

# Quarterly statement Q1 2020

January – March

Focus on health and safety of employees in the COVID-19 pandemic

## Henkel reports robust Q1 sales performance in very challenging market conditions

- **Group sales impacted by COVID-19 pandemic: nominal -0.8%, organic -0.9%**
- **Adhesive Technologies sales decrease in sharply declining industrial business environment: nominal -4.3%, organic -4.1%**
- **Beauty Care sales lower due to significantly negative Hair Salon business: nominal -2.6%, organic -3.9%**
- **Laundry & Home Care posts very strong increase in sales: nominal 5.3%, organic 5.5%**
- **Differentiated regional sales development: emerging markets 2.2%, mature markets -2.8%**

Düsseldorf, May 11, 2020 – Henkel’s business performance in the **first quarter of fiscal 2020** was impacted by the COVID-19 pandemic. **Group sales** decreased nominally by -0.8 percent to 4.9 billion euros. Despite the effects of the COVID-19 pandemic, sales were organically only slightly below the level of the previous year with a decrease of -0.9 percent.

“We are currently facing a very challenging situation. The COVID-19 pandemic has affected all areas of life and also hit the global economy very hard. Nevertheless, we achieved an overall robust sales performance in the first quarter. In this crisis, the health and safety of our employees, customers and business partners are of the highest priority for us. We have introduced a comprehensive range of protective measures already at an early stage. At the same time, we have done everything possible to continue our business activities, despite these difficult circumstances, and to continue serving our customers. We have also launched a global solidarity program with product donations and financial support. And finally, in the first quarter we initialized the implementation of our new strategic framework,” said Henkel CEO Carsten Knobel.

Henkel reported a robust sales performance in a challenging market environment in the first quarter. **Adhesive Technologies** was impacted primarily by significantly declining demand from the automotive industry. **Beauty Care** sales were also down year on year. The Hair Salon business suffered considerably from the salon closures enforced in numerous countries. In contrast, organic sales growth in the Branded Consumer Goods business was flat compared to the prior-year quarter. Thanks to strong demand for laundry detergents and household cleaners, **Laundry & Home Care** achieved very strong organic sales growth.

“As the crisis evolves, we will continue to adapt and respond quickly and flexibly to changes in our markets. I am convinced that, with our dedicated global team, our new strategic framework focusing on purposeful growth, and our strong balance sheet, we are well positioned to deal with this difficult situation and that we will emerge stronger from the crisis,” Knobel added.

## Group sales performance

**Group sales** decreased **nominally** by -0.8 percent in the first quarter 2020, from 4,969 million euros in the first quarter 2019 to 4,927 million euros. **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -0.9 percent. At Group level, the decline was price-driven, with price and volume developments differing between the business units. Acquisitions and divestments accounted for an increase of 0.4 percent in sales. Foreign exchange effects reduced sales by -0.4 percent.

### Group sales performance<sup>1</sup>

in million euros	Q1/2020
<b>Sales</b>	<b>4,927</b>
<b>Change versus previous year</b>	<b>-0.8%</b>
Foreign exchange	-0.4%
<b>Adjusted for foreign exchange</b>	<b>-0.5%</b>
Acquisitions/divestments	0.4%
<b>Organic</b>	<b>-0.9%</b>
Of which price	-1.0%
Of which volume	0.1%

<sup>1</sup> Calculated on the basis of units of 1,000 euros. Each figure commercially rounded. Addition may result in deviations from the totals indicated.

The **emerging markets** posted organic sales growth of 2.2 percent. Our sales in the **mature markets** decreased by -2.8 percent. Year on year, organic sales development in the Western Europe region was down -4.6 percent. By contrast, we were able to increase sales in the Eastern Europe region by 10.8 percent. In the Africa/Middle East region, we achieved organic sales growth of 6.8 percent in the first quarter of 2020.

Sales decreased organically in the North America region by -1.4 percent and in the Latin America region by -2.0 percent. Organic sales development in the Asia-Pacific region was also below the prior-year quarter by -5.7 percent.

### Sales performance by region<sup>1</sup>

	Western Europe	Eastern Europe	Africa/Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
<b>in million euros</b>								
Sales <sup>2</sup> Q1/2020	1,500	758	349	1,302	292	697	29	4,927
Sales <sup>2</sup> Q1/2019	1,569	693	335	1,266	320	754	32	4,969
Change from Q1/2019	-4.4%	9.3%	4.4%	2.8%	-8.5%	-7.6%	-	-0.8%
Organic	-4.6%	10.8%	6.8%	-1.4%	-2.0%	-5.7%	-	-0.9%
<b>Proportion of Group sales 2020</b>	<b>30%</b>	<b>15%</b>	<b>7%</b>	<b>26%</b>	<b>6%</b>	<b>14%</b>	<b>1%</b>	<b>100%</b>
Proportion of Group sales 2019	32%	14%	7%	25%	6%	15%	1%	100%

<sup>1</sup> Calculated on the basis of units of 1,000 euros. Each figure commercially rounded. Addition may result in deviations from the totals indicated.

<sup>2</sup> By location of company.

### Sales performance Adhesive Technologies

In the first quarter 2020, sales in the Adhesive Technologies business unit decreased nominally by -4.3 percent from 2,309 million euros in the prior-year quarter to 2,209 million euros. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -4.1 percent driven by volume. Performance in the first quarter was marked by a significant decrease in industrial production in the wake of the COVID-19 pandemic. Foreign exchange effects reduced sales by -0.3 percent. Acquisitions/divestments did not impact sales performance.

### Sales performance Adhesive Technologies<sup>1</sup>

<b>in million euros</b>	<b>Q1/2020</b>
<b>Sales</b>	<b>2,209</b>
Proportion of Group sales	45%
<b>Change versus previous year</b>	<b>-4.3%</b>
Foreign exchange	-0.3%
<b>Adjusted for foreign exchange</b>	<b>-4.1%</b>
Acquisitions/divestments	0.0%
<b>Organic</b>	<b>-4.1%</b>
Of which price	0.0%
Of which volume	-4.1%

<sup>1</sup> Calculated on the basis of units of 1,000 euros. Each figure commercially rounded. Addition may result in deviations from the totals indicated.

The organic sales development in the individual business areas was influenced to differing degrees by the COVID-19 pandemic. Sales in the **Automotive & Metals** business area were significantly below the prior-year level, mainly due to production shutdowns in the automotive industry. Sales decreased significantly in the **Electronics & Industrials** business area, likewise as a result of production shutdowns in the aviation and general industry sectors. The overall decline in the **Craftsmen, Construction & Professional** business area was partially offset by results from the construction sector. The **Packaging & Consumer Goods** business area recorded a flat organic sales performance.

The businesses in the **emerging markets** showed a decline in organic sales development overall. Sales in the Latin America and Africa/Middle East regions and the emerging markets of Asia (excl. Japan) were down year on year. The COVID-19 pandemic had an adverse effect on our businesses in China and India in particular. By contrast, sales in the Eastern Europe region increased significantly. The Packaging & Consumer Goods and Craftsmen, Construction & Professional business areas in Russia were the main contributors to this growth.

The **mature markets** likewise exhibited negative organic sales development. While positive growth was achieved in the mature markets of the Asia-Pacific region, sales in the North America and Western Europe regions were below the level of the prior-year quarter. This was primarily due to declining developments in the Automotive & Metals and Electronics & Industrials business areas. Within North America the decrease was partially compensated by strong growth in the Packaging & Consumer Goods business area and very strong growth in the Craftsmen, Construction & Professional business area.

## **Sales performance Beauty Care**

The Beauty Care business unit achieved **sales** of 935 million euros in the first quarter 2020, equivalent to a **nominal** decrease of -2.6 percent compared to the prior-year quarter (first quarter 2019: 960 million euros). **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -3.9 percent. This decline was mainly driven by volume. Foreign exchange effects reduced sales by -0.9 percent. Acquisitions/divestments contributed 2.3 percent to sales development.

## Sales performance Beauty Care<sup>1</sup>

in million euros	Q1/2020
<b>Sales</b>	<b>935</b>
Proportion of Group sales	19%
<b>Change versus previous year</b>	<b>-2.6%</b>
Foreign exchange	-0.9%
<b>Adjusted for foreign exchange</b>	<b>-1.7%</b>
Acquisitions/divestments	2.3%
<b>Organic</b>	<b>-3.9%</b>
Of which price	-1.0%
Of which volume	-2.9%

<sup>1</sup> Calculated on the basis of units of 1,000 euros. Each figure commercially rounded. Addition may result in deviations from the totals indicated.

Sales in the **Branded Consumer Goods** business area were flat year on year, with particularly good performance in the Body Care category, and especially by the **Dial** brand. In the Hair Cosmetics category, where sales declined slightly overall, we achieved good organic growth with our Hair Colorants business. Hair Care and Hair Styling, by contrast, were down year on year.

The impact of the COVID-19 pandemic on our **Hair Salon** business was strongly negative. Over the course of the first quarter, hair salon closures enforced by governments in numerous countries resulted in sales decreasing by a double-digit percentage.

The downturn arising from the spread of the COVID-19 pandemic was also reflected in the regions. Performance in the **emerging markets** was slightly negative. The Asia (excluding Japan), Latin America and Africa/Middle East regions were all down year on year. By contrast, the Eastern Europe region achieved strong organic sales growth thanks to the very strong performance of our Branded Consumer Goods business.

Sales decreased overall in the **mature markets**. The Western Europe and North America regions were down year on year. The Branded Consumer Goods business in North America posted very strong growth in the Body Care category; however, this did not fully offset the decline experienced by the Hair Salon business in the region. Sales performance was slightly below prior year in the mature markets of the Asia-Pacific region.

## Sales performance Laundry & Home Care

**Sales** in the Laundry & Home Care business unit increased **nominally** by 5.3 percent in the first quarter 2020, from 1,667 million euros in the prior-year quarter to 1,755 million euros. The very strong **organic** sales growth of 5.5 percent was volume-driven. Foreign exchange effects reduced sales by -0.2 percent. Acquisitions/divestments had a neutral effect overall on sales performance.

### Sales performance Laundry & Home Care<sup>1</sup>

in million euros	Q1/2020
<b>Sales</b>	<b>1,755</b>
Proportion of Group sales	36%
<b>Change versus previous year</b>	<b>5.3%</b>
Foreign exchange	-0.2%
<b>Adjusted for foreign exchange</b>	<b>5.5%</b>
Acquisitions/divestments	0.0%
<b>Organic</b>	<b>5.5%</b>
Of which price	-2.3%
Of which volume	7.8%

<sup>1</sup> Calculated on the basis of units of 1,000 euros. Each figure commercially rounded. Addition may result in deviations from the totals indicated.

Organic sales growth in the **Laundry Care** business area was strong – mainly thanks to the performance of our core brand **Persil**, which achieved a double-digit percentage increase in sales due among other things to our innovation offensive. Our largest North American brand **all** also posted a very strong performance. Organic growth in the **Home Care** business area was in the double-digit percentage range, driven mainly by double-digit increases in the **Pril**, **Bref** and **Somat** brand families.

With organic sales increases in the double-digit percentage range, the **emerging markets** were the main drivers of the very strong organic sales growth in this business unit. Henkel achieved sales increases in the double-digit percentage range in the Africa/Middle East, Asia (excluding Japan) and Eastern Europe regions. Sales growth in Latin America was very strong.

Organic sales performance in the **mature markets** was positive. While sales were slightly negative in the Western Europe region, the North America region recorded positive sales growth. Sales performance was strong particularly in the US, an important market for Henkel. Growth in the mature markets of the Asia-Pacific region was in the double-digit range.

## **Net assets and financial position of the Group**

No substantial changes to the net assets and financial position of the Group occurred in the period under review compared to December 31, 2019.

## **Outlook**

On April 7, 2020, the Management Board of Henkel AG & Co. KGaA decided that the forecast for fiscal 2020 published in the Annual Report 2019 can no longer be upheld. As the dynamic development of the COVID-19 pandemic impacts the global economy, a reliable and realistic evaluation of the future business performance of Henkel is currently not possible.

As soon as it is possible to make a sufficiently reliable evaluation of future business performance in 2020, Henkel will publish a corresponding forecast.

## **About Henkel**

Henkel operates globally with a well-balanced and diversified portfolio. The corporation holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2019, Henkel reported sales of more than 20 billion euros and an adjusted operating profit of around 3.2 billion euros. The Group employs more than 52,000 people worldwide, forming a diverse team bound together by a strong corporate culture, a shared corporate purpose and common values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel's preferred shares are listed in the German stock index DAX. For more information, please visit [www.henkel.com](http://www.henkel.com).

This document contains statements referring to future business development, financial performance and other events or developments of future relevance for Henkel that may constitute forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect," "intend," "plan," "anticipate," "believe," "estimate" and similar terms. This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements.

This document includes supplemental financial indicators that are not clearly defined in the applicable financial reporting framework and that are or may be alternative performance indicators. When assessing the net assets, financial position and results of operations of Henkel, these supplemental financial indicators should not be viewed in isolation or as alternatives to the financial indicators presented in accordance with the applicable financial reporting framework in the Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance indicators may calculate them differently.

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The statement for the first quarter 2020, further information containing download material, and the link to listen in on the telephone conference are available at:

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