11.8 billion euros.

Looking at the individual regions, North America delivered a strong organic growth with 3.0% driven by our consumer businesses. Western Europe grew organically 0.5%, Germany showed a good growth and compensated for the decline in France. Eastern Europe recorded a very strong growth of 6.0%, especially supported by a double-digit growth in Turkey. Latin America recorded a very strong growth of 4.4%. Africa/Middle East an organic sales growth of 1.7% despite the continuing political unrest in some countries. And in Asia Pacific, we showed a very strong increase with organic sales of 5.9%. Here China and South Korea contributed with a significant growth.

## Adhesive Technologies

Key Financials FY 2017



**Very strong growth driven by all regions and business areas  
Acceleration of pricing throughout 2017**

<sup>1</sup>Volume: 4.6% Price: 0.4%

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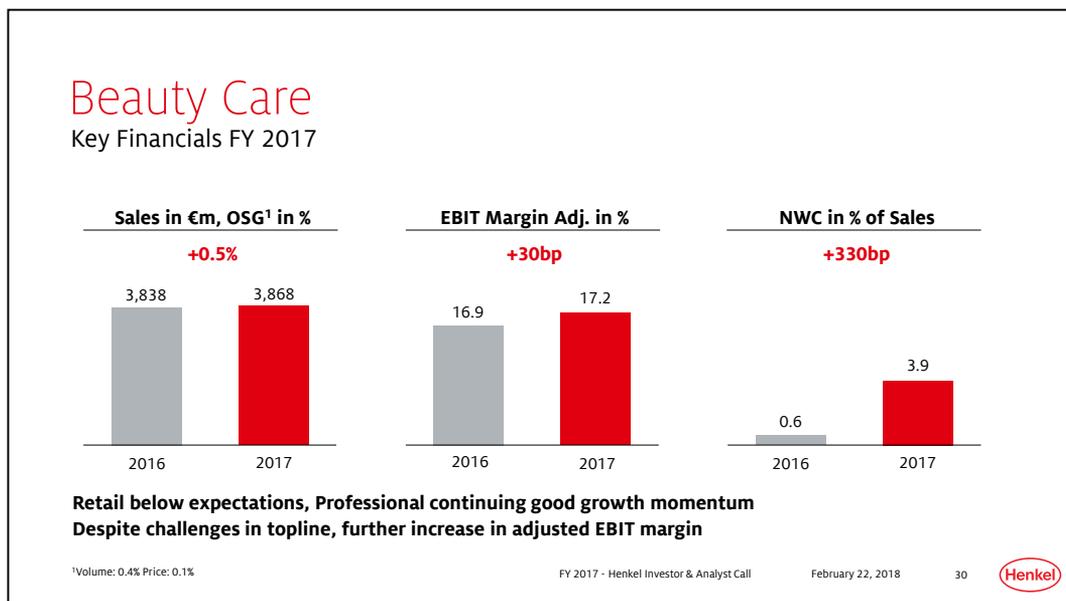
With this now let me move on to our business units starting with our Adhesives Technologies business.

The business unit posted a very strong organic sales growth of 5.0%, mainly driven by volume of 4.6% and the price component of 0.4%. But let me highlight here also the pricing implementation we have pointed out to you during the year. In Q1, we had a slight negative pricing effect of minus 0.3%. In Q2 it was flat. In Q3, we saw a positive price effect of 50 basis points. And now in Q4, we have seen 100 basis points of price effect and by that partially offsetting raw material increase.

All business areas contributed to the very strong organic sales growth. The performance was driven by a double-digit increase of Electronics and a significant growth in General Industry. Transport and Metal delivered a very strong growth, Packaging Adhesives with a good growth and the Consumer and Craftsmen business with a positive development. From a regional perspective, Adhesive Technologies recorded a significant growth in the Emerging Markets with more or less all regions contributing. In the Mature Markets, the organic sales growth was good.

Moving on to profit, the adjusted EBIT margin progressed once again to an all-time high for the year with 18.5% of net sales, a good improvement of 30 basis points over the prior year. And taking out the acquisition effect, it would have even increased by 50 basis points.

The net working capital ratio on sales also improved by 30 basis points to 10.7%. And also here with the acquisitions taking out, it would have been even slightly better.



Let's now move to Beauty Care.

Overall in difficult market conditions the Beauty Care business was able to continue on its path of profitable growth, however, Retail being an attention point, as already indicated and pointed out by Hans.

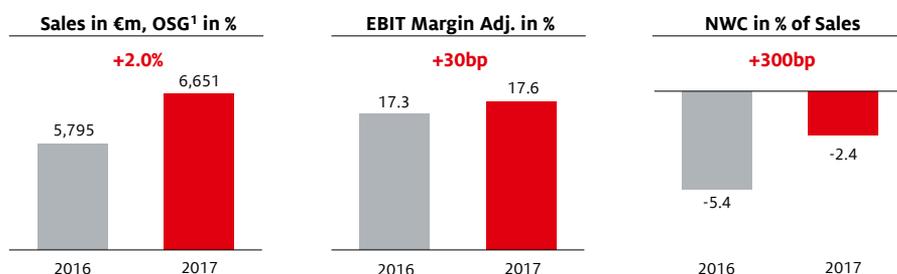
Organic sales growth was positive at 0.5%, driven by 0.4% in volume and 0.1% in price. The organic sales growth was flat in the Retail business. The Hair Professional business showed a good organic sales growth outperforming the market. Emerging Markets posted a positive growth with significant positive developments in Middle East/Africa. In China, we continued to be negatively impacted by the channel shift from brick and mortar to the online business. In the Mature Markets, we were impacted by intense competition and price pressure, so in total, slightly below the previous year. By contrast in North America, we saw a very strong development.

Profitability wise, Beauty Care posted a good increase in adjusted EBIT margin with an improvement of 30 basis points, also here to a new high of 17.2%.

Net working capital came in at the level of 3.9% of sales compared to 0.6% in the prior year. Here the acquisitions of Nattura and Zotos, especially related to the second half or end of the year, impacted net working capital roughly with 200 basis points.

## Laundry & Home Care

Key Financials FY 2017



**Good organic growth driven by both Laundry Care and Home Care**  
**Successful integration of Sun business, realization of synergies fully on track**

<sup>1</sup>Volume: 1.9% Price: 0.1%

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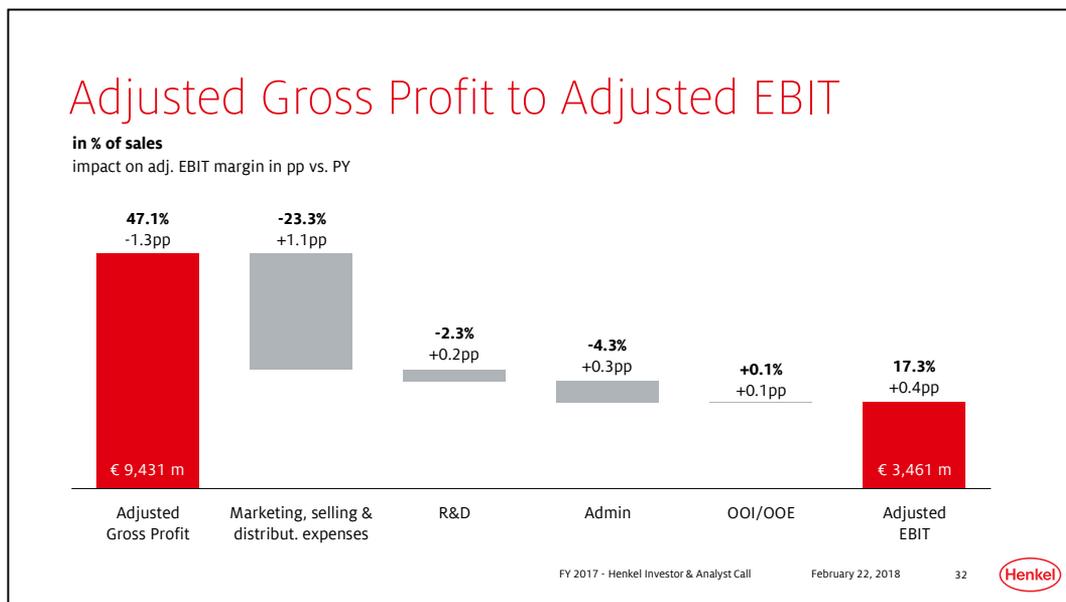


Finally, now let me move to our financials in our Laundry & Home Care division.

The business unit delivered a good organic net sales growth of 2.0%, largely driven by volume. The Laundry Care part contributed with a positive organic increase, Home Care delivered a strong growth. Emerging Markets showed a good organic sales development, also here broad support across regions. In the Mature Markets, we had also a positive organic net sales growth with strong growth in North America.

Laundry & Home Care reported an adjusted EBIT margin of 17.6%, also here a new high, 30 basis points above prior year. Important to remark the realization of Sun synergies is contributing exactly according to our business plan and we are on track to achieve our synergy target by the end of Q3 this year as we have indicated that we need 2 years or 24 months to get the full impact of synergies into our P&L.

The net working capital ratio was again at a very low level of minus 2.4% of sales. The increase compared to prior year is also here attributable to acquisitions but also the higher operating net working capital level.



Let me now move back to the Henkel Group and in particular to our adjusted income statement.

Our adjusted gross margin was at 47.1% compared to the 48.4% in the prior year. Excluding acquisitions, the adjusted gross margin, as already indicated, would have been at 48.0%, 40 basis points below the prior year. This development was driven by a continued headwind from higher direct material prices and also that impacted in particular our Adhesive Technologies business and our Laundry & Home Care business. In contrast, the adjusted gross margin of Beauty Care slightly increased, underlining the good earnings quality of this business unit.

Despite these headwinds, we were able to further increase our adjusted EBIT margin.

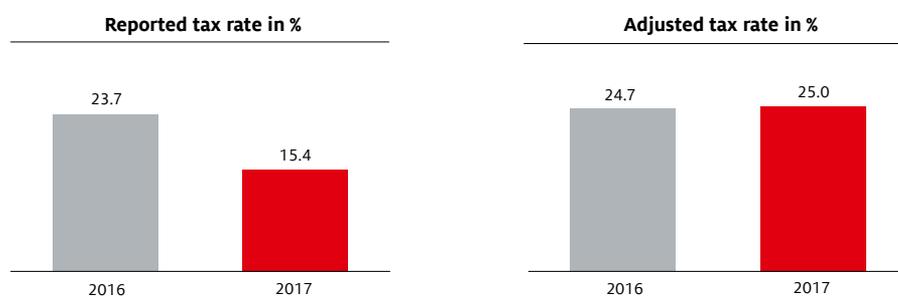
In percent of sales, marketing, selling and distribution these improved by 110 basis points to 23.3%. This is, amongst others, attributable to the lower sales share related to the Sun Products acquisition and moreover we realized efficiency gains through our project ONE!VIEW in marketing, selling and distribution. I also highlighted that during our Q3 call. And I will give you also more quantified information on the overall efficiencies later on. Lastly, we also adapted our marketing spend to the current business environment, while we continued to adequately invest in our brands.

R&D expenses increased year-on-year to 469 million euros. In percent of sales, this ratio is slightly below the prior year. We were again able to reduce the admin expenses in percent of sales to 4.3%, an improvement of 30 basis points.

At 34 million euros, the balance of other operating income and expenses remained at a low level and was slightly above prior year due to a number of individual transactions relating to our operations.

Overall, our adjusted EBIT came in at 3,461 million euros and the adjusted EBIT margin continued to increase to an all-time high to 17.3%.

## Impact from US tax reform



**Positive one-time impact of € 270 m on reported tax rate, mainly from revaluation of deferred tax liabilities  
On a recurring basis from 2018 the tax reform should have a neutral to slightly positive effect**

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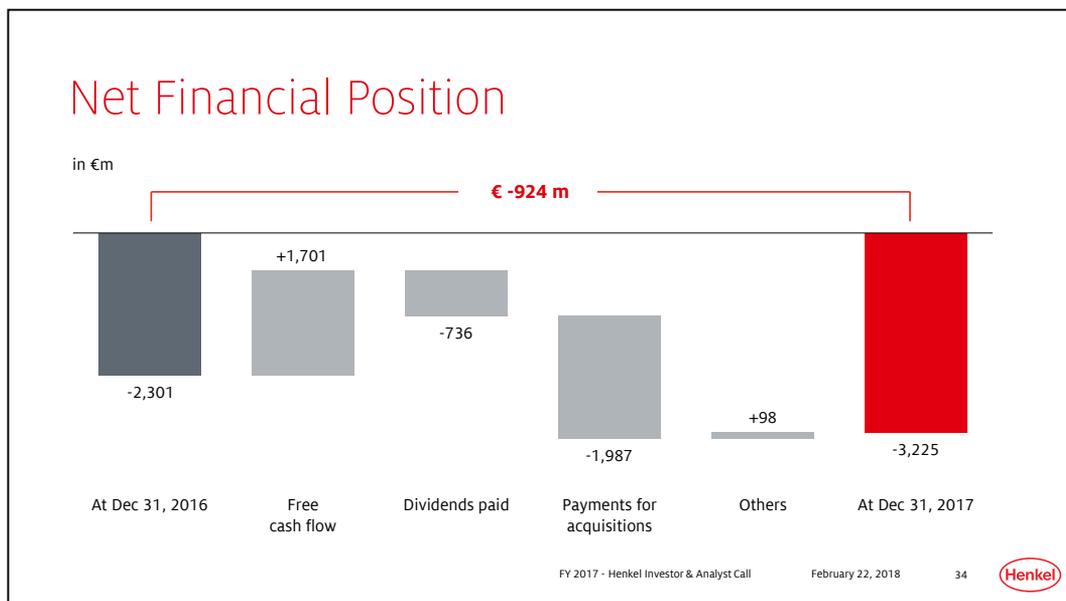
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Let me also now take the occasion to comment on the exceptional impact from the U.S. tax reform.

Our reported tax rate was down significantly to 15.4% compared to 23.7% in 2016. This is due to a positive one-time impact of 270 million euros mainly from the revaluation of our deferred tax liability. Excluding this one-time effect, the reported tax rate would have been at 24.4%. The adjusted tax rate in 2017 was at 25.0%, slightly above the prior-year level.

On the recurring basis from 2018 onwards, we expect the U.S. tax reform to have a neutral to slightly positive effect. Positive effects from the reduction of the federal income tax rate and the tax exemption of certain dividends are estimated to be compensated by other effects, for example, a limited or eliminated deductibility of some interest payments.



Let's now take a look at the development of our net financial position.

Our net financial position in '17 came in at minus 3.2 billion euros. This is 0.9 billion euros below the prior year of minus 2.3 billion euros.

Looking at the components, we continued our strong free cash flow generation with the free cash flow of 1.7 billion euros. This enabled us not only to increase our dividends, but also to invest in our businesses.

Firstly, we paid dividends of 736 million euros for '16 in '17 and that is 70 million euros more than '16 and secondly we paid around 2 billion euros in terms of acquisitions.



**Excellence in value creation**  
Usage of cash

- **Capital Expenditures**  
€ 663 m spent in 2017
- **Acquisitions**  
€ 2 bn invested in 2017
- **Dividends**  
€ 736 m distributed in 2017

And as usual for a full year, I will conclude my presentation with the usage of cash.

You're familiar with the three pillars of how we achieve excellence in value creation. It is investing in organic growth with CapEx, investing in acquisitions and thirdly, distributing dividends.

**CapEx**  
€ 663 m in 2017

- **Adhesives Technologies**  
Asia-Pacific – India  
New multi-technology plant
- **Beauty Care**  
Eastern Europe – Russia  
Plant upgrade & expansion
- **Laundry & Home Care**  
Africa / Middle East – Egypt  
New production site

Let me start with CapEx. In '17, our capital expenditures amounted to 663 million euros and were therefore in line with our guidance.

We spend around 2/3 on capacity expansion, innovations and streamlining measures.

In Adhesive Technologies, we focused on consolidating our production sites and expanding our footprint in the Emerging Markets. An example of this is India.

In Beauty Care and Laundry & Home Care, the focus was on capacity expansions. In Beauty Care, for example, in a plant in Russia and in Laundry & Home Care, we introduced a plant in Egypt.

Looking ahead, we will continue to invest in our businesses in 2018. For the full year, we expect to spend around 750 - 850 million euros.

## Acquisitions

€ 2.0 bn in 2017

- **Adhesives Technologies**  
 Complementary leading technologies, adding more than € 300 m in sales
- **Beauty Care**  
 Strengthen position in Hair Professional, adding more than € 300 m in sales
- **Venture Capital**  
 Enhance know-how by investments in start-ups with digital or technological expertise

On to acquisitions and also here including venture capital investments both being an integral part of our strategy.

We spent 2 billion euros in 2017 on acquisitions, adding more than 600 million euros in annual sales in the full swing.

In our industrial business, as you know, the acquisitions were focused on Darex and Sonderhoff expanding our portfolio and in Hair Professional, we did acquisitions with Zotos International and Nattura Laboratorios.

In addition, we explored new business opportunities and strengthened our know-how in relevant areas throughout the 150 million euros venture capital program.

In 2017 we have invested in a leading on-demand laundry and dry cleaning service, Zipjet and in the field of printed electronics, we acquired a participation in the start-up of Copprint.

Going forward, we have a strong balance sheet allowing us to do M&A in case attractive targets met our criteria and at the same time we remain committed to our A rating.

## Dividends

€ 736 m distributed in 2017

- **10.5% higher dividend proposed**

Proposal of a record dividend of € 1.79<sup>1</sup> per preferred share

- **30.7% payout-ratio**

In line with target range of 25-35% of adjusted net income after minorities

- **Payout doubled since 2012**

Compared to dividend of € 0.95 per preferred share in 2012

<sup>1</sup> Proposal to shareholders for the AGM on April 9, 2018



Closing the third pillar with dividends.

Over the past years, we have continuously increased our dividend payout. In 2017 we distributed 736 million euros in dividends.

At the AGM in April, we will propose a dividend of EUR 1.79 per preferred share, which is an increase of 10.5% compared to the prior year.

The proposal translates into a payout ratio of 30.7% being in line with our target range between 25% and 35%.

Compared to the 2012 level we thus have almost doubled the payout per share from EUR 0.95 per preferred shares within only 5 years.

## Fund Growth initiatives

Implementation at full speed

- **>€ 100 m efficiency gains in 2017**  
Fully on track in the realization of efficiencies, already significant contribution in 2017
- **>€ 500 m annual efficiency gains**  
Expected sustainable annual efficiency gains in full swing by 2020
- **Re-invest in growth**  
Fair share of annual efficiency gains is re-invested to support innovation and future growth

Let me conclude my presentation with an update on our strategic priority Fund Growth. The implementation started with full speed and we are fully on track with the realization. I indicated that already during Q3. And we have achieved already in 2017 more than 100 million euros of efficiencies. Our initiatives, Most Efficient Structures and ONE! Global Supply Chain, which we already launched prior to 2017, continue to drive sustainable efficiency gains in 2017.

Let me give you some examples on that.

With our Most Efficient Structures and here relating to Shared Services, we increased efficiency through the implementation of more than 100 robotic solutions and automation software applications already in 2017.

In ONE! Global Supply Chain, we will further get value chain improvements capturing cross-business synergies. We have successfully implemented the concept completely in Europe and have prepared in '17 the rollout to North America.

The project ONE!ViEW, the Henkel approach of zero-based budgeting, started in '17 and already delivered a significant contribution in efficiencies. I highlighted that especially in regard to our marketing, selling and distribution expenses. It is related to non-personal costs and is based on a new cost structure; we have more than 120 initiatives underway to increase our efficiency.

And our fourth initiative, Net Revenue Management, first efficiencies will be coming in as of 2018. Here we are increasing the efficiency of our trade spend and leverage our price and promotion effectiveness. We had a pilot project in North America in '17 and we are rolling the concept and the project out to Europe and North America while we're speaking.

Summing up, we are well on track and in full swing and we expect to deliver more than 500 million euros of annual efficiency gains by 2020. This supports further investments in our growth, while at the same time we will bring a fair share each year also to the bottom line.

With this, I thank you for your attention and hand over back to Hans.

# Agenda

1. Key Developments 2017
2. Henkel 2020+ Progress in 2017
3. Financials FY 2017
4. Summary & Outlook FY 2018

## **Hans Van Bylen, CEO:**

Thank you very much, Carsten. Let me now summarize before we look at our guidance for the full year and then move on to the Q&A.

## Strong 2017 results

Driven by global team

- Sales above € 20 bn for the first time, new highs for profitability and earnings
- All business units contributing to profitable growth
- Profitability and earnings driven by intensified cost management focus



The strong performance in 2017 was driven by our strong and passionate global team. Our people are key in delivering on our ambitions.

For the first time we achieved sales above 20 billion euros, driven by our significant organic and inorganic growth.

We reached record levels in profitability and earnings. All three business units contributed to this performance.

A major driver of this improvement was our intensified cost management focus.

## Focus on implementation of strategic priorities

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions
- Clear and exciting growth strategy going forward



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We are fully committed to continue our successful development in the future.

We want to generate sustainable profitable growth to 2020 and beyond.

To achieve this we are becoming more customer-focused, more innovative, more agile and fully digitized in our internal processes and our customer-facing activities.

In addition, we are aiming to promote sustainability in all our business activities reinforcing our leading positions in the future.

We continue to advance our portfolio with value-adding acquisitions.

In summary, we have a very clear and exciting growth strategy going forward.

## Outlook 2018: Business environment

- Geo-political tensions, political and macro-economic uncertainties
- Overall moderate economic growth
- Positive momentum of industrial production
- Challenges in the consumer goods markets to prevail
- Persistently negative FX development and moderately increasing raw material prices

Let me now conclude with our outlook for the current fiscal year 2018.

We expect the high volatility and uncertainty of the business environment to persist. In addition, geopolitical tensions, political and macroeconomic uncertainties remain.

The GDP forecasts indicate a moderate growth with the positive momentum of industrial production expected to continue. However, we anticipate challenges in the consumer goods markets to prevail.

FX continues to show an unfavorable development, especially the U.S. dollar. We expect a moderate increase in raw material prices throughout 2018.

## Guidance 2018

Fully committed to financial ambition 2020

Organic Sales Growth (%)	<b>2 - 4%</b> All business units within this range
Adjusted EBIT Margin (%)	<b>Improvement to a level above 17.5%</b>
Adjusted EPS Growth (Euro, %)	<b>5 - 8%</b> Reflecting currency uncertainty

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In this environment, based on the strong performance in 2017 and substantial progress made in the implementation of the strategic priorities, we reconfirm our financial ambition for 2020 – organic sales growth of 2% to 4%, continued increase in adjusted EBIT margin, adjusted EPS growth of 7% to 9%.

- For 2018, Henkel expects to generate organic sales growth of 2% to 4% with each business unit in this range.
- For adjusted return on sales, Henkel anticipates an increase versus the prior year to more than 17.5% with all three business units contributing.
- Reflecting the uncertainties in the currency markets, especially the U.S. dollar trend, Henkel expects an increase in adjusted earnings per preferred share in euro of between 5% and 8%.

Going forward, we will focus on the implementation of our four strategic priorities to deliver sustainable profitable growth with attractive returns.

With this, I would like to come to the close and move on to the Q&A.

**Q&A Session (p.1/7)**

**Question:** I've 2 questions. Could you give us a little bit more insight regarding the adhesive cycle where we currently stand? Congratulations for the very good performance. But maybe to get a little bit of flavor if we are totally sure if there is more to come. And the second question is regarding FX, obviously, a significant impact. If the currencies stay where they are currently are, what could be the negative impact this year on sales and on margins?

**Hans Van Bylen, CEO:** Thank you for both questions. I suggest I comment on your question on Adhesives and then Carsten will comment on your FX question.

As indicated, I mean, Adhesive Technologies had, with a 5.0% organic growth, a fantastic momentum with all the 5 business units contributing. And on top also we have seen that the margin structure has developed quite healthy +30 basis points as Carsten indicated. Even excluding acquisitions, it would have been stronger. And I also referred during the outlook to the IPX, the industrial production index, where we do see that 2017 had some good development. Forecasts indicate that also in 2018 this will continue.

But even more important is that, we also have been strengthening both, our innovation leadership and also our customer flexibility. As indicated we have 28 units within Adhesive Technologies which are working extremely close to customers. We have more than 6,500 people working with our customers developing superior solutions. And also we do see that in this businesses we have been strengthening our share.

We also have technology investments focusing on future developments. If you take, for example, the example of automobile there we focus on weight reduction, we focus on electro mobility, we focus on electronics in cars, and that's why we feel well positioned that our Adhesive business will further continue this profitable growth path.

On currencies, Carsten can you give some more insight there?

**Carsten Knobel, CFO:** Thanks for the question. And you have seen, we have indicated the FX impact in '17 in the relation to EPS when we were focusing on the full year and on the Q4 and you have seen that in Q4, the impact of currencies has been roughly minus 400 basis points. And this is then also related to what you have heard for our guidance 2018 that we see a weakening trend of the U.S. dollar and also Emerging Market currencies could further weaken.

But also important to mention is that we have confirmed our mid-term guidance of 7% to 9% in EPS. As you know that on the mid-term period or long-term period we always see that currencies are leveling out.

## Q&A Session (p.2/7)

And as an international company, we are faced with these kind of developments and therefore we see that we will have an impact of FX in '18, especially when the currencies continue.

But this is then also reflected in the guidance what you referred, was 2% to 4% in OSG with an increase of our margin higher than 17.5% and with an EPS growth of 5% to 8%. Hope that helps.

**Question:** Just a follow-up Carsten, thank you very much. Just if the currencies stay where they are today, could you give us an indication of what could be the sales impact then?

**Carsten Knobel, CFO:** Yes, the point is that if everything would stay as it is, then we would not manage our company because everything is changing every day as you see, and especially the volatility of the currencies, nobody would have expected having a dollar at this point being in the 1,20 euros at the end of last year, when we were setting up our plan. So I think it's very difficult to predict.

Therefore what we said with our guidance is very clear that we stick to the 2% to 4% organic growth and the 5% to 8% in EPS – for sure being at this point, most probably, higher impacted by currency than in 2017.

**Question:** 2 questions if I may. First of all, can you talk a bit about Q4 trends, particularly on the Laundry & Home Care side where you saw a nice EBIT improvement? And then second of all, how do you currently see, i.e. in 2018, the competitive environment in Beauty Care? Is Europe and North America still very price competitive as we speak?

**Hans Van Bylen, CEO:** Thank you, for both questions. Concerning competitive environment, I think all of us see that this environment we expect not to change fundamentally. I think you also see that especially in Western Europe, price pressure remains. There are also examples not in our categories, but it's definitely an industry topic that you do see the tensions between retailers and suppliers and this is very concentrated on negotiation and pricing. And we expect this environment to remain and we also have prepared to successfully develop our business within this environment.

On the question of Q4, Carsten?

**Carsten Knobel, CFO:** Yes, very happy to talk about the Laundry & Home Care question in terms of why the adjusted EBIT margin improved or significantly increased in quarter 4.

## Q&A Session (p.3/7)

Different reasons, one is a little bit more technical in terms of -- the increase was mainly also driven by an increase in the gross margins as the Sun acquisition now annualizes and direct material prices could be compensated by savings.

Secondly, as I mentioned it, overall we have the Fund Growth initiatives and here our ONE!ViEW project which is paying off in terms of marketing, selling and distribution expenses, where we have realized gains and in the admin cost area.

And thirdly, and this is also for sure a significant impact and therefore, we are very proud to see this development: The synergies of Sun which we expect, as I mentioned, to be in full swing in quarter 3 of this year are really improving as indicated and as planned step by step. And you know that I have already indicated step by step the improvement quarter-by-quarter of the margin. And this is also to be seen in quarter 4 and this basket of action measures have improved the margin of our Laundry & Home Care business, especially here in Q4.

**Question:** A couple of questions from me. Firstly, just on the outlook, the guidance for the consumer businesses, so Beauty Care and Laundry & Home Care, could you give us some color as to what gives you the confidence in getting from where you were in Q4 back to the 2% to 4% range? Just thinking about whether you're expecting an acceleration of market growth, it sounded 'no' based on the previous question, or innovation or if it's particular turnaround from the China destocking situation or in the Middle East and Africa in Laundry? Really getting an idea of what can get us back to that 2% to 4% range and whether you expect that lever to be back-half weighted in 2018?

And then secondly, just on gross margins, the outlook, obviously low M&A impact, a more moderate input cost, supply chain savings et cetera, pricing coming through, would you hope to be ending the year with gross margins up?

**Hans Van Bylen, CEO:** Let me elaborate on the outlook of Laundry & Home Care and Beauty Care where we do see and where if you take the Laundry & Home Care business as indicated, where we did not see the growth happening last year, in '17, once you take a region like Middle East/Africa.

With the question before I answered more on what's happening in Western Europe. I mean what we do expect is that a market situation, and you also see it, I mean it's also quite linked to oil price. And so I think Middle East/Africa that market will turn back there. I mean in '17, if you see for both businesses by the way, the growth momentum in fact slowed down over proportionally in Emerging Markets. We did have competitive growth in our Mature Markets although there we had severe market challenges. And so going forward, we think that our Emerging Markets performance on growth can accelerate during 2018.

**Q&A Session (p.4/7)**

Of course, on top, if we're in a challenging environment like at the Mature Markets, we also try to get better every day in innovation power. We are convinced that our innovation pipeline going forward is very competitive, very strong. And this innovation power also will enable us competitive growth. And on top, in Beauty Care, we have a new leadership also there. On top of the innovation initiatives also market execution will be a strong focus point.

**Carsten Knobel, CFO:** So to your question of gross margins for the full year 2018, first of all, I have to disappoint you a little bit, I will not guide on that, but I hope you understand. On the other side for sure I will give you some more insight in that.

I think you have seen during the course of 2017 that the peak being impacted by raw materials and by gross margin was Q2, Q3. And especially what I have shown you with the development in Adhesives in terms of our pricing effect and now with the pricing effect of 100 basis points, the pricing in Q4, it shows exactly what we are trying to do is to take the raw material impact and bring it also to the market. And this we, better to say Jan-Dirk Auris and his team, are executing that very, very good and very stringently and this will also continue going forward.

Nevertheless, we also have the point that going forward, we expect a lower negative impact from the acquisitions and at the same time we continue to expect a moderate increase in direct material prices, but we aim to counter these effects by continued implementation of price increases, as I indicated with Adhesives as well also a strict margin focus and I hope you had also heard during the presentation that especially also in Beauty the gross margin was not impacted in 2017. And by that we are confident that we will also have a good development of our gross margins going into 2018.

**Question:** Just 2 quick questions. You just guiding some moderate commodity inflation for the business as a whole in '18. I just wonder if you could give some color in what you expect to happen with commodity inflation in the consumer business versus the adhesives business? That's my first question. And second I just value some color on how you are feeling about the U.S. laundry market and how Sun Products is performing. You called out strong growth in North America. I'm curious as to whether that's an organic sales comment or whether that just reflects the addition of the sales of Sun Products. That's the second question.

**Hans Van Bylen, CEO:** So let me comment on the U.S. laundry market. Indeed, I mean, as we indicated in '17 and that was valid both for Laundry, but also Beauty where the strong organic – because of course nominally it was very strong with the addition of Sun – but also organic development. And we expect the market situation not to change substantially.

**Q&A Session (p.5/7)**

We are further working on strengthening our portfolio with our premium brand Persil. Persil had a good momentum and now that we can develop our innovations on all price tiers, I mean, we will continue to do so. So on that we do not expect a substantial change.

**Carsten Knobel, CFO:** To your question of the moderate increase of raw material, overall, we see that and that's I would say not different to 2017 that Laundry will be more impacted than Beauty and Adhesives on a similar level as Laundry. On the other side, why have we said moderate increase, you know that crude oil prices have been increasing over the last couple of quarters. 1/3 of our raw materials and packaging spend is directly connected to the crude oil and crude oil based feed stocks. For sure we have a number of initiatives to compensate these effects and for sure an intensified cost management focus. And as I indicated for Adhesives, we will continuously try and bring the positive pricing to the market. And I think 2017 is a very good proof point that what we say and what we promise we deliver in terms of continuously bringing that. We have a time lag, we already indicated that, of roughly 3 to 6 months depending on category, depending on customers, but we're exactly working on that.

**Question:** Firstly, a housekeeping question on the savings initiatives that you have quantified at more than EUR 0.5 billion. Just to be clear, does this include EUR 150 million from the Sun synergies or it's separate? And secondly, could you give us a rough idea of how much of the EUR 500 million you plan to reinvest and how much will flow through to the EBIT line?

**Carsten Knobel, CFO:** That's a very good question. Both are very good questions. But for the first one to be very clear and thanks for clarification, the 500+ million euros we have mentioned for Fund Growth has nothing to do with the synergies of Sun or the acquisition. So that's on top or separate, however you want to phrase it.

And the point of what we're doing with these efficiency gains, that is exactly what we want to decide year-by-year depending on the situation how business and the economy is developing. You can assume that the fair share of that, for example, you know, I mentioned the EUR 100+ million for '17, that a fair share of that went to the P&L, especially also due to the impacts we have been seeing from the external environment especially from currency side. And going forward in the full swing, which we indicated with the gross annual efficiency gains of 500+ million euros by 2020. Also here, you have to assume that we will decide year-by-year what portion of that goes to the P&L and what of that will be reinvested in our businesses.

**Q&A Session (p.6/7)**

**Question:** Okay. And then my 2 real questions. The first one is on Adhesives for Consumer, Craftsmen, and Building. It seems margins declined by around 140 basis points in the second half of 2017. Now out of the last 4 years, we've seen 3 years of margin contraction in this division. So wondering what's the issue is with this division. Is it structural, lack of pricing power and anything you might have been putting in place in order to get the margins expanding again? And second question is on Laundry & Home Care, you've been singling out Africa/Middle East as a key reason for the subdued growth of the division. But if I look at Beauty, there was significant growth in that region. So why Laundry & Home Care seems to be disproportionately affected by the tough macro environment there? And also Latin America, second quarter you're mentioning deflationary -- strong deflationary pressures there. What's driving this and what would be the outlook for '18?

**Hans Van Bylen, CEO:** So let me start with your question on the Emerging Markets for the consumer goods. I mean, the difference between Laundry & Home Care is quite significant due to a different country mix. And in Laundry, I mean, it's a region in which in a lot of key countries we are the market leader and there are some big countries. And if you clearly see, I mean, Egypt on itself for example you see it also in the currency developments, and there if you see the size of Egypt and our company, it's one of the currencies which has been hitting us most, but also the whole economy has been affected by that. So I would say, if you then see our Beauty business, we are by far more in a challenger position and we have a quite substantial different country mix. So that's the fundamental difference in the setup of both. Latin America, also there, it's a different setup. If you see our Laundry business is in fact mainly a Mexico business. Whereas our Beauty business has a very strong position, both in Colombia and is building up in Mexico. And then with the Professional business, we have a full presence in Latin America. So that's I mean the fundamental difference between both. Part of your question was also Latin America, the development itself and there indeed we have seen that second half of last year also markets have been quite under pressure going forward. And we also expect here like in all setup that we see some indications that Emerging Markets are starting to recover there.

**Carsten Knobel, CFO:** On your question to Adhesives or to be precise, on the consumer business, I would give you an answer in 2 steps. The first one is related to '17. Here our Adhesive Consumer business faced a higher negative impact from direct material prices, here especially driven by higher exposure to Eastern Europe and to Middle East region. And at the same time I think something is clear, also related in general to industry and consumer. It is the pricing topic in the Adhesives Consumer business was lower as the markets are more competitive.

**Q&A Session (p.7/7)**

Therefore pricing in combination with our saving initiatives could not compensate the material price increase. You also mentioned now for 2, 3 years taking into account, if you go back 2, 3 years that we had here a significant FX topic with the Russian ruble and as I pointed out, the consumer business is very strong in Russia or in Eastern Europe. So that had the impact 2 years before, and the impact in this year is related to what I mentioned before, material prices and the problem of not having the same power to bring the prices to the market as in the rest of the industrial business.

**Question:** Another question on pricing. Actually, if we look at Beauty Care pricing you had a significant decline in the fourth quarter. And could you please give us a bit of flavor if this is mainly the impact of tough competition in Mature Markets or what's behind that in general? And then would it be fair to say that if you look at the raw material price development over the last couple of quarters which still have a lot of pent-up potential for price increases and that we shouldn't see obviously the negative margin impact in Q4 as something permanent?

**Carsten Knobel, CFO:** What do you mean with negative?

**Question:** Well, you had a slight adjusted EBIT margin decline in Adhesives in Q4 and I assume pricing is also a major factor for you for Adhesive margins to again improve in 2018 or wouldn't that be true?

**Carsten Knobel, CFO:** Yes, I think the point is very -- not technical but is related to A&D, so M&A, better to say. So the impact what you see in the Adhesives in the fourth quarter is only related to the consolidation of A&D in terms of like-for-like. So if I would exclude that we would be even slightly increasing also in Adhesives. So that has nothing to do with prices or the opposite, as I said, Q4, the pricing power was the strongest in '17 with plus 100 basis points. And your second question or better to say, your first question was related to Beauty Care pricing. So price effects vary from quarter to quarter and the full year price impact was slightly positive and the markets are generally characterized by an intense price and promotion competition, what you pointed out, especially for sure in the Mature Markets, and we expect an intense price and promotion pressure also to continue going forward.

**Operator:** Thank you, ladies and gentlemen. I will now hand over to Mr. Van Bylen for his closing remarks. Please go ahead.

## Key points you heard from us today

- Record year 2017, new highs in sales, profitability and earnings
- Substantial progress in implementation of strategic priorities
- Ambitious guidance for fiscal 2018
- Fully committed and on track to deliver on our financial ambitions 2020

### **Hans Van Bylen, CEO:**

Thank you very much.

Dear Investors and Analysts, thank you again for your questions. And let me summarize the key takeaways we want to convey to you today.

Henkel closed 2017 with new highs for sales, profitability and earnings.

We made substantial progress in implementation of our strategic priorities.

We have an ambitious guidance for fiscal 2018 and we are fully on track and committed to deliver on our financials ambitions 2020.

## Upcoming events

- April 9, 2018 Annual General Meeting
- May 9, 2018 Q1 2018 Earnings Release
- May 29, 2018 Investor & Analyst Day Laundry & Home Care, Düsseldorf
- August 16, 2018 Q2 2018 Earnings Release
- November 15, 2018 Q3 2018 Earnings Release

Last but not least, let me remind you of our upcoming events.

Let me highlight that we will hold our Investor and Analyst Day for Laundry & Home Care on May 29 at our headquarters in Düsseldorf.

Thanks again for listening in and goodbye.

Thank you



## FY 2018: Additional input for selected KPIs

Prices for Direct Materials

**Moderate increase  
vs. the level of the prior year**

Restructuring Charges

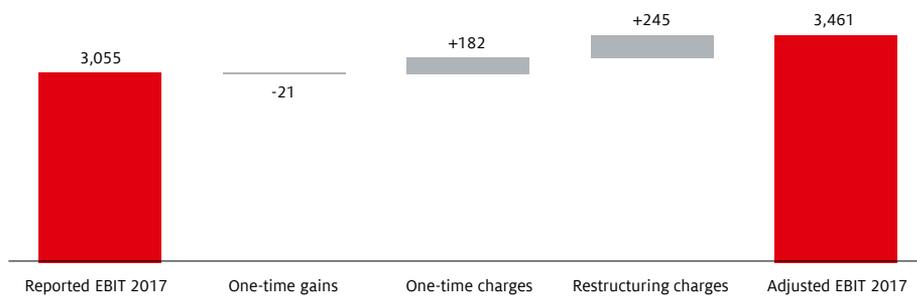
**€ 200 – 250 m**

CapEx

**€ 750 – 850 m**

## Adaptation of our structures to the market

in €m

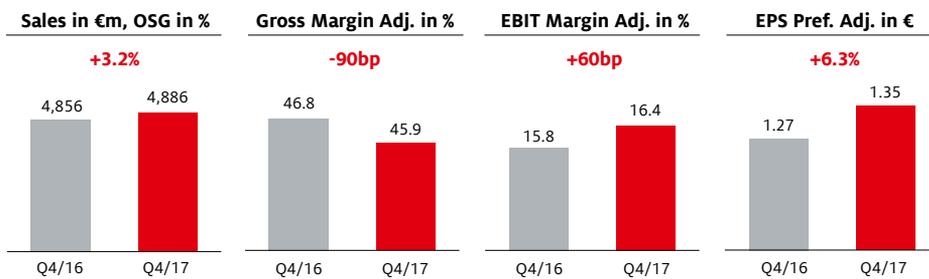


# Key Financials Q4 2017



# Commitment to sustainable profitable growth

Key financials Q4 2017



FY 2017 - Henkel Investor & Analyst Call

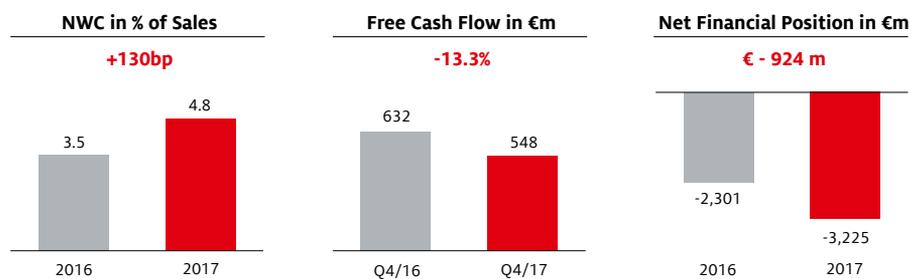
February 22, 2018

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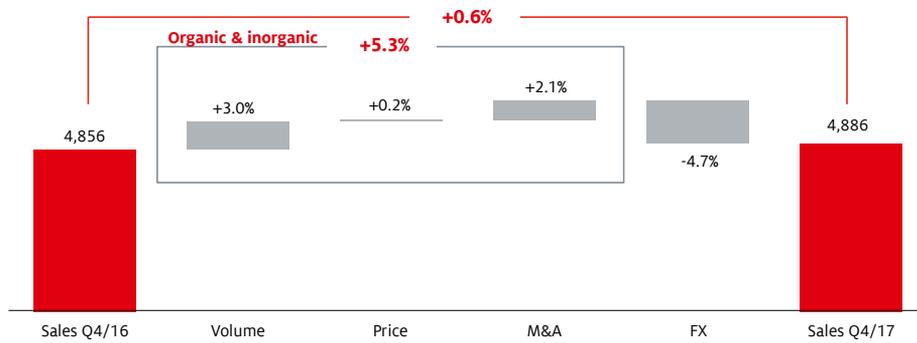
# Focus on disciplined cash management

Key financials Q4 2017

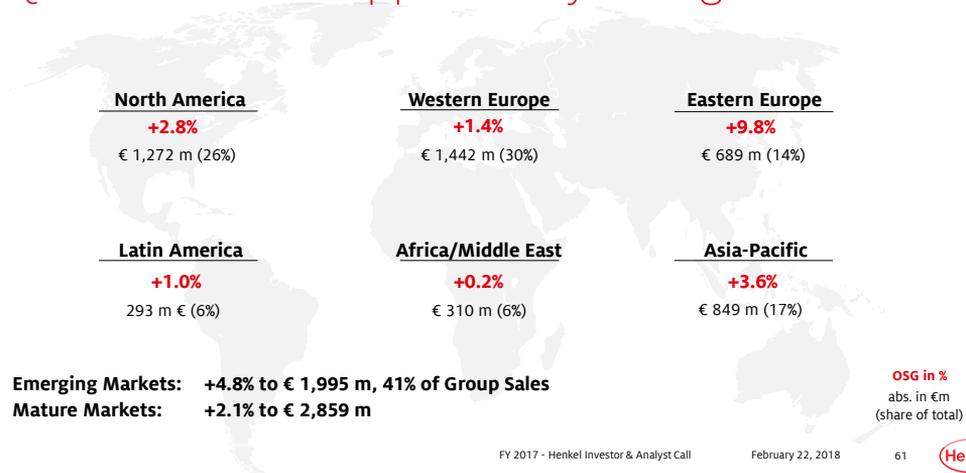


# Significant organic & inorganic sales growth

in €m, changes in %

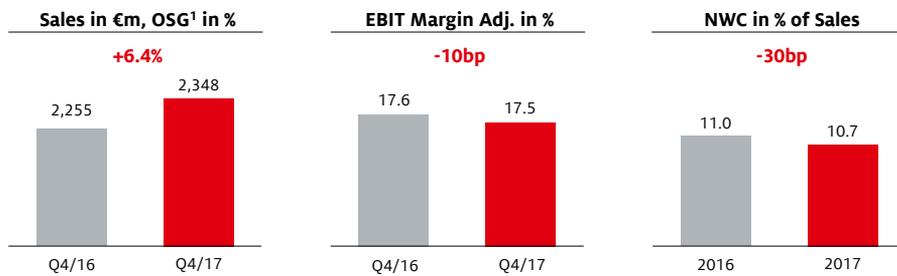


## Q4 2017: OSG supported by all regions



# Adhesive Technologies

Key financials Q4 2017



<sup>1</sup>Volume: 5.4% Price: 1.0%

FY 2017 - Henkel Investor & Analyst Call

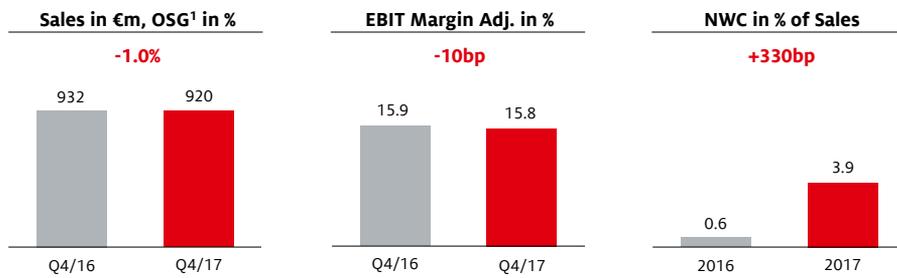
February 22, 2018

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# Beauty Care

Key financials Q4 2017



<sup>1</sup>Volume: 1.0% Price: -2.0%

FY 2017 - Henkel Investor & Analyst Call

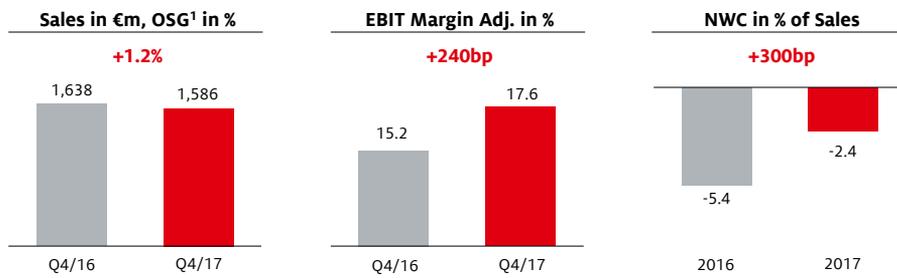
February 22, 2018

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# Laundry & Home Care

Key financials Q4 2017



<sup>1</sup>Volume: 0.8% Price: 0.4%

FY 2017 - Henkel Investor & Analyst Call

February 22, 2018

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Thank you

