Hans Van Bylen, CEO:

Dear Investors and Analysts, good morning from Düsseldorf, and welcome to our earnings call for the first quarter of 2019.
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I would like to begin by reminding everyone that the presentation, which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant U.S. legislation can be accessed via our website at Henkel.com/IR. The presentation and discussion are subject to the disclaimer. We will not read the disclaimer but propose we take that as read into the records for the purpose of this conference call.
Today, I'm going to lead you firstly through the key developments in the first quarter of 2019, then Carsten will comment the detailed financials for the quarter. After that I will close my presentation with the guidance for fiscal year 2019 and our focus areas for the remainder of the year, and finally, Carsten and I will take your questions.
Let me start with an overview on the key macroeconomic developments impacting our businesses in the first quarter 2019.

The market environment we’re operating in continued to be challenging. Geopolitical and economic risks remain high with trade tensions persisting. Growth dynamics of the industrial production further slowed in the first quarter 2019. Some key industry segments even displayed negative rates on a global basis such as for example automotive or electronics.

In the consumer goods market, developments were mixed. Overall, we continue to face an intense environment with high price and promotion pressure and challenging retail conditions in key mature markets, especially in Western Europe.

Looking at currencies, we see opposing trends. Many currencies turned positive versus the euro in the first quarter as evidenced by the stronger U.S. dollar. However, pressure from some key emerging market currencies persisted such as the Turkish lira or the Russian ruble.

Concerning raw materials, we continue to feel the pressure from past year’s price inflation. In general, the market continues to be volatile as evidenced by the most recent hike in crude oil prices.
Key developments in Q1 2019

<table>
<thead>
<tr>
<th>Sales</th>
<th>Organic Growth</th>
<th>Adjusted EBIT</th>
<th>Adjusted EBIT %</th>
<th>Adjusted EPS Growth¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 5.0 bn</td>
<td>+0.7%</td>
<td>€ 795 m</td>
<td>16.0%</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

- Nominal sales up 2.8% to € 5 bn, supported by positive currency and M&A effects
- Good performance of Laundry & Home Care
- Beauty Care with weak start into the year
- Adhesive Technologies affected by slow-down of some industry segments
- Adj. EBIT Margin impacted by direct material price pressure, transactional currency effects and investments
- Adj. EPS below previous year, down mid-single-digit % at constant currencies

¹ At constant currencies

I will now give you a brief overview of the results of the first 3 months 2019. Overall, a mixed quarter.

Our sales amounted to EUR 5 billion, nominally 2.8% higher year-on-year. Both, currencies and M&A contributed positively to this development. We recorded a positive organic sales growth of 0.7%.

As expected, our Adhesive Technologies business was impacted by the deceleration of industrial production in some industries.

Beauty Care recorded a weak start into the year which was clearly below our expectations.

On the other hand, Laundry and Home Care had a good start in the year.

Adjusted EBIT came in at EUR 795 million corresponding to an adjusted EBIT margin of 16%, down 140 basis points versus the prior year. This was mainly due to lower sales, direct material price pressure and our additional investments. We were able to partially compensate for this thanks to pricing initiatives and our strong cost management focus.

At constant currencies, adjusted earnings per preferred share decreased by 6.3%, which is in line with our full year guidance of a mid-single-digit percent development below previous year.
Let’s take a closer look at the performance of our business units starting with Adhesive Technologies.

As expected, the business unit was impacted by the deceleration of industrial production growth. In particular, our Automotive and Electronics businesses in China and North America have been impacted, and thus, recorded negative growth. Overall, sales in the first quarter of 2019 displayed a slightly negative organic development of minus 0.8%.

The adjusted EBIT margin came in at 16.8%, 130 basis points below the prior-year level. While the business unit continued to implement strong pricing measures, the lower volumes and transactional FX effects negatively affected profitability.

Despite these short-term headwinds and in line with market consensus, we anticipate that industrial production growth, especially in some key industries, will pick up in the course of the second half of this year.
Adhesive Technologies
Highlights Q1 2019

- **Food and Beverage**
  Very strong growth with safe and sustainable portfolio for the food industry

- **Aerospace**
  Double-digit growth with high-performance solutions for aircraft manufacturers

- **Metal Packaging**
  Very strong growth with high-impact solutions for manufacturers of metal cans

While the Adhesive Technologies business unit faced an increasingly difficult market environment, some important business areas achieved a strong performance. Let me highlight some examples.

In our Packaging and Consumer Goods business, we achieved very strong growth with our customers across the food and beverage markets. This was, in particular, driven by our growing portfolio enabling the high standards of food safety as well as increased sustainability for the new packaging applications.

The Aerospace business achieved double-digit growth driven by our high-performance solutions for aircraft manufacturing. These enable an increased use of lightweight materials supporting more economic and sustainable operations.

Our Metal Packaging business achieved very strong growth driven by high-impact solutions for cans. Our unique portfolio for every stage of the manufacturing process, which we have complemented through the acquisition of Darex, helps our customers to enhance sustainability while increasing the line speed and reducing costs.
Moving on to Beauty Care.

Overall, organic sales came in at minus 2.2%. While we saw first positive effects from newly launched brands and innovations and a continued successful development of our Hair Professional business, our Retail business was clearly below expectations. This was mainly due to a weak start in Western Europe and in China.

In contrast, our North American business, which had a difficult start into the previous year due to logistics difficulties achieved strong growth.

In Professional we achieved another quarter with strong organic sales growth outperforming markets. The adjusted EBIT margin of Beauty Care came in at 15%, 170 basis points below the prior year mainly impacted by continued direct material price pressure and lower volumes.

We are clearly not satisfied with this performance. Our teams put high emphasis on returning to the growth path with our announced initiatives in retail while continuing the momentum in our Professional business.
Let me highlight some Beauty Care categories which have contributed with good performance despite the overall challenging start into the year.

In Hair Professional we continued our strong growth momentum across mature and emerging markets, outperforming key markets and further strengthening our position.

With Body Care we achieved strong growth mainly driven by Dial in North America.

Within Hair Retail got2b achieved double-digit growth with a successful base business and innovative new products, such as trend styling products co-created with bloggers and influencers.
Concluding the business unit overview with Laundry and Home Care.

In the continuously highly competitive environment, the business unit achieved very strong organic sales growth of 4.7%, driven by both, Laundry Care and Home Care categories. This compares to a first quarter in the last year which was impacted by the delivery difficulties.

The emerging markets again contributed with significant growth while North America returned to positive territory with a very strong increase.

Laundry and Home Care continued to face strong direct material headwinds, negatively impacting profitability. As a result, the adjusted EBIT margin came in at 17.1%, 140 basis points below the first quarter of 2018.
Let me come to the highlights in our Laundry and Home Care business units.

With our leading premium detergents, we recorded significant growth driven by the core portfolio and strong innovations like the new Persil Premium liquid launch. The Automatic Dishwashing category achieved a very strong growth thanks to successful global innovations like the new Somat All-in-1 gel and strong local activation.

In Middle-East/Africa we achieved double-digit growth thanks to the ongoing momentum of our portfolio and key innovations like Persil Premium and Pril-5-in-1.
Drive growth, accelerate digitalization
Status of Growth Initiatives

- Core brands with first product activities addressing key consumer needs
- Innovations dedicated to growth areas North America, Hair and Professional

- Start of growth initiatives with major relaunches & format innovations
  - Clear focus on top priorities North America, Persil and Home Care

- Investments in data analytics, digital-ready infrastructure and cyber security
  - Increasing activities in customer & consumer interaction and e-commerce

As announced in the beginning of this year, we are sustainably stepping up our investments to support our leading brands and technologies, innovations in key markets as well as digitalization. In the course of the first quarter, we have already started with the implementation of multiple growth initiatives.

In Beauty Care we focused on our core brands in North America and successfully expanded the portfolio of our Dial brand. In Europe, we focused on the Hair category, relaunching, for example, our trend styling brand got2b. In Professional we launched our new premium brand Authentic Beauty Concept with pure formulas for authentic hairstyles.

In Laundry and Home Care we started our growth initiatives with major relaunches of ‘all in the U.S. and Persil Deep Clean in first markets. With our 4-chamber-discs in Laundry and our Somat All-in-1 gel we introduced new innovative product formats. With these innovations we are executing along the priorities we have set in January.

Also in the area of digitalization we increased our activities in various areas, such as data analytics, digital-ready infrastructure, cybersecurity as well as e-commerce. While these initiatives still had a limited effect on the top and bottom line in Q1, we expect the momentum to accelerate in the course of the coming quarters.

And with this, I hand over to Carsten to comment on the detailed financials of the first quarter 2019.
Agenda

1. Key Developments Q1 2019
2. Financials Q1 2019
3. Outlook FY 2019 & Summary

Carsten Knobel, CFO:

Thank you very much, Hans, and also, very good morning to everyone from my side.
Let us now have a closer look at the financials of the first quarter 2019. And let’s, like always, start with our key performance indicators.

Our sales amounted to EUR 4,969 million and with that we are nominally 2.8% above the prior year. In the quarter both, currencies and acquisitions, provided us with slight tailwinds and our organic sales growth was positive at 0.7%.

The adjusted gross margin reached 46.2% after 47.5% in the prior-year quarter. Thanks to the successful pricing initiatives in Adhesives as well as our efficiency measures, we could partially compensate for continued direct material headwinds in our P&L. In addition, the lower volumes in the quarter left their marks and resulted in a lower fixed cost absorption.

As a consequence, we recorded an adjusted EBIT margin of 16.0%, 140 basis points below the prior year level, where we reached 17.4%.

And we recorded adjusted earnings per preferred share of EUR 1.34 corresponding to a decline of minus 6.3%, both, nominally and also at constant currency.
Focus on disciplined cash management
Key Financials Q1 2019

<table>
<thead>
<tr>
<th>NWC in % of Sales</th>
<th>Free Cash Flow in €m</th>
<th>Net Financial Position in €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>+40bp</td>
<td>€ +501m</td>
<td>€ +417 m</td>
</tr>
<tr>
<td>6.2</td>
<td>523</td>
<td>-2,895</td>
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<tr>
<td>Q1/18</td>
<td>Q1/18</td>
<td>31.12.18</td>
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<tr>
<td>6.6</td>
<td>22</td>
<td>-2,478</td>
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<tr>
<td>Q1/19</td>
<td>Q1/19</td>
<td>31.03.19</td>
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Looking at our cash KPIs the ratio of net working capital to sales increased to 6.6%, 40 basis points up versus the prior-year quarter. This is driven by higher inventories and accounts receivables as well as effects from past acquisitions and the integration of them.

The free cash flow was significantly higher at EUR 523 million, mainly driven by an improved operating cash flow and lower CapEx.

And lastly, our net financial position increased by more than EUR 400 million, ending the quarter at the robust number of minus EUR 2.5 billion.
With that, let's take a closer look at our sales bridge in the first quarter of 2019.

Organically, as already said, we recorded a positive growth of 0.7%, driven by pricing of 2.4%, while volume was negative at minus 1.7%. The net effect of our acquisitions and divestments had a positive impact on sales of 0.6%. So adding the two components of organic plus inorganic growth, this amounted in the first quarter to a plus of 1.3%.

Currencies displayed a mixed picture in the first quarter. Many key currencies turned positive compared to the prior-year quarter, and here, most importantly the U.S. dollar appreciated versus the euro. However, pressure from some key emerging market currencies persisted, in particular the Turkish lira and the Russian ruble. So overall, currencies constituted a slight tailwind of 1.5% in quarter one.

As a result, sales amounted to EUR 4,969 million, and that's nominally an increase of 2.8% above the first quarter of 2018.
With this, now moving to the organic sales performance by region.

The organic growth of 0.7% on group level continued to be driven by the emerging markets with a growth rate of 2.2% and a very heterogeneous development in the different regions. Emerging market sales amounted to EUR 2 billion, representing about 40% of the Henkel group sales.

Looking first to the mature markets. Sales came in at EUR 3 billion, organically slightly below the prior year. This was due to a negative organic sales development in Western Europe of minus 1.3%, held back by ongoing price and promotion pressure and an intense competitive environment. In contrast, North America recorded a positive organic sales growth of 1.1%. While our consumer businesses overall recorded a very strong growth in the region, Adhesives was below the prior-year quarter due to a softer demand across some key customer segments.

Asia-Pacific overall at minus 8.8% was significantly below the prior year driven by weaker volumes of Adhesives and Beauty Care, especially in China. All other regions in the emerging markets contributed strongly to our organic sales performance. Looking at Eastern Europe and Latin America, both recorded significant sales growth, organic sales growth of 6.5%, respectively, 8%. In Africa/Middle-East we achieved another double-digit organic sales growth of 13.5% in Q1.

And with this, now let me move to the business units.
And here, as always or as you're used to, starting with Adhesive Technologies.

The business unit posted a slightly negative organic sales growth of minus 0.8%, solely driven by lower volumes of minus 3.7%, while pricing again was strong at 2.9%. And thanks to the continued implementation of price increases – I have always shown you over the last couple of quarters how this development has been – we reached a peak in quarter 4 of 2018 of a price component of 3.8%, but also in Q1 a very strong and high price component of 2.9%. And we had also on top cost-efficiency measures. With that, we could offset the pressure from direct materials resulting in a broadly flat gross margin in quarter 1 of 2019. Acquisitions contributed 0.6% to sales, while currency effects had an impact of 1.9% positive. As a result, net sales nominally increased by 1.7% to an absolute level of EUR 2.3 billion for quarter 1. The performance of the business areas was mixed. Packaging & Consumer Goods business achieved a good organic sales growth. General Industry contributed with a positive growth, while the Consumer Craftsman business was roughly flat. The overall slightly negative organic performance was mainly driven by two parts: our Electronics business, which was significantly below the prior-year quarter, and Transport and Metal recorded a slightly negative organic sales development.

From a regional perspective, Adhesive Technologies achieved continued strong growth in the emerging markets outside China. Key drivers were a significant growth in Eastern Europe and a double-digit development in Latin America. China, in contrast, recorded a negative development mainly driven by the weak demand in Automotive and Electronics as already alluded to. In the mature markets sales organically remained below the prior year. This was driven by a negative development in North America and Asia Pacific while Western Europe was slightly lower.

Moving now also to the profit of Adhesives. At 16.8%, the adjusted EBIT margin decreased by 130 basis points compared to the prior year. While the gross margin was roughly stable, the lower volumes and mix effects negatively affected the profitability in quarter 1.
# Beauty Care

## Key Financials Q1 2019

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<tr>
<th></th>
<th>Q1/18</th>
<th>Q1/19</th>
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<tbody>
<tr>
<td>Sales in € m, OSG(^1) in %</td>
<td>965</td>
<td>960</td>
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<td>Drivers of Performance</td>
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<tr>
<td>Organic sales development</td>
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<td>impacted by Western Europe</td>
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<td>and destocking in China,</td>
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<tr>
<td>North America recovering,</td>
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<td>Professional strong</td>
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<td>Profitability impacted</td>
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<td>by continued direct material</td>
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<td>price pressure and negative</td>
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<td>volume effects, partially</td>
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<td>compensated by cost</td>
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<td>efficiency initiatives</td>
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<tr>
<td>EBIT Margin Adj. in %</td>
<td>16.7</td>
<td>15.0</td>
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</table>

\(^1\) Volume: -2.0% Price: -0.2%

Moving on to Beauty Care, which had a difficult first quarter.

Organic sales development was negative at minus 2.2% with almost stable pricing, but volumes declining to a level of minus 2.0%. Currency effects for the divisions were positive with plus 2.0%. Acquisitions and divestments did not have a material impact on sales in the quarter 1. As a result, sales in nominal terms came in at EUR 960 million, and by that being almost on par with the prior-year quarter.

The Hair Professional business continued its positive momentum and achieved another quarter with strong organic sales growth. In retail sales were organically below the prior year, especially with organic sales development in Western Europe and China below expectations. In contrast, North America posted a strong organic sales growth.

Overall, the mature markets displayed a slightly negative development. The performance in Western Europe was negative mainly due to very challenging retail conditions. The emerging markets also posted negative growth, here, driven by a weak performance in the Chinese Retail business which was negatively impacted by destocking effects. In contrast, we achieved good organic sales growth in Eastern Europe and a very strong performance in the Middle East/Africa region.

Also having a look at profitability Beauty Care recorded an adjusted EBIT margin of 15.0% and this corresponds to a reduction of 170 basis points compared to Q1 2018. With pricing roughly stable, the continued direct material pressure and lower volumes had a negative effect, which we could partially compensate by our Fund Growth initiatives.
And finally, now moving on to our Laundry and Home Care business.

The business unit showed a very strong top line performance, with organic sales up by 4.7%. And this was driven both, by pricing of 3.3% and volume of 1.4%. Acquisitions contributed 1.1% to the growth, currency a slight tailwind of 0.5%, so that in total, nominal sales were up 6.3% compared to the prior year. In terms of business areas, both, Laundry Care and Home Care achieved a very strong organic sales growth.

Looking here also to the regions, starting with the mature markets. Our business activities in North America were recovering and generated a very strong top line improvement. On the other hand, Western Europe and the mature markets of Asia-Pacific organically were slightly below the prior year.

Looking at the emerging markets, here, we recorded a significant organic sales growth driven by another quarter with double-digit performance in Africa/Middle-East. Both, Eastern Europe and Latin America, achieved a very strong growth while Asia, excluding Japan, was negative.

On to the margin development. In a continuously highly competitive environment, pressures from direct material pricing and the transactional currency effects persisted in the quarter. We were able to partially compensate with positive pricing and our Fund Growth initiatives. However, the adjusted EBIT margin was 140 basis points lower year-over-year at 17.1%.
Let's now move back to the Henkel Group, and in particular, to our adjusted income statement. The adjusted gross margin, as already pointed out, came in at 46.2%, and this was down by 130 basis points compared to prior year's level.

Despite the continued headwinds from direct material prices, Adhesives, as already commented, was able to keep the gross margins roughly stable thanks to further pricing initiatives and the continued savings from our Fund Growth initiatives. Also in Laundry and Home Care we recorded positive pricing and we continued our strong cost management in both consumer goods businesses. However, we could only partially offset the continued pressures from the direct material prices and the transactional currency effects.

Based on the current raw material price trends, we anticipate the headwind to turn into a tailwind in the second half of the year. For the full year, we continue to expect a low-single-digit percentage headwind in our P&L.

In the first quarter marketing, selling and distribution in percent of sales came in at 23.8%, and this increased then by 20 basis points versus the prior-year quarter. Our R&D and administrative expenses, as well as the balance of our other operating income and expenses remained roughly stable.

Overall, our adjusted EBIT came in at EUR 795 million, corresponding to an adjusted EBIT margin of 16.0%, 140 basis points below the prior year.
Let me now share with you the detailed bridge from reported to adjusted EBIT.

Our reported EBIT came in at EUR 736 million, almost on par with the previous year. We did not record any one-time gains in the quarter and only small one-time charges of EUR 2 million. Restructuring charges amounted to EUR 57 million in quarter 1. The main focus here was on further adapting our go-to-market approach, notably in the emerging markets, as well as optimizing our structures in administration and operations, for example, by reducing the number of layers in the organization or adapting our production and logistics footprint.

For the full year 2019, we continue to expect restructuring expenses, as already told you beginning of the year, of EUR 200 million to EUR 250 million.
Moving now on to our adjusted EPS development.

Overall, the adjusted earnings per preferred share came in at EUR 1.34 in the first quarter, and in nominal terms 6.3% below the prior-year level. As mentioned earlier, we recorded a small tailwind from currencies on our top line. Due to counteracting FX effects on cost positions, the impact on the bottom line reduced to 0.

As a result, adjusted earnings per preferred share at constant currencies, which is the basis of our full year guidance, also reduced by 6.3% in quarter 1.
Moving now on to our cash KPIs and starting with the net working capital.

Net working capital of Adhesive Technologies came in at 13.8%. That’s an increase of 190 basis points. This is mainly the result of higher inventory levels and account receivables, and this is mainly related to the weaker demand in key customer segments. Also, acquisitions impacted the net working capital levels slightly negative.

In Beauty Care net working capital increased by 100 basis points to 6.8%. Lower volumes and a higher share of Professional, there having a mix effect, have been driving this development.

Laundry and Home Care recorded a significant improvement of 190 basis points now to a level of minus 3.1%, resulting from the strong operating performance and lower inventories and account receivable levels.

As a result, the group recorded a net working capital increase of 40 basis points to a level of 6.6% in quarter 1.

While we believe that our net working capital in the respective businesses is on competitive levels, we see room for improvement. We have shown in the course of the last year that we were able to improve our net working capital levels and we will increase again our focus on reducing these and the corresponding capital commitments throughout the year.
On to the free cash flow, which increased significantly to EUR 523 million in the first quarter, up from EUR 22 million in the previous year. A key driver of this strong performance was an improved operating cash flow, which increased by EUR 233 million to more than EUR 600 million as a result of lower working capital movement. While we continue to invest in our businesses and spend EUR 155 million on capital expenditure this corresponds to a material reduction versus the prior year.

Just to remind you, in Q1 of 2018 we had booked around EUR 200 million for the acquisition of a technology in the area of CapEx.

Thanks to our strong free cash flow, the net financial position improved to minus EUR 2.5 billion versus the year end of 2018. With this, we continue to have a very strong balance sheet.

It’s important to note that the first-time adoption of IFRS 16 accounting, effective from the beginning of the year 2019, per Henkel’s definition did not have any effect on our free cash flow or the net financial position.
## New IFRS 16 Leases Standard

P&L impact from first-time application

<table>
<thead>
<tr>
<th></th>
<th>Impact on Q1/19 results</th>
<th>Estimated Full Year 2019 impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>No impact</td>
<td>No impact</td>
</tr>
<tr>
<td>Operating expense</td>
<td>+€37 m</td>
<td>Low triple-digit €m decrease</td>
</tr>
<tr>
<td>EBITDA</td>
<td>+€37 m</td>
<td>Low triple-digit €m increase</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>-€33 m</td>
<td>Low triple-digit €m increase</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>+€4 m</td>
<td>High single-digit to low double-digit €m increase</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>No material impact</td>
<td>No material impact</td>
</tr>
<tr>
<td>Financial result</td>
<td>-€4 m</td>
<td>High single-digit to low double-digit €m decrease</td>
</tr>
<tr>
<td>Net income</td>
<td>No material impact</td>
<td>No material impact</td>
</tr>
</tbody>
</table>

The new IFRS 16 lease standards had an impact on our balance sheet since we recognized new assets relating to operating leases of about EUR 0.5 billion.

As you can see on the chart, the key KPIs in our P&L statement were not materially impacted by the accounting change.

In the first quarter, we recorded a slightly positive effect of EUR 4 million on our EBIT and the corresponding negative effect on our financial result. Nevertheless, the structure of the P&L has changed and depreciation increased as a result of the recognized assets, while our operating expenses were lower.

For the full year, we expect an improvement in the operating profit in the high-single-digit or low-double-digit millions, together with the corresponding adverse effect on the financial result. We don't expect a material impact on our net income.

With that, handing back to Hans.
Agenda

1. Key Developments Q1 2019
2. Financials Q1 2019
3. Outlook FY 2019 & Summary

Hans van Bylen, CEO:

Thank you very much, Carsten.

Let me now conclude with our outlook for 2019 and our priorities for the remainder of the year before we move on to the Q&A.
Our business environment is characterized by slowing economic and industrial growth, mixed consumer markets as well as high and increasing volatility and uncertainty.

The short-term growth of global GDP and industrial production is expected to remain soft. However, in line with market consensus, we anticipate industrial growth momentum to pick up again in the second half of the year, especially in some key industries. Challenges in the consumer goods environment are expected to prevail. Developments of both, exchange rates and direct material price, are expected to remain volatile with a high level of uncertainty.

We will focus on the implementation of our growth initiatives and increased investments in brands and technologies, and innovation and digitalization in the coming quarters.

While we expect to realize first benefits on the top line already in 2019, both, the adjusted EBIT as well as the adjusted EPS, will be affected by the increased spending levels as announced earlier this year.

Based on the results in the first quarter and our expectations for the remainder of the year, we confirm our guidance for 2019.
Business Priorities 2019

- Return to growth in Adhesive Technologies
- Build on good start of Laundry & Home Care executing strong innovation strategy
- Reinforce growth in Beauty Care Retail, continue outperformance in Professional
- Continue to drive digitalization in all aspects
- Strong focus on cost discipline, driving efficiency and adapting structures
- Implement extra measures to improve Working Capital; expand Free Cash Flow
- Enhance value proposition of portfolio organically and via acquisitions

We have set clear business priorities for the remainder of the year.

We aim to return to growth in Adhesive Technologies supported by the anticipated improved growth dynamics, especially in the electronics and automotive industries.

We will build on the good start in Laundry and Home Care, executing our strong innovation strategy.

And we focus on reinforcing growth in Beauty Retail and continue the outperformance in Professional.

We will continue to drive digitalization in all aspects.

At the same time, we will keep our strong focus on cost discipline, further drive efficiency, and adapt our structures.

We will implement extra measures to improve our net working capital and further focus on free cash flow expansion.

And we will enhance the value proposition of our portfolio organically and via acquisitions.

Let us now move on to the Q&A.
Q&A
Question: Thanks for taking my 2 questions. First of all, Laundry apparently saw some sales increase in North America. Is that you fighting back against P&G on the premium brand side or is it also your Sun product range improving? And then second, Asia is down from 9% year-on-year on a group level, as you elucidated, and it is down in all 3 divisions. Can you please be specific on the weaknesses by division? That would be helpful to understand what's going on there.

Hans Van Bylen, CEO: Thank you, for both questions. Let me start with Laundry and Home Care. Indeed, we see very good growth in the U.S., being well aware that the comparable is low because of last year’s issues we had in logistics. But this being said, what we do see is across the board. So it's across the different segments, because we are also taking activities across the different segments. We have, in fact, as we announced in January, relaunches on all of our top four brands which are now getting fully into the market. So here, we talk about the different price segments in which we are active. At the moment, we see the growth uptake, in fact, across the portfolio. Asia, Carsten?

Carsten Knobel, CFO: Yes. So looking at Asia Pacific, as you just pointed out and also as I said, is negative at minus 8.8% in the region. This was mainly driven by a softer development in Asia, especially in China. Looking into the 3 divisions, Adhesive Technologies was negatively affected by softer demand within China, and especially here, of 2 important industries, the automotive and the electronics part, which I alluded to. Beauty Care also recorded a negative sales development in China, mainly as a result of the de-stocking effects. The sell-out in the quarter, nevertheless, was up double-digit, especially here driven by our business in the online channels. And for Laundry and Home Care, you know that we're not so prominent in Asia Pacific. The negative development was here within Korea. These are the details on the development of the 3 divisions in this area.

Question: Just 2 very quick ones from me. Firstly, on Adhesives. What gives you the confidence that Adhesives will pick up in the second half? And I think previously you've given us the latest reading of the IPX index. It would be helpful if you could give us that. Secondly, just on the consumer business. What is the underlying growth in Laundry and the Beauty Home Care businesses ex those launches that you've been making and ex, obviously, the easy comps from last year?

Hans Van Bylen, CEO: Thank you, for both questions. Let me answer the question on Adhesive Technologies. So we do indeed anticipate, as a general consensus, that in some key industries in the coming quarters industrial production will pick up. And here, we talked specifically about automotive and electronics. On IPX phasing, we do see that IPX generally is still around 2% growth within the first quarter, which was around 1.8%, and is picking up to the end of the year towards 2.2%. So that's how the official forecast of the industrial productions looks like. On top, if we then take the total mix of Adhesives, looking at the total forecast, we also expect the pressure from the raw materials to ease in the second half of the year. Concerning consumer?
Carsten Knobel, CFO: Looking at Laundry and Home Care, we achieved, as we pointed out, a growth of 4.7%, which was also supported by North America. Excluding the North American topic, we would still have seen a very strong development also across the other regions. And for sure, selectively, we see first positive effects in the first quarter of the initiatives, which we have pointed out in detail in February in both, in Beauty Care and in Laundry and Home Care. For example, the successful launch of the Persil 4-chamber-discs, the Deep Clean, or the introduction of Somat-All-in-1. And that's where we see the positive things. On the other hand, this is especially, relevant for the Beauty Care business, we have also seen some areas where we are not happy with, especially in Western Europe, in Hair Europe. And this is what we can allude to.

Question: So just going into that North American Laundry again. Are you seeing underlying brand growth there in addition to the easy comps? And if so, which brands are driving the U.S. Laundry performance? And then, just more generally thinking about the various brand relaunches that you're spending the money on in the first half of this year, could you talk a little bit about which brands you're seeing working really well and perhaps anywhere where it hasn't gone as well as you'd expect it to? Just give us a little bit of color on how your brand progress is going.

Hans Van Bylen, CEO: Thank you. Again, as I indicated before, we see it across the portfolio. I can be a little bit more specific. In our share development, if we take January, February compared to November, December or versus the same period last year, we see some dynamics. Where we see very good dynamics is on the brand ‘all’, for which we are putting a complete relaunch in the market, where we see a strong pick up. Persil continues to do quite well, but also Snuggle. Snuggle also is for us one of the top brands which we have, out of the 4 which we have in U.S. And Purex, there we see a quite stable development. So overall, we see shares coming back. And on top of that, we see on our top brands, wherever we take specific initiatives, that we see some positive takeoff. Hope this helps to give some clarity on the different portfolio parts in the U.S.

Carsten Knobel, CFO: Maybe to add. I think it's also a little bit too early to make a judgment on all the initiatives. As we pointed out last time, we brought these launches and relaunches in the first quarter and partly also to the end of the first quarter. So to give you a judgement, if these things are working or not working, I think we need a little bit more time. But overall, as Hans said, I think we see good signs and good development in both, Beauty and Laundry.
**Question:** Just a little bit on Beauty Care again. Can you comment a bit also on the development of shelf space that you had in the first quarter? Did actually your weak performance already induce a loss of shelf space? As well, you also had quite some launches last year, and could you a bit comment on how these 2018 launches like, for example, Nature Box, actually improved performance? Or is it fair to say that these launches have not really fully lived up to your expectations?

**Hans Van Bylen, CEO:** Thank you, for your question on Beauty. Important in Beauty development is that we do see, as we are disappointed in our sales development linked to especially deviations in Western Europe and China, sell-out also in both regions looks good and okay. So in China, as we said, we see a double-digit growth in sell-out, but also our market shares in Western Europe look okay, in the way that we see an overall stable development with clear wins in Hair Color and in Hair Styling. And this, of course, also leads to the fact that our market shares are okay. It also means, that overall our shelf space is not touched at the moment. On the contrary, with our new launches, of course, we also are getting in shelves with the new initiatives. Regarding the initiatives of last year, one you mentioned, Nature Box. Last year was a test launch for us with positive results. And now, we’re in the roll-out of Nature Box. So this is one of our growth initiatives. We also do see that last year the initiatives, which were started on the brands like got2b or in Coloration, that they had quite a good take-off, and we continue to build on that momentum. So all in all, I would say in Beauty, what we do, gives us the encouragement and also confirming our guidance, since we see market share looks overall quite healthy.

**Question:** Just pulling back on to the last page, your guidance for the full year of 2% to 4% organic sales growth. Broadly speaking, you obviously came in below that in the first quarter. Broadly speaking, we see tougher comparison as the year goes on for your HPC business. And then, people have their own view as to what the macro will be, but it feels like the macro decelerated in the first quarter. So I suppose to get to your full year guidance, we either need further help from HPC launches to kind of kick in or we need a macro improvement. How much is your guidance dependent on seeing a second half macro pickup in Adhesives? Or do you feel confident enough about your HPC launch pipeline that, that will be enough to get you into the 2% to 4% for the year?

**Hans Van Bylen, CEO:** Thank you, for your question. As we’ve indicated, we confirm our total guidance and also within the different business units. And as you rightly indicate, of course, this is also built on a general consensus that industrial production, especially as we mentioned in the 2 segments, electronics and automobile, will pick up. On the other hand, what we do see is that in Laundry and Home Care, we’re having a fairly good start. We’re confident that we will build on that momentum. And of course, as we indicated in Beauty Care, we put our full emphasis on coming back to growth momentum. This being said, Hair Professional had another good quarter. So this will further strengthen, and we’re quite optimistic that this performance will continue. And as we indicated, in our Retail, that’s where we really have to come back to growth in a way that’s based on market shares, which globally look quite okay. Taking all the initiatives now, is our ambition indeed. And this is why we have some confidence that we will also make for Beauty our guidance.
Carsten Knobel, CFO: And maybe to add, it's not only hope, it's also a fact. For example, if you look at the forecast for light vehicles based on IHS, which is the data source, which is providing us forecasts for that, we see for the second half of the year positive growth rates compared to the first half year. So it's on that definitely fact based. So, it's not only hope, it's also really facts. And secondly, you referred to easier comps in HPC, for example, for the first quarter, which is right. But on the other side, we have also in Adhesives easier comps for Q3 and Q4. So it's a combination of a lot of facts. And that makes us confident, as Hans pointed out, that we are confident to stay in the range of 2% to 4%, which we originally guided and which we are confirming today.

Question: Just quickly on CapEx. Your EUR 150 million in Q1. I believe at the Q4 conference call you indicated a EUR 750 million to EUR 850 million CapEx for fiscal '19. So do we still assume much higher CapEx in the remainder of the year?

Carsten Knobel, CFO: Answer is yes, very clear. We’re confident, and we have clear measures in place for all 3 divisions. And also based on infrastructural topics we will stay in this guidance, that we have brought at the beginning, the EUR 750 million to EUR 850 million. But you know, it's always about projects; when we execute and bring them into execution. And therefore, you cannot plan the EUR 750 million to EUR 850 million divided by 4. It’s really depending on projects, and therefore, we confirmed today. And there is no indication that this CapEx number or guidance will change within the year.

Question: Quickly, housekeeping-wise, on the EUR 300 million extra growth expenses that you've labeled for the year. Can you comment on how much of that was already spent in Q1? And secondly, regarding Adhesives, is it correct, you always comment on the second half pick up that, to read into that that you don't see any pick-up so far in the second quarter? Or just some light on that one.

Carsten Knobel, CFO: So to your first question, I have to disappoint you. We will not disclose details on that. To your second question, yes. On the one side, it’s definitely that second half of the year in Adhesives will be definitely significantly stronger, but what we currently see is also that Q2 will be better than Q1.
Key points you heard from us today

- Henkel with positive top-line growth in a difficult market environment
- Adj. EBIT margin and EPS within the corridor of the full year guidance
- Outlook for 2019 confirmed
- Strong cash management and balance sheet
- Full focus on reinforcing growth momentum

Hans van Bylen, CEO:

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

In a difficult market environment, Henkel recorded positive organic sales growth with a bit of a heterogenous performance in the different business units. Both, the adjusted EBIT margin and EPS came in below the previous year's quarter, but within the corridor of the full year guidance. Based on these results and our expectation of recovery in our industrial business, as well as our clear growth path for our consumer businesses, we confirm the outlook for the full year 2019.

Henkel significantly improved the free cash flow in the first quarter, and our balance sheet continues to be very strong.

We have set clear priorities to reinforce our growth momentum, and we’ll fully focus on the execution of our growth initiatives and investments in the upcoming quarters.

As always, please be reminded of our upcoming events. At our next event, Carsten and Jan-Dirk together with the management team will be pleased to welcome you to the Investor and Analyst Day of Adhesive Technologies on July 2 at our headquarters in Duesseldorf. Please get in touch with the Investor Relations team to register for this event.

Thanks again for listening in, and goodbye.
Upcoming Events

- July 02, 2019  Investor & Analyst Day Adhesive Technologies
- August 13, 2019  Q2 2019 Earnings Release
- November 14, 2019  Q3 2019 Earnings Release & Investor & Analyst Day Consumer Businesses
- March 05, 2020  FY 2019 Earnings Release
- April 20, 2020  Annual General Meeting
Thank You
## FY 2019: Additional input for selected KPIs

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<sup>1</sup> versus the prior year