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Conference Call Q1 2020, May 11, 2020

Henkel representatives
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Carsten Knobel, Henkel, CEO:

Dear investors and analysts, good morning from Dusseldorf, and a good welcome to our conference call on the first quarter of 2020. Thank you for joining us today.
I hope in these days that are not normal, that you and your loved ones are safe and healthy.

DISCLAIMER

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Before we start, let me begin this call reminding everyone that this presentation, which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant U.S. legislation can be accessed via our website at henkel.com/ir.

The presentation and the discussions are conducted subject to this disclaimer. I will not read the disclaimer, but we take it as read into the records for the purpose of this conference call.

AGENDA

01 **Key Developments Q1 2020**

02 Sales Q1 2020 & Outlook

03 Business Priorities & Closing Remarks

So what's on our agenda today?

First, I'm going to lead you through the key developments in the first quarter.

Then Marco will comment the Q1 sales development in more detail and the full year 2020 outlook, which we have withdrawn on April 7, as you all know.

After that, I will close our presentation with Henkel's business priorities. And finally, Marco then and myself will answer your questions.

KEY DEVELOPMENTS Q1 2020

ROBUST TOPLINE PERFORMANCE DESPITE COVID-19 PANDEMIC

Nominal Sales	Organic Sales Growth	Strategic Framework
€ 4.9 bn -0.8%	**-0.9%**	WIN THE 20s THROUGH **PURPOSEFUL GROWTH**

- Adhesive Technologies impacted by headwinds from lower industrial demand
- Beauty Care Retail stable, Hair Professional affected by hair salon closures in major countries
- Very strong development in Laundry & Home Care
- Strong balance sheet with low debt levels and continued flexible access to refinancing
- Full commitment to new growth agenda, implementation of announced initiatives started

Henkel Q1 2020 4 Henkel

I will start with a brief overview of the key developments in the first 3 months of 2020.

We had already expected a tough environment when entering the year, specifically in the industrial business. The outbreak of the COVID-19 pandemic and its breadth across the globe put us in a highly challenging, even more demanding situation. Despite these extraordinary circumstances, our diversified portfolio of the 3 business units overall delivered a robust top line performance and recorded only slightly negative organic sales growth of minus 0.9%.

Adhesive Technologies was impacted by headwinds in industrial demand, which accelerated as a result of COVID-19. Beauty Care sales were also down year on year. Here, the Hair Professional business suffered considerably from the salon closures enforced in our major markets. At the same time, organic sales growth in the retail business was flat. Laundry & Home Care recorded strong demand for laundry detergents and household cleaners and we achieved a very strong organic sales growth. In total, the group sales amounted to EUR 4.9 billion nominally, 0.8% below the prior year quarter.

Of course, in the current environment, our focus is on a wide range of measures to protect our employees, customers and business partners and to ensure business continuity. This is supported by our continued strong financial foundation with low debt levels and significant financial flexibility. At the same time, we remain fully committed to our new strategic framework, which we had presented to you on March 5. We have a clear aspiration to win the 20s through purposeful growth. We started implementing the announced initiatives while adapting to the current situation.

And I will come back to this in a minute.

BUSINESS ENVIRONMENT

- COVID-19 pandemic substantially affecting global economies and societies
- Notable drop in industrial production, automotive build-rates significantly down
- Consumer behavior changing in many categories amid COVID-19 outbreak
- China coming back but uncertainty regarding further development in other countries
- Turbulences on raw material markets
- Emerging market currencies under pressure

Looking at the business environment, we are facing an unprecedented crisis triggered by the spread of the COVID-19 substantially affecting economies and societies around the globe. Having started as a health crisis, the pandemic in the course of the first quarter developed into a severe global economic crisis, which continues in the second quarter.

Governmental lockdown decisions in China from February caused productions in many industries to stop and shops to close for some time. Demand dropped significantly in the region. With China now coming back step-by-step, the accelerating spread of the pandemic into many other countries resulted in rigorous government decisions, especially since the beginning of March, which only now are cautiously and gradually lifted.

Given the diversity and the breadth of our business units, the top line impact of the COVID-19 is varying across the company. While some segments of our portfolio are hit very hard, others are seeing a strong demand. As a consequence of customer production shutdowns, shop closures and corresponding lower demand, markets have experienced a notable drop in industrial production, especially in automotive and general industry applications.

At the same time, we are experiencing significant changes in consumer behavior and demand in many categories. Social distancing and lockdown decisions triggered stockpiling of products regarded essential and the continued very high usage of hygiene-related products such as hand soaps, bleaches or sanitizers. We see increased usage of household cleaners, auto and hand dishwashing or laundry detergents since people are at home and eat at home. In contrast, categories such as cosmetics or styling suffer.

Significant disruptions of supply and demand caused turbulences on raw material markets as evidenced by the collapse of the oil price, for example. Currencies were also affected. While the U.S. dollar remained relatively stable throughout the quarter, key emerging market currencies experienced sometimes sharp declines.

IMPLICATIONS FROM COVID-19 PANDEMIC

- Timely action taken to protect employees, customers and business partners, while ensuring business continuity
- High agility in operations & supply chain, swiftly reacting to local developments and needs
- Comprehensive global solidarity program, strong commitment of global teams
- Most sites operational throughout Q1, yet constraints in logistics, supply chain and demand
- Group net sales impact of around € -100 m in Q1

At Henkel, we have responded at an early stage to this crisis. With the safety and health of our employees, customers and business partners being our #1 priority, we have introduced a comprehensive range of measures in order to protect them. At the same time, we have done everything to continue our business even under extremely challenging conditions. All our procurement, supply chain and operation teams are working diligently to continue servicing our customers and consumer needs.

On top we have launched a global solidarity program, which is in full implementation. We have made financial donations, for example, to the COVID-19 Solidarity Fund of the WHO and the UN and to organizations in countries such as the U.S., Korea, France, Spain and Italy. We have also rolled out a wide range of product donations and started production of disinfectants supporting hospitals, charities and health service organizations.

What makes me particularly proud is experiencing day by day how our employees around the globe live the Henkel spirit and why we have truly a unique culture in our company irrespective of whether they work from home or in our laboratories or in production. Let me take this opportunity to seriously thank our teams for their contribution, dedication and passion as well as, of course, their discipline during these times.

During the first quarter, some of our manufacturing sites have been closed on government order. Others are running at lower capacity utilization levels. We were often able to sustain production, thanks to exceptions related to producing goods regarded essential. Throughout the first quarter, most sites remained operational. At the end of March, about 90% of our production sites were running. And most recently, more and more of the affected sites are coming back to operations. However, we faced and continue to face constraints in logistics, in our supply chain, and to a significant extent, from lower demand. In total, the negative effect and impact on group net sales in the first quarter amounted to approximately EUR 100 million in line with our initial estimate we communicated in early March.

BUSINESS DEVELOPMENTS Q1 2020

- Significant pressure from lower industrial demand
- Supporting customers in mobility transformation, winning business with solutions for EV powertrains
- Dial with strong market share expansion in US, progress on Hair Care turnaround in Europe
- Substantial impact from hair salon closures
- Core brands Persil, Somat, Bref & Pril each with double-digit growth due to strong innovations and more media
- High demand for hygiene products

Henkel Q1 2020

Let me now highlight a few developments in the first quarter.
At Adhesive Technologies, we are facing substantial headwinds in our industrial business. Yet within our strong and diversified portfolio, we see a mixed picture from different industries in terms of demand. Customers producing consumer goods mastered the crisis quite well so far. However, key customer segments such as automotive were affected by production shutdowns with light vehicle production estimated down 25% in Q1 and even stronger in March stand-alone. Despite all the headwinds, we won business in the field of electrification of the powertrain for electrical vehicles offering solutions that enable our customers to manage the mobility transformation.

Beauty Care saw a very strong performance in the North American retail business due to the uptake on personal hygiene. Here, our largest U.S. brand, the Dial brand, strengthened its position and strongly expanded its market shares. We also see progress in the Hair Care turnaround and grow our market shares in Europe. We achieved good sales growth on Schauma as well as on Gliss Kur powered by a new communication campaign. And in coloration, we continued our good performance.
Nevertheless, our Hair Professional business was heavily impacted by the salon closures in the course of March especially in Europe and in North America. In order to support our professional customers in these highly challenging times, we initiated a broad range of measures, including offering extended payment terms and via our 'Help your Salon' initiative.

Finally, Laundry & Home Care. We achieved here a very strong organic sales growth in the first quarter, thanks to the success of key brands such as Persil, Somat, Bref and Pril, each of them growing double digit with strong innovation and increased media support.
We successfully launched Persil ProClean with Oxi Power in the U.S. as well as our Persil 4in1 Discs with malodor technology in the North American and the European markets. With Persil Green Power, we have started entering the green laundry detergent segment, combining sustainability with a very high product performance.
And in Home Care, we continued the rollout of our new Pril Power & Perls as well as Bref De Luxe. For sure, Laundry & Home Care also benefited from higher demand for hygiene-related products and selective stockpiling in light of the COVID-19 pandemic.

While we do all we can to master the challenges in the current environment in the short term, to me, it is also of utmost importance to keep sight of the medium and long term.

This is why we remain fully committed to our new growth agenda. As pointed out at the beginning, we have a clear aspiration: to win the 20s through purposeful growth.

And we remain focused on implementing our strategic framework along our 6 strategic pillars: we will outgrow the market, creating a winning portfolio, regaining competitive edge through impactful innovations, sustainability and digitalization with future-ready operating models, empowered people and a collaborative culture. Today, these pillars are more relevant than ever.

Of course, we are also adapting ourselves to the current situation. We are committed to execute the announced portfolio measures within the targeted time frame, and we started the implementation. But given the situation in the market, we will manage and adapt the divestment processes in order to safeguard the value of the businesses marked for disposal.

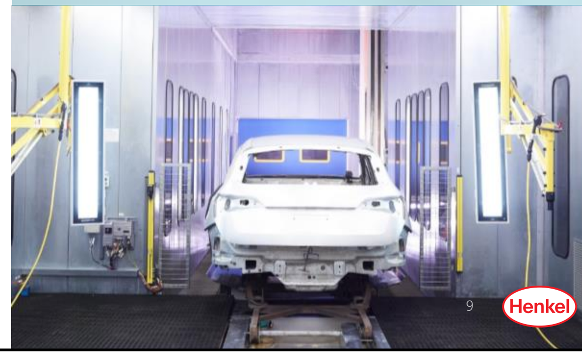
We continue driving sustainability in everything what we do. And we are progressing according to plan when it comes to the reshaping of our operating models in all 3 business units to enhance customer and consumer proximity with faster decision-making mechanisms and an increased focus on cost efficiency.

Marco will later present in the Q1 performance of Adhesive Technologies based on the new structure of our 4 business divisions.

EMERGING STRONGER FROM THE CRISIS

INNOVATION

- Consumer businesses providing products that meet hygiene needs
  - Launch of highly relevant SKUs
  - Ramp-up in supply output
  - Purposeful brand communication
- Adhesive Technologies well positioned in the areas of mobility, connectivity and sustainability



Impactful innovation is one of the key pillars of our competitive edge strategy, a true competitive differentiator and crucial to emerge stronger from this crisis.

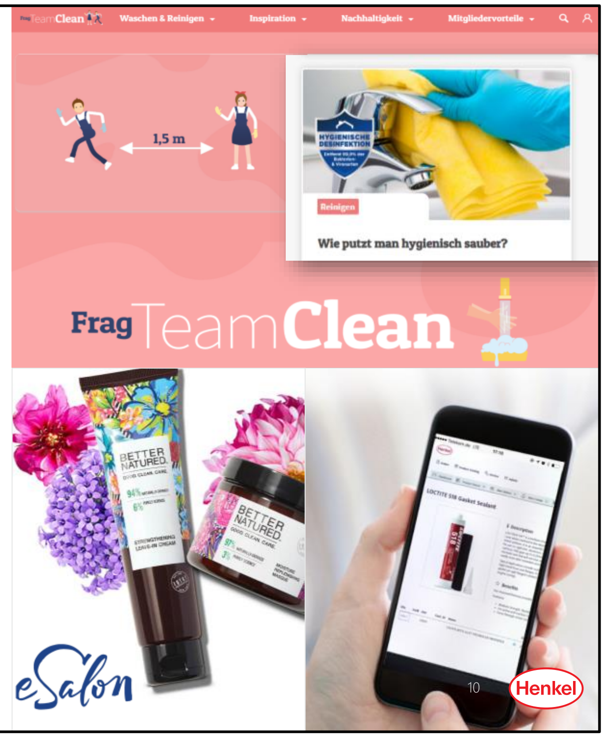
In both consumer businesses, we are swiftly reacting to changes in demand and are actively working to address the hygiene needs of consumers, which we expect to stay. We are quickly ramping up relevant supply output. For example, our soap supply output has been increased globally by 30% to satisfy increased demand.

And we are launching new relevant offers to the markets paired with dedicated communication across the channel. For example, in Mexico, we launched Persil Hygiene, and we plan to roll out our disinfecting product range under the Lysoform brand in further countries. We are also launching an antibacterial hand dishwashing product in Egypt and in Turkey in the second quarter. And in both Laundry & Home Care as well as in Beauty Care, we will be offering our customers hand sanitizers from Q2 under brands such as Pril or Fa and thanks to a fast and agile product development and production ramp-up related to that.

For our industrial business, I already highlighted how we enable our customers to manage the mobility transformation.
Also for other megatrends such as the connectivity and the sustainability, we have positioned our business well with our high-impact solutions and our customer-centric approach. For example, our North American Packaging & Consumer Goods business is showing strong growth dynamics, also thanks to our padded mailer business for sustainable e-commerce deliveries.

EMERGING STRONGER FROM THE CRISIS
DIGITAL

- Holistic and accelerated eCommerce approach & D2C across all businesses
- Brand communication increasingly via digital channels, also educating on correct use of hygiene products
- Strengthened digital execution capabilities and accelerated digital upskilling
- Digital customer interaction across businesses such as securing supply and process stability through virtual customer services



Moving on to our digital levers, we are activating to emerge even stronger from this crisis. I told you beginning of March that we must digitally transform in new and incremental ways, and we do. In light of the lockdown measures in many countries, we accelerated our e-commerce approach and D2C across the company.

In Adhesive Technologies, we are offering our customers an advanced digital customer experience with 24/7 availability, leveraging our digital B2B sales platform, which we extended to a true customer engagement portal.

In Beauty Care, we are leveraging eSalon. With consumers unable to go to their hairdressers, orders of personalized hair colorations, especially in the U.S., recently increased sixfold. And while shops were closed throughout March in many countries, we were increasing digital sales in our professional business. Under the Zotos umbrella for example, we launched Better Natured, our first premium natural D2C Hair Care brand.

Overall, in the first quarter, our digital sales increased by a double-digit percentage also thanks to strong double-digit growth in Laundry & Home Care online sales.

Also in terms of brand communication, we are swiftly adapting to the market environment. We launched educational how-to videos and integrated chatbots in most of our Laundry & Home Care CRM brand landing pages. To support our consumers, we developed more content to advise on the correct use of hygiene products on our brand websites be it for cleaning or also for handwashing. And in addition, we are enhancing our business approaches for the longer term with accelerated digital execution capabilities in terms of back end as well as further upskilling of our employees to serve our customers in the best possible way, all, of course, through e-learnings in these days.

We stay close to our customers across all businesses. In our industrial business, virtual customer services play a central role to secure supply and process stability for our customers. In India, for example, due to the nationwide lockdown measures, the teams had to rely on virtual customer interaction and engagement, for example, through webinars. High service levels and ongoing virtual customer services strengthened trust and resulted in high customer appreciation.

EMERGING STRONGER FROM THE CRISIS
COLLABORATIVE CULTURE

- Agile, empowered collaboration based on unique Henkel spirit
- Outstanding team commitment around the world
- Support of local communities including donations and production of disinfectants
- Holistic customer support such as improved payment terms for hairdressers and re-start support measures

Ultimately, we cannot win the 20s without our people. Over the past weeks, our employees around the world have all shown how they live the Henkel spirit and why we have truly a unique culture in our company.

Yes, the current crisis brings uncertainty, instability and impacts everyone around the world. But despite all negative effects, the crisis also shows what we are able to achieve, what holds us together and what makes us successful as an organization.

It is our spirit and our culture based on a strong foundation of trust and collaboration. Day by day, our employees take care for themselves, their families and their colleagues. They serve our customers and consumers, keep our business up and running and also support the communities in which we operate.

I already mentioned our global solidarity program, which is in full implementation and included financial and product donations, as well as production of disinfectants.

In addition, we are holistically supporting our customers throughout the crisis. For example, in our Hair Professional business. Here, we offered prolonged payment terms. We have set up the HelpYourSalon.com initiative the first digital platform enabling salons to sell digital vouchers to end consumers. And for the reopening of the hair salons starting right now in Europe, we support their comeback with decisive measures such as hygiene articles, products for speed services and targeted salon communication.

All of this makes us stronger, brings us even closer to our customers and consumers and enables Henkel to emerge stronger from the crisis.

With this, let me hand over to Marco who will comment on our sales development in more detail. Please, Marco.

AGENDA

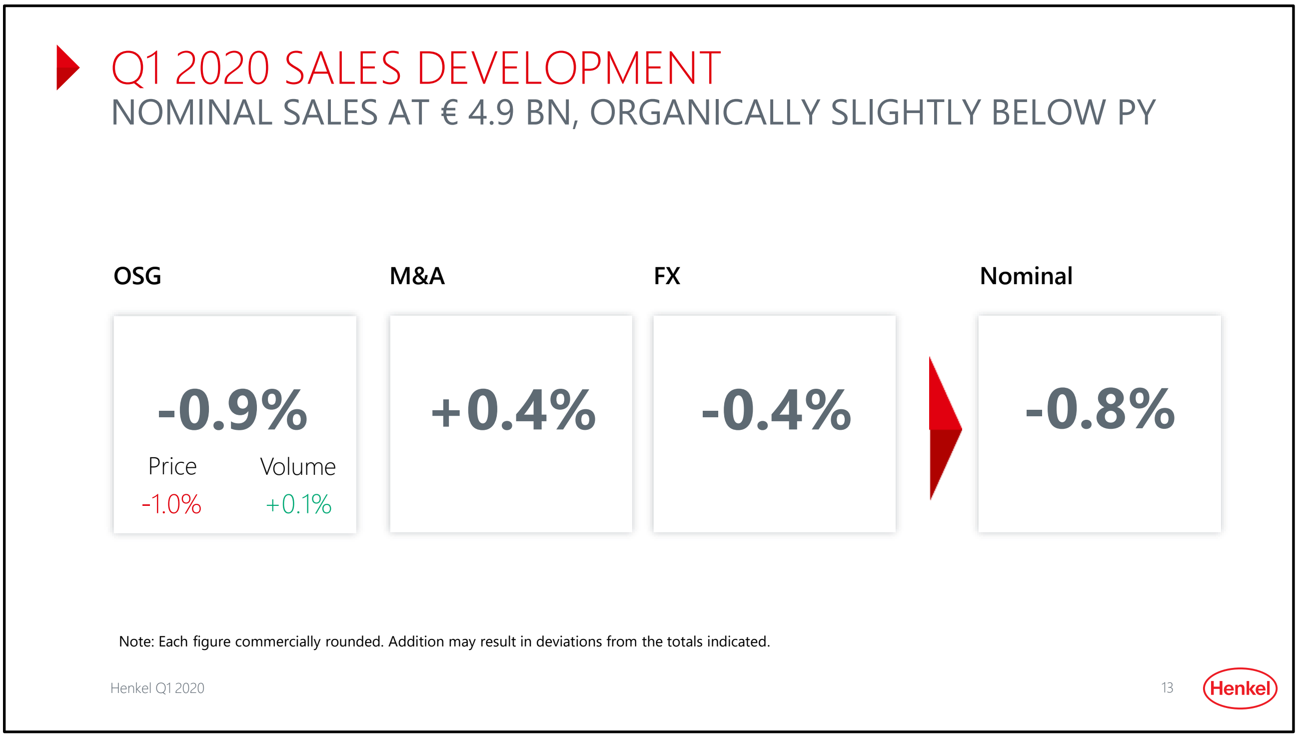
01 Key Developments Q1 2020

02 **Sales Q1 2020 & Outlook**

03 Business Priorities & Closing Remarks

Marco Swoboda, CFO

Thank you very much, Carsten, and good morning, everyone, also from my side. Now let's take a closer look at our top line development in the first quarter 2020.



Organic sales development was slightly negative at minus 0.9%.

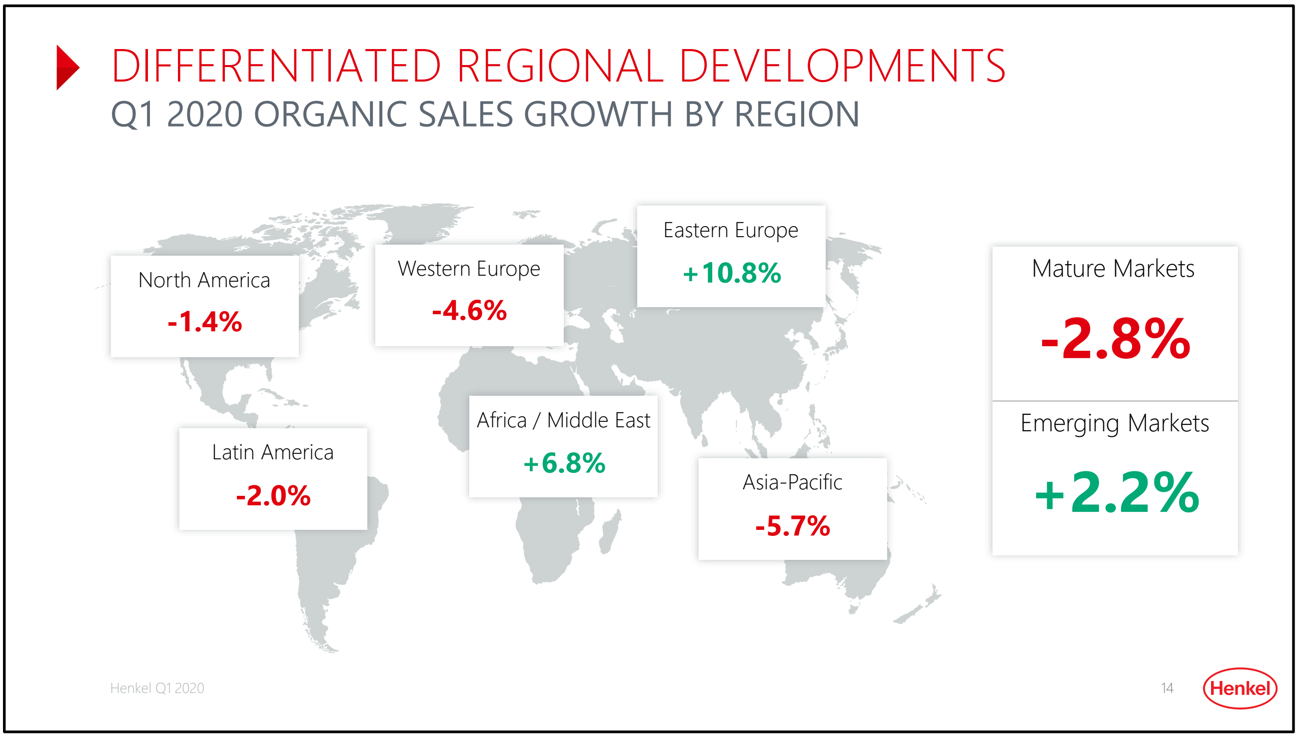
Pricing was negative at minus 1%. While pricing in Adhesive Technologies in a demanding environment was stable this development was particularly driven by lower pricing in the consumer goods business units.

Volume was roughly stable at 0.1%, boosted by Laundry & Home Care whereas Adhesive Technologies as well as Beauty Care experienced declines year-over-year, both significantly impacted by the spread of the COVID-19 pandemic.

The net effect of our acquisitions and divestments had a positive impact on sales of 0.4%.

Currencies were slightly negative at minus 0.4%, in particular, impacted by the deterioration of emerging market currencies in the Asia Pacific, Latin America, Middle East as well as Eastern Europe region. In contrast, we had support from a stronger U.S. dollar.

As a result, Henkel recorded a slight decrease of minus 0.8% in nominal sales, totaling EUR 4.9 billion in Q1 2020.

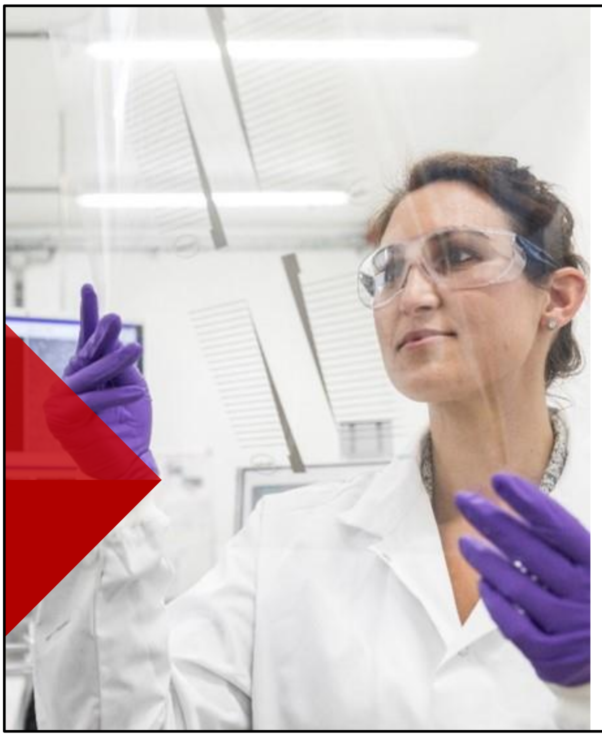


Moving on to the organic sales development by region. Overall, mature markets were negative with an organic sales growth of minus 2.8%. In contrast, our businesses in emerging markets increased organically by 2.2%.

Let us take a closer look at the quite different developments in the regions. Both North America and Western Europe were below the prior year quarter heavily impacted by the governmental lockdown decisions and corresponding effects on industrial production and lower demand.

Performance in Asia Pacific overall was negative at minus 5.7%, however, with very different developments in the mature and the emerging markets. While the mature markets of Asia Pacific achieved very strong organic sales growth, the emerging markets recorded a significant decline. This was particularly due to developments in China triggered by the COVID-19 pandemic.

The weakness in Asia Pacific was more than offset by the organic sales growth in other emerging markets. In the Africa/Middle East region, we achieved a very strong organic sales growth of 6.8%. And in Eastern Europe, we even recorded double-digit growth, particularly driven by Russia and Turkey.



ADHESIVE TECHNOLOGIES
ORGANIC SALES GROWTH: -4.1%

- Significant headwinds especially in Automotive & Metals business area due to shut-down of many customers’ production sites globally
- Packaging & Consumer Goods business area with stable development
- Negative development in Electronics & Industrials: decline in industrial demand, Electronics above prior year
- Craftsmen, Construction & Professional business area below prior year, however construction with strong growth

15 Henkel

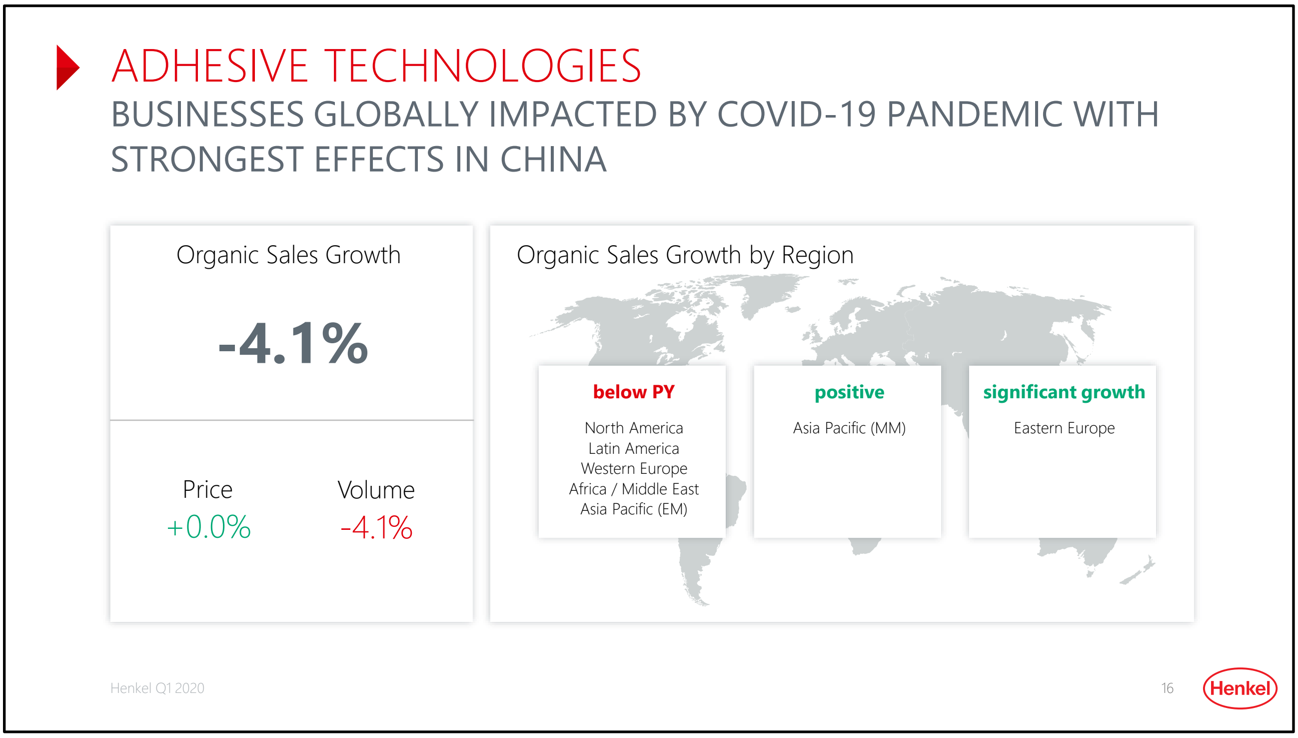
Let me now move to the business units, starting with Adhesive Technologies. We are reflecting for the first time the new structure of our 4 divisions in our financial reporting.

Adhesive Technologies was significantly impacted by the COVID-19 virus outbreak and posted a negative organic sales growth of minus 4.1% in the first quarter. This development was, in particular, driven by lower demand in our Automotive & Metals business, which recorded a significant decline. Most automotive manufacturers have been severely affected by governments’ shutdown decisions, first, in China, particularly in February, followed by Europe and North America in the course of March. Car manufacturers only recently have started to cautiously ramp up production again.

In contrast, businesses producing consumer goods that were not directly affected by shutdowns mastered the crisis quite well so far. In the Packaging & Consumer Goods business, for example, we saw an increased demand in tissue and towels, non-woven fabrics and packaging for food and pharma products. Overall, our Packaging & Consumer Goods business was stable.

The Electronics & Industrials business recorded a significant decline, solely driven by the shortfalls in general industrial production which was adversely affected by the pandemic. This could only partially be compensated by positive development in Electronics.

Our Craftsmen, Construction & Professional business closed the quarter below prior year. However, construction and our businesses in Eastern Europe showed strong growth dynamics.



As a consequence of these demand trends, the business unit's organic sales development was driven by lower volumes at minus 4.1%. Pricing was flat, however, with differentiated developments in the different business areas, a strong performance in the current market environment.

From a regional perspective, Adhesive Technologies recorded negative organic sales growth in most regions, except for the mature markets of Asia Pacific and Eastern Europe.

In the first quarter, the COVID-19 pandemic had the strongest negative impact on our businesses in the Asia-Pacific region, and in particular, in China. Here, we recorded negative growth rates in all business areas.

Both Western Europe and North America were below the prior year level. In Western Europe, this was driven by declining developments in the Automotive & Metals and the Electronics & Industrials business areas as well as governmentally forced lockdowns in countries such as Italy, Spain or Germany starting in March.

In North America, we have recorded strong growth in our Packaging & Consumer Goods business as well as very strong growth in the Craftsmen, Construction & Professional business. This was partly offset by the negative development of the Automotive & Metals and Electronics & Industrials businesses.

In contrast, sales in Eastern Europe increased significantly also due to strong development of the building industry.

BEAUTY CARE
ORGANIC SALES GROWTH: -3.9%

- Professional with significant decline due to salon closure in major countries
- Retail business stable despite most regions progressively affected by COVID-19
- Good organic growth in Asia Pacific Retail as China market entered recovery phase
- Strong performance in Body / personal hygiene, especially in North America with Dial
- Good development in Retail Coloration with signs of market acceleration end of March

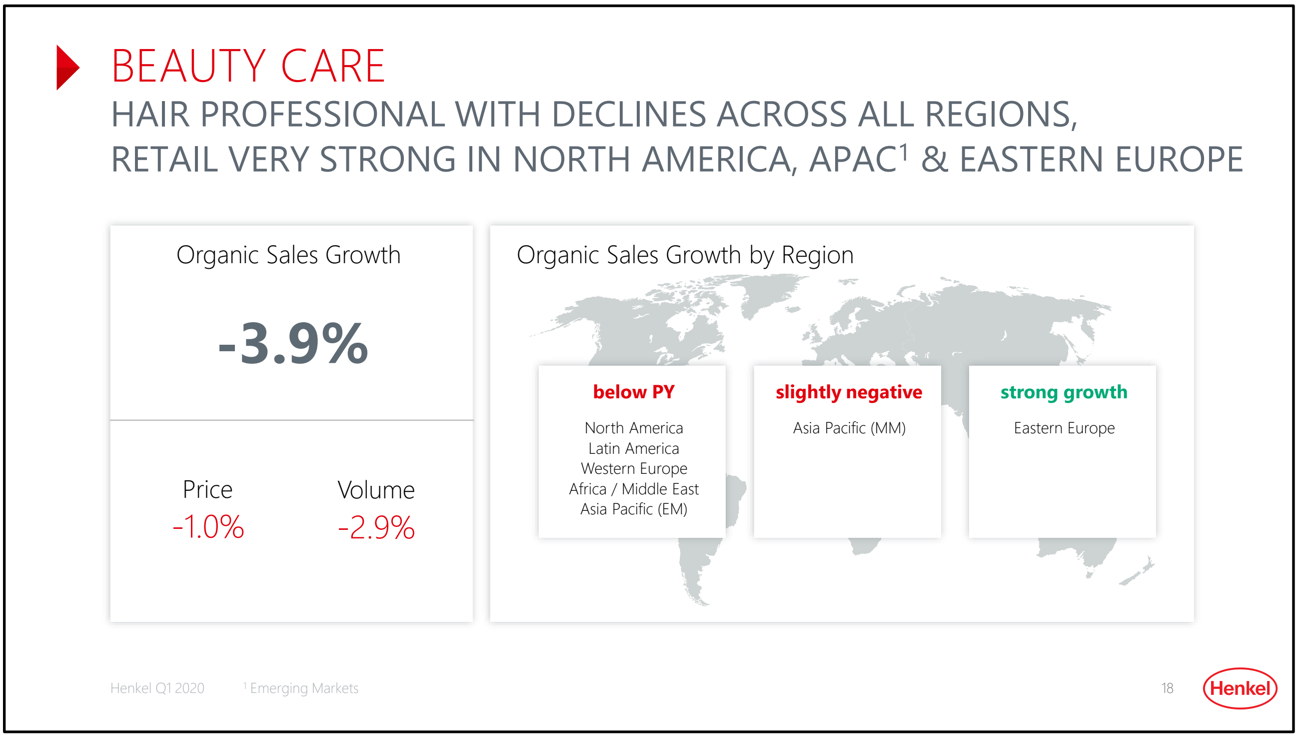
17

Moving on to Beauty Care, which recorded organic sales growth of minus 3.9% in the first quarter.

While our retail business was stable, this decline was primarily driven by our Hair Professional business, which suffered from the governmentally enforced salon closures in numerous countries in the course of March and continuing into the second quarter. As a result, organic sales growth of the business area was significantly negative at minus 14.5% with a substantially higher decline in March stand-alone.

In retail, we have seen mixed developments strongly influenced by measures implemented to limit the spread of the COVID-19 pandemic and changed consumer behavior. Consumers strongly demanded hygiene-related products and essential goods. At the same time, traffic largely increased in supermarkets with broad product offerings but with limited beauty assortment. Promotions in Beauty Care categories were often canceled and drug stores partially closed.

In this environment, Beauty retail recorded a particularly good performance in the body care category especially with the Dial brand in the U.S. In contrast, retail hair was lower year-on-year due to weaker demand in Hair Care and Hair Styling. Nevertheless, Beauty Care made further steps towards turning around Hair Care, gaining market share in Europe. And in hair coloration, we achieved good organic sales growth.



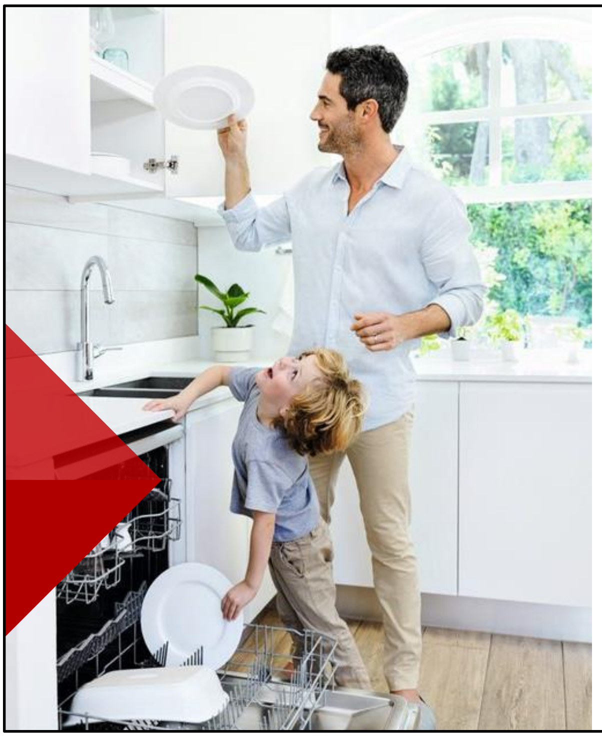
The business unit's organic sales development of minus 3.9% was to a large extent driven by volumes which declined by minus 2.9%. Pricing was negative at minus 1.0%.

From a regional perspective, Beauty Care recorded a differentiated development in the business areas.

Hair Professional organically was below prior year's levels in all regions with particular weakness in Western Europe and North America both down in the mid to high teens.

Beauty retail achieved very strong organic sales growth in North America due to the uptake on professional hygiene and the strong performance in body care. Asia Pacific overall recorded good organic sales growth, in particular driven by retail hair in China. Eastern Europe improved strongly throughout all retail categories.

In contrast, the Western European retail business was negatively affected by the COVID-19 pandemic social distancing measures and lockdowns hit most hair categories, especially styling.



LAUNDRY & HOME CARE

ORGANIC SALES GROWTH: +5.5%

- Double-digit growth in Home Care with core brands Pril, Bref & Somat growing double-digit
- Strong growth in Laundry Care driven by very strong performance of Heavy-Duty Detergents
- #1 brand Persil growing double-digit supported by exceptional performance in single-unit dose
- North America with positive growth thanks to strong performance of core brand ‘all and Persil
- eCommerce growth accelerating across all regions

19 Henkel

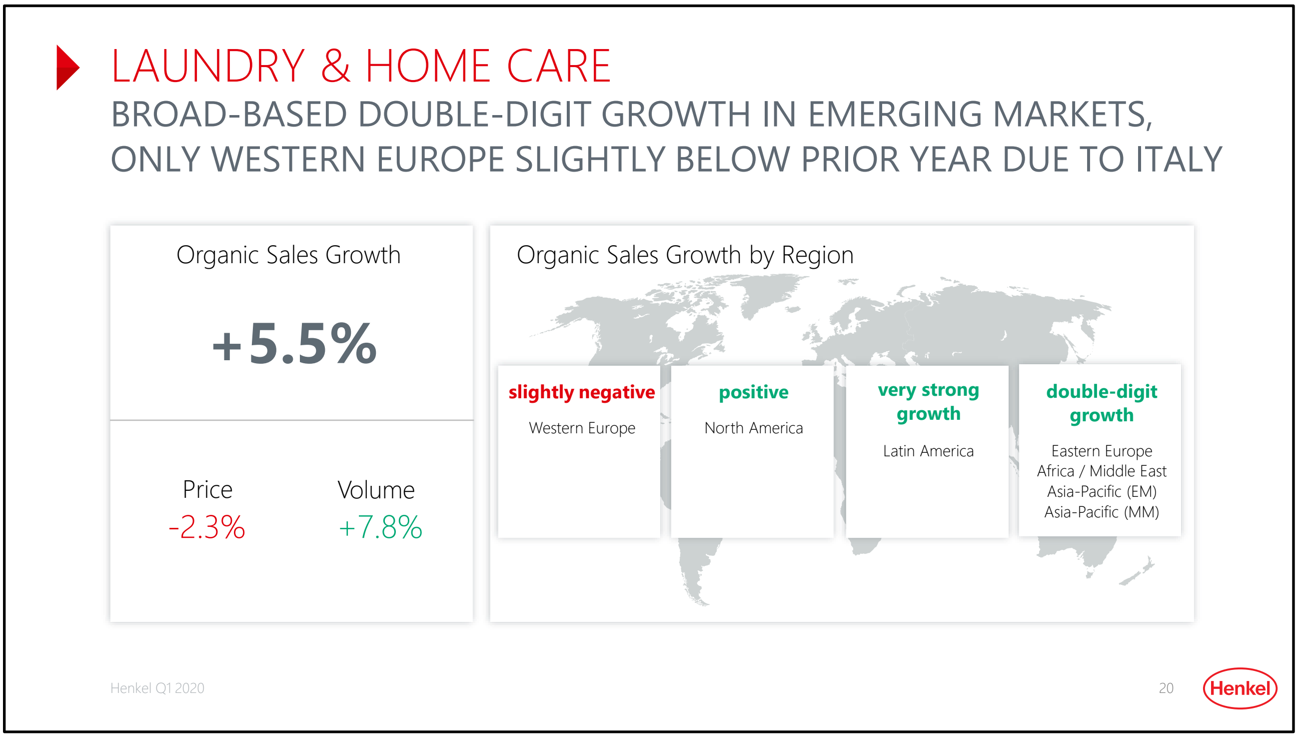
Finally, on to Laundry & Home Care, which showed a very strong organic sales performance of plus 5.5% despite a very high base in the previous year's quarter.

The business unit on balance profited from successful innovations with increased media support as well as a shift of consumer demand towards hygiene-related products and pantry loading in light of the COVID-19 pandemic. Even when adjusting for COVID-19 effects, Laundry & Home Care would have recorded an organic sales growth at the upper end of our original guidance range of 2% to 4%.

As a result, organic sales growth in the Home Care business area was in the double-digit percentage range with each our Pril, Bref and Somat brand families having achieved double-digit growth.

Laundry Care recorded strong organic sales growth in the first quarter, particularly driven by very strong growth in heavy-duty detergents and a double-digit increase of our core brand, Persil. This was supported by an exceptional performance in single-unit dose.

In the first quarter, Laundry & Home Care was also able to significantly expand its e-commerce business. Digital sales were up by strong double-digit percentage across all regions in the quarter.



The very strong organic sales growth of 5.5% was driven by volume, which increased by 7.8% in the first quarter. Pricing, in contrast, was negative at minus 2.3% due to mix effects and trade investments.

The organic sales performance was to a large extent due to a double-digit growth in the emerging markets with particularly strong developments in Eastern Europe, Africa/Middle East and Asia. Each of these regions, up double digit.

Organic sales growth in the mature markets was positive.

North America recorded a positive growth within our single largest market, the U.S., achieving strong organic sales growth. This was thanks to a very strong performance of our brand ‘all‘ as well as successful initiatives under our Persil brand.

The mature markets in Asia Pacific achieved double-digit organic sales growth. Western Europe was negatively impacted by lockdown decisions related to COVID-19 especially in Italy and closed the quarter slightly below prior year.

GUIDANCE 2020

FORECAST WITHDRAWN AS PER STATEMENT ON 7 APRIL

- Forecast for fiscal 2020 published in Annual Report 2019 no longer upheld
- Reliable and realistic evaluation of future business performance not possible due to dynamic development of COVID-19 pandemic
- Henkel is responding to the crisis with specific measures, but cannot predict with sufficient reliability over what period and to what extent it will face further impacts
- New forecast to be published once sufficiently reliable evaluation of future business performance in 2020 is possible

Moving on to the full year outlook, which we have withdrawn on 7th of April.

The further development of the COVID-19 pandemic and its implications on economies and society remains highly uncertain and are impossible to predict. Hence, we cannot provide a forecast for the full year 2020 at this point in time. As soon as it is possible to make a sufficiently reliable evaluation of Henkel's financial development in 2020, we will publish a corresponding outlook.

While our performance in the first 3 months of the year was robust, given the breadth and diversity of our businesses, we anticipate a difficult second quarter. Let me outline our rationale for that in more detail.

Our operations in China are approaching more normal levels. However, the situation in many other countries remains challenging, including Europe and North America. Public lockdowns continued into May and are now lifted step-by-step only. Many customer production facilities are still closed and will be ramped up only very carefully in the coming weeks. Hair salons are restarting their businesses, but in-store traffic is limited due to the hygiene restrictions. And unemployment rates have experienced steep increases likely to weigh on consumer spend levels.

In such an environment, however, we could also benefit from stronger demand for value-for-money brands as well as hygiene-related products.

STRONG FINANCIAL FOUNDATION
KEY TO MASTER CHALLENGES AND EMERGE STRONGER FROM CRISIS

- **Strong balance sheet and financial flexibility**
  - Low net debt level of € -2.0 bn[1], strong A rating and availability of refinancing
  - Continued access to capital markets: successful placement of CHF 330 m bond
- **Dividend proposal unchanged at € 1.85 per preferred share to AGM on June 17**
- **Targeted cost management**
  - Realizing short-term savings without compromising on future growth
  - Strong focus on net working capital management while supporting customers

 [1] as per 31 December 2019

As this crisis continues, we will continue to constantly readjust and respond flexibly and swiftly to developments in our markets.

We deployed targeted cost management realizing short-term savings opportunities while not compromising on our future growth. We also keep our strong cost focus on efficient working capital management.

To emerge stronger from this crisis, we built on our strong financial foundation. With continued low debt levels and our strong A rating, we have sufficient financial flexibility to master the current challenges.

Capital markets are open for companies with a strong rating, which is evidenced by our most recent successful placement of the CHF 330 million bond at attractive conditions. And we continue to propose a dividend payment of EUR 1.85 per preferred share to the Annual General Meeting, which will be held fully virtually on June 17.

With this, let me hand back to Carsten.

Carsten Knobel, CEO

Thank you, Marco. Let me now explain briefly our key business priorities before we move to the Q&A.

BUSINESS PRIORITIES

- Protection of employees, customers and business partners first priority
- Ensuring business continuity by mastering supply chain, logistics and operations
- Continue close collaboration with customers and trade partners in these challenging times
- Leverage and further expand digital business
- Adequately manage cost and keep strong cash focus
- Implement first set of actions within purposeful growth framework

For us, in this crisis, protecting the health and the safety of our employees, our customers and business partners remains our highest priority.

We continue to do everything we can to ensure our businesses to continue even under difficult circumstances, managing our supply chain, logistics and operations to safeguard customer supply.

With our broad set of support measures and communication, we maintain our close collaboration with customers and trade partners to master the challenges together.

And we will leverage and further increase our digital capabilities, further expanding digital businesses across all business units.

We retain our strong focus on liquidity and working capital, as Marco has explained, while we continue adequately managing also our cost.

And finally, we remain fully committed to further develop our new strategic framework and implement the first set of actions towards our target of winning the 20s through purposeful growth.

Let us now move on to the Q&A.

Q & A

Henkel Q1 2020

25

Henkel

Question: The first one is on the Adhesives portfolio. I'd like to ask about obviously the dramatic fall in the oil price, what this means for your pricing power in Adhesives and also the significant changes in the portfolio over the last 10 years in terms of removing the non-value-added SKUs. So how should we think about those dynamics for the Adhesives business?
And then the second question on M&A. In your strategic presentation in March, you talked about portfolio optimization. So we'd love to hear any updates there. And then also on Wella, Henkel's interest in Wella is very well documented. It goes back to in 1998. I think one of your predecessors said in 2000, we've been talking to Wella for years. Henkel bought a 7% stake in 2003. I think the press reported interest in 2015. Obviously, the press had closely linked Henkel to Wella again over the last 6 months or so. So this long romance hasn't been a big secret. So perhaps you could comment on why Henkel has pursued Wella for so long and what the attraction is, please?

Carsten Knobel, CEO: Thank you for all your questions. I propose I will talk about the Adhesives part and about your last part, your story about the Wella, while Marco will comment on the portfolio measures which we talked about in the beginning of March.

So when it comes to the Adhesives and the point of pricing, we expect that the market conditions to develop unfavorably due to this economic uncertainty and we also expect feedstock prices to remain on a lower level compared to the prior year. So we therefore expect increasing price pressure. Nevertheless, our aim is to market our products based on the value to our customers and to set prices accordingly.

So while raw material prices, as you stated, have an impact on prices in some areas of the businesses, this is not the case for the entire product portfolio. And overall, you know that we have also managed over the last couple of years to change our setup, especially in Adhesive Technologies, the topic of cyclical, noncyclical businesses from a 60% to 40%. So if you will go back because you also were talking about the 10 years horizon, if you go back 10 years ago, 60% of the Adhesives business was cyclical; 40% was noncyclical. Today, this percentage has changed to 40% cyclical and 60% noncyclical.

Marco Swoboda, CFO: To your question on portfolio optimization, let me summarize again what our strategy is. And we have basically said that we have marked around 50% of more than EUR 1 billion in net sales for divestment or discontinuation by the end of 2021 and that is predominantly in the consumer businesses.

We are committed to execute the planned portfolio measures, including the divestments with the mentioned time frame, and we also started the implementation. However, the current situation in the businesses and the financial markets is for sure very uncertain and highly volatile at the moment. And we will manage and adapt the divestment processes in order to safeguard the value of the businesses marked for disposal.

So we basically continue working on the different projects, but of course, we need to stay agile here and also see what the current situation means. But as we said, we have given us a time frame until the end of 2021 and we have no intention to change our plans in that regard.

Carsten Knobel: Unfortunately, I think I will disappoint you now with my answer because you need to understand that I cannot and will not comment on specific M&A targets when you have mentioned the Wella topic. But what is very clear, and there is no change also now under my leadership as CEO, M&A remains an integral part of our strategy. And as you know it from the past, we follow a very stringent and disciplined approach in terms of what our criteria are: is there a strategic fit, is there availability and is there a financial attractiveness, and that's the way how we also will pursue going forward. And unfortunately, more I cannot say to your very concrete question. Hope for your understanding.

Question: A couple of questions for me. I just wondered if we could drill a little bit more into that negative 2.3% price in Laundry & Home Care? I mean I understood you're sort of flagging it that it was due to some mix effects, some trade investments. But I would have thought, given the strength of the volume demand in Q1 that you wouldn't really have had to do much in the way of trade investments given promotional levels were lower in some other categories.

And then, secondly, it looks as though the sort of handwash and hygiene category is going to be elevated for some time. Have you done any engagement given the strength of the Dial brand in North America in having Dial in out-of-home locations, so having it in hotels or restaurants or office places or anything like that? Or is that not really something that you have the sales force for and we should expect just to continue to be a retail channel brand?

Carsten Knobel: So taking your first question about the Laundry & Home Care pricing, unfortunately, you have already clearly pointed out what we also brought across, what are the reasons for the negative price effect. It is the 2 topics what you mentioned: it is the mix effect and it is also, in that respect, higher trade investments. And the mix effects are especially related to the points that in these days value-for-money products are definitely the ones, which are asked by consumers more and that is the main reason why this pricing occurs negative in the first quarter for Laundry & Home Care.

You also have seen a negative pricing for the Beauty Care business. Also here, it's mainly because of the mix effect especially here due to the fact that the professional business is significantly under pressure and having significantly higher margins in general than the retail business.

To your second question, the handwash and the Dial and cooperations with others. What we are currently doing and this is also what I tried to get across during the presentation is that, for sure, we are taking now all the potential measures and actions in order to get also for the future better positioned. And what I mentioned, I believe that more hygiene-related measures, trends, brands will be seen in the next not only quarters, but I believe that it's also in the next years and that's what we are working on. On top, we have a small business especially within our North American business, which is targeted to hotels, to hospitals and so on, but not under the Dial umbrella or the Dial brand. So yes, we are doing already since this more than a decade on these kinds of businesses, but not specifically now targeted in last quarter. I hope that clarifies.

Question: My first question is on Adhesive Technologies. Could you help us to navigate a bit Q2? You did mention it will be difficult. I mean, what would be helpful if you could tell us how April has been trending, or alternatively, if you could tell us the depth, the level of closure of your plant overall? And also whether Eastern Europe strength, was there any stockpiling benefit ahead of them as well going into lockdown.

My second question is on the cost side. Again, I appreciate that you have dropped your guidance. But if we really look short term, could you help us navigate the depth of the margin pressure, which I think will come from the negative mix, the decline in operational leverage? And I was wondering whether your investment that you have laid out in March, you're going to postpone some of those or whether you can give us a bit more color on the cost savings, specific cost-saving measures you are taking to offset the negative pressure.

Carsten Knobel: I will take your first question related to the Adhesives part, and then Marco will take the second one. So when it comes to Adhesives and the current trading, so please understand that I will not provide a specific guidance now for Q2. The development is difficult to predict with really a high level of uncertainty around the duration of customer production shutdowns as well as the pandemic impact on the industrial demand. However, I believe it is fair to assume that, from today's point of view, that Adhesives will likely face a much stronger headwind in the second quarter than compared to Q1. While, in China, we started to recover, large parts of automotive productions were closed through April with build rates down in the mid to high double-digit percentage range. So, and other industrial segments have been affected as well and were operating significantly below normal utilization levels. And in many countries, the lockdown regulations continued to affect some of the supply chain and the demand, and we will see that over the next, yes, a couple of weeks how this is related.

Marco Swoboda: So to your question on margin pressure and cost savings, it's very clear that the lower volumes also weigh on the margin. However, we are also, of course, realize cost savings wherever that is possible. And to state the obvious, first, we see a significant drop in our cost everything associated with travel, but we also see lower retail promotions, for example, as a result of the changes also in the priorities on our customer side. We also implemented a restrictive hiring policy and we fostered the reduction of overtime of our staff and encourage employees also to take vacation in order to achieve short-term relief also in that regard. Further measures depend on the concrete situations. At the same time, we will not implement any measures that could endanger a timely recovery after the crisis or our long-term growth, and I think that is a bit different to other crises before. We have to also make sure we are prepared for a timely recovery like what we see now partially in some of the businesses like hair salons. We need to have all hands on deck to also then supply the customers with their needs.

We do also expect, for sure, a lower CapEx number than originally planned. But we are not stopping projects that are in implementation. But for sure, we are reviewing new investments, reprioritizing, reevaluating them under the current situation.

Carsten Knobel: And coming back to the topic of marketing spend. So we are committed to fully support our growth initiatives, which we have announced in beginning of March and we will update you on our progress in the course of the year. At the same time, we need to ensure that the investments are well targeted and reasonable and appropriate. So and that's the situation in which we are in. So while we're constantly adapting our initiatives, we have significantly increased the growth investments in the first quarter as per our strategy, what we have announced.

Question: Two questions, please. First of all, you just mentioned professional hair salon, which obviously was badly hit in Q1, I guess, per March. Do you see a similar impact in Q2 as essentially April saw the continued closures of hair salons at least in good parts of Western Europe?

And then on industrial demand -- coming back to industrial demand again and I guess mostly on automotive. Do you see at your automotive customers any signs of demand revival at this point in time as they are trying to ramp up their production again?

Carsten Knobel: To your first part of the hair salons, so the situation in the hair salon business is really different taking it really from country to country. From today's point of view, we see the reopening of the salons in Europe just now or just while we are speaking. And on the other side, hygiene measures will be the priority and will also result in salons operating at a lower capacity level than prior to the crisis, I think it's very clear. I think we all experienced that by ourselves going to the hairdresser, after several weeks of not being there, that the situation is a quite more difficult one in terms of the logistical setup and also how that is executed. So this is the situation, and the problem is due to the fact that we do not really know what COVID is doing and how the consequences are. As you said, March was impacted. Yes, April for sure was significantly impacted. And we are seeing now the start coming back. The other part was the industrial demand.

Marco Swoboda: So as I did outline, to start maybe with China where also then we saw the first impact from the pandemic. In China, we are more approaching normal levels and that we see also across the industries over there. While in Europe and North America, the situation remains challenging. We see public lockdowns continuing into May and only lifted step by step. And that was also true for the automotive industry where we see that the ramp-up happens only very gradually. And with it, also, of course, we see also demand coming back. But as I said, that is only a very gradual movement so far.

Question: One is on Professional Beauty and thinking about sort of the health of your customer, the salon owner, and how you see that developing over the next few months and also the channel sensitivity to the economic situation here. In prior downturns, have you seen that channel contract more than the retail channel?

Also for Laundry & Home Care, you talked about double-digit growth in most of your major brands, but the division was up 5.5%. What was the offset there?

Carsten Knobel: Okay. Yes, starting with your professional question. I tried already before to give some insights on that. The first thing is, for sure, the customers are impacted and we're trying to help them, -- and have helped them, especially in the phase when they could not open their salons. And that was done -- we are, for example, prolonging the payment terms, but also with our HelpYourSalon initiative, by also trying to stimulate business going forward with vouchers. On the other side, what I mentioned before now coming back to business now is especially that these hygiene measures, which will be a priority. But also here, we are supporting our salon partners with respective products with hygiene protection to support them. And by that, for sure, the salons are operating at this point at the lower capacity level than prior to the crisis and we will see over the next couple of months how this will evolve over that part.

Marco Swoboda: On Laundry & Home Care division, overall, 5.5% plus as we mentioned. I think we have to differentiate between Home Care and then the pure Laundry business. In Home Care overall, we saw double-digit sales increases also partly due to the reactions of consumers from the COVID-19 pandemic with the Pril, Bref and key brands rising very strongly.

On Laundry side, we see more single-digit increase overall. And for sure, Persil was standing out here to be better. But if you look at the whole segment Laundry, then that is up single digit.

And reasons also for the overall muted sales development in some areas, I want to cite also here Western Europe where we saw that the performance was mixed and that was partly due to negative developments in Italy where also government restrictions and also customers who are destocking to ramp up other categories as well as closures and lower traffic in hypermarkets and drug stores, leading all to a negative performance in these areas. So that was the reason why we couldn't come out in total double digit.

Carsten Knobel, CEO

Dear analysts and investors, so thank you very much for your questions. Let me close today's presentation with a summary of our key takeaways.

Thanks to its diversified portfolio, Henkel posted a robust first quarter sales performance in really a highly demanding and challenging business environment. We are firmly committed to our new growth agenda and we continue to implement our strategic initiatives, swiftly adapting also here to the market dynamics.

We are supporting our employees, our customers and our business partners during this pandemic ensuring the continuity of our businesses, while at the same time, we are confident to emerge even stronger from this crisis. We do this based on a strong financial foundation with low debt levels and a significant financial flexibility and the corresponding headroom.

And last but not least, we will publish a new forecast only once sufficiently reliable and realistic evolution of Henkel's financial performance for 2020 is possible.

UPCOMING EVENTS

June 17, 2020	Annual General Meeting
August 6, 2020	Q2 & H1 2020 Release
November 10, 2020	Q3 2020 Release
March 4, 2021	Q4 & FY 2020 Release

Henkel Q1 2020

31

Henkel

And as always, please be reminded by our upcoming events. Our next event will be our Annual General Meeting, which will be conducted virtually on the 17th of June. The formal invitations with an unchanged agenda have just been sent out.

And with this, I would like to thank you for joining our call today. Take care, stay safe and also stay healthy. Bye-bye.

THANK YOU

ADHESIVE TECHNOLOGIES
FOUR NEW DIVISIONS ALIGNED ALONG MEGATRENDS

Old structure

- Transport & Metals (23%)
- Packaging & Consumer Goods (32%)
- Electronics (10%)
- General Industry (15%)
- Consumer, Craftsmen & Construction (20%)

New structure	Megatrend	Solutions for
Automotive & Metals (24%)	 e.g. e-Mobility	Automotive OEMs & Components, Metals
Packaging & Consumer Goods (32%)	 e.g. Sustainability	Packaging, Consumer Goods & Lifestyle products
Electronics & Industrials (15%)	 e.g. Connectivity	Semiconductor Packaging & Electronics Assembly, Aerospace, Industrial Assembly
Craftsmen, Construction & Professional (29%)	 e.g. Urbanization	DIY, Craftsmen, Construction, Manufacturing & Maintenance for Professional Users

Note: Share of total sales based on fiscal 2019