Henkel Excellence is our Passion

Investor Relations News

March 4, 2015

Henkel delivers on 2014 financial targets

Good performance in a challenging environment

- **Sales rise 0.4% to 16,428 million euros (organic: +3.4%)**
- **Operating profit*: +2.9% to 2,588 million euros**
- **EBIT margin*: +0.4 percentage points to 15.8%**
- **Earnings per preferred share* (EPS): +7.6% to 4.38 euros**
- **Proposed dividend: +7.4% to 1.31 euros per preferred share**

Düsseldorf – "2014 was a successful year for Henkel. In a challenging and very competitive market environment we achieved our financial targets and made very good progress in implementing our strategy 2016," said Henkel CEO Kasper Rorsted. "All three business units contributed with profitable organic growth to our good performance. The emerging markets were once again the main growth drivers for Henkel, with very strong organic sales growth of almost 8 percent. But also in mature markets, organic sales were up slightly."

Looking at the fiscal year 2015, Rorsted said: "The economic environment remains challenging and very volatile. Due to the continuing conflict between Russia and Ukraine, we expect stagnation in Eastern Europe in 2015 as well as further pressure on the Russian economy and currency. We will continue to adapt our processes and structures, making us more flexible and efficient. We are focused on implementing our strategy in order to reach our ambitious financial targets for 2016."

*** Adjusted for one-time charges/gains and restructuring charges**

Outlook 2015:

“For the full fiscal year 2015 we expect organic sales growth of 3 to 5 percent. We expect our adjusted EBIT margin to rise to around 16 percent and adjusted earnings per preferred share to increase by approximately 10 percent,” Rorsted said, summarizing the financial targets for 2015.

Sales and profit performance 2014

At 16,428 million euros, **sales** in the fiscal year 2014 were slightly higher than in the previous year. Adjusted for negative foreign exchange effects of 4.0 percent, sales improved by 4.4 percent. **Organic sales**, which excludes the impact of foreign exchange and acquisitions/divestments, showed a solid 3.4 percent increase.

All business units posted solid organic sales growth and increased market share in the relevant markets. The **Laundry & Home Care** business unit achieved organic sales growth of 4.6 percent. Sales in the **Beauty Care** business unit grew organically by 2.0 percent and the **Adhesive Technologies** business unit recorded organic sales growth of 3.7 percent.

After allowing for one-time gains, one-time and restructuring charges, **adjusted operating profit (EBIT)** improved by 2.9 percent from 2,516 million euros to 2,588 million euros. All three business units contributed to this positive development. Reported operating profit (EBIT) amounted to 2,244 million euros compared to 2,285 million euros in the previous year.

Adjusted return on sales (EBIT margin) rose by 0.4 percentage points from 15.4 to 15.8 percent. Reported return on sales amounted to 13.7 percent compared to 14.0 percent in the previous year.

The **financial result** improved by 64 million euros to -49 million euros. This is mainly due to the improvement in net interest result, which was attributable in part to the repayment of senior bonds in June 2013 and March 2014, as well as maturing interest rate fixings in March 2014. The **tax rate** was 24.3 percent compared to 25.2 percent in the previous year.

Adjusted net income for the year after deducting non-controlling interests grew by 7.5 percent year-on-year, from 1,764 million euros to 1,896 million euros. Net income for the year increased by 2.3 percent from 1,625 million euros to 1,662 million euros. After deducting 34 million euros attributable to non-controlling interests, net income for the year was 1,628 million euros (previous year: 1,589 million euros).

Adjusted earnings per preferred share (EPS) increased by 7.6 percent from 4.07 euros to 4.38 euros. Reported EPS rose from 3.67 euros to 3.76 euros.

The Management Board, Supervisory Board and Shareholders' Committee will propose an increase of 7.4 percent to 1.31 euros (previous year: 1.22 euros) in **dividend** per preferred share and an increase of 7.5 percent to 1.29 euros (previous year: 1.20 euros) in dividend per ordinary share at the Annual General Meeting. As in the previous year, the payout ratio would then be 30.0 percent.

Net working capital as a percentage of sales once again reached a low level of 4.2 percent. However, mainly due to the negative effects of foreign exchange and acquisitions, it was 1.9 percentage points higher than in the previous year.

The **net financial position** closed the year at -153 million euros (2013: 959 million euros) and was mainly impacted by payments for acquisitions and dividends. Additionally, **capital expenditures** rose by around 19 percent to 517 million euros from 436 million euros in the previous year. In the emerging markets, capital expenditures increased by 30 percent over the previous year, resulting in an overall balanced investment allocation between mature and emerging markets in 2014.

Business unit performance

The **Laundry & Home Care** business unit continued to generate profitable growth in 2014. With a solid 4.6 percent increase in organic sales, the unit's overall growth rate was significantly above the flat development of its relevant markets. Nominally, **sales** increased by 1.0 percent to 4,626 million euros.

With a double-digit increase, the emerging markets were once again the major contributor to organic sales growth in 2014. Eastern Europe delivered a solid sales performance despite increasing competition in the region's individual countries. The Africa/Middle East region recorded double-digit growth again, despite ongoing political uncertainty and the continuing civil war in Syria. Sales in Latin America showed very strong growth, greatly benefiting from the successful launch of the Persil brand, which was introduced in 2011 in the region. Sales in Asia (excluding Japan) also registered a very strong increase.

Sales in the mature markets remained slightly below the previous-year level, with performance varying by region. Sales in North America decreased in a market environment affected by intense price and promotional competition. Solid sales growth in Western Europe compensated for this decline.

Adjusted operating profit grew by 4.8 percent to 749 million euros. Adjusted return on sales improved by 0.6 percentage points to an all-time high of 16.2 percent. Reported operating profit was 615 million euros compared to 682 million euros in the previous year.

The **Beauty Care** business unit also extended the profitable growth of previous years in 2014. With a solid increase in organic sales of 2.0 percent the unit's overall growth rate was again significantly above that of its relevant markets. Nominally, **sales** increased by 1.0 percent from 3,510 million euros in the previous year to 3,547 million euros.

From a regional perspective, business performance was particularly strong in the emerging markets. Asia (excluding Japan) matched the successes of previous years, achieving double-digit organic sales growth with significant contribution of operations in China. Despite political instability, growth was very strong in the Africa/Middle East region and solid in Eastern Europe. Sales declined in Latin America, primarily due to the difficult market situation in Venezuela.

In the mature markets, organic sales were slightly negative. However, Beauty Care recorded positive sales growth in Western Europe despite market stagnation and, in some cases, market contraction. By contrast, sales in the mature markets of the Asia-Pacific and North America regions fell short of the previous year's level.

Adjusted operating profit increased by 3.5 percent versus the prior year, to 544 million euros, the business unit's highest result to date. Adjusted return on sales rose by 0.3 percentage points to 15.3 percent. Reported operating profit was 421 million euros compared to 474 million euros in the previous year.

The **Adhesive Technologies** business unit continued its profitable growth trend again in 2014, outperforming the overall market with organic sales growth of 3.7 percent. At 8,127 million euros, reported **sales** were slightly above the prior-year figure of 8,117 million euros.

Organic sales growth was especially driven by strong performance in the emerging markets. The Africa/Middle East region achieved the highest growth rate with a double-digit increase in sales. Sales growth in Asia (excluding Japan) was very strong, and there was a strong increase in sales in Latin America. Organically, the sales performance in Eastern Europe was solid overall, despite the difficult political situation impacting the business in parts of the region.

Organic sales in the mature markets were above the level of the previous year. While sales in North America could not reach the level of the previous year figure, the mature markets of the Asia-Pacific region registered solid growth. The business performance in the Western Europe region was positive.

Adjusted operating profit increased by 2.3 percent to 1,402 million euros, the highest level to date. Adjusted return on sales rose by 0.3 percentage points to 17.2 percent. Operating profit increased by 5.9 percent, to 1,345 million euros.

Regional performance

In a market environment that continues to be highly competitive, sales in **Western Europe** increased by 2.6 percent to 5,724 million euros. Organically, sales grew by 1.7 percent. The company was therefore able to compensate for the effects of the recessionary developments in Southern Europe. Sales in the **Eastern Europe** region decreased year-on-year to 2,854 million euros due to significant devaluation of the Russian ruble and other currencies in the region, as well as the impact of the conflict between Russia and Ukraine. Organically, however, sales increased by 4.5 percent, driven primarily by business performance in Turkey and Russia. Despite negative foreign exchange effects and the political and social unrest in some countries, sales in the **Africa/Middle East** region increased nominally by 4.9 percent to 1,133 million euros. Organic sales growth there was 16.9 percent, with all business units contributing.

Sales in **North America** were negatively impacted mainly by fierce price and promotional competition in the consumer goods businesses. At 2,884 million euros, sales in the region were 1.5 percent below the figure of the previous year. Organically sales declined by 2.9 percent. At 1,029 million euros, sales in the **Latin America** region were below the level of the previous year due to negative currency effects. Organically, however, sales increased by 4.4 percent, driven particularly by business performance in Mexico. Sales in the **Asia-Pacific** region increased year-on-year by 6.0 percent to 2,676 million euros. Organically, sales rose by 8.2 percent. This very strong performance was driven especially by double-digit growth in China and very strong growth in India.

Due to negative foreign exchange effects, sales in the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased only slightly year-on-year, to 7,249 million euros. However, there was a very strong increase in organic sales of 7.8 percent, driven by all three business units. Thus, the emerging markets again were the main contributor to organic sales growth in 2014. The share of sales from the emerging markets remained constant at 44 percent.

Business development in the fourth quarter of 2014

Sales in the fourth quarter of 2014 rose by 7.1 percent from 3,852 million euros to 4,126 million euros. **Organic sales**, which excludes the impact of foreign exchange and acquisitions/divestments, increased by 3.9 percent. After allowing for one-time gains, one-time charges and restructuring charges, **adjusted operating profit (EBIT)** improved by 3.1 percent from 584 million euros to 602 million euros. Reported operating profit (EBIT) amounted to 444 million euros compared to 464 million euros in the prior-year quarter.

Adjusted return on sales (EBIT margin) reached 14.6 percent compared to 15.2 percent in the fourth quarter of the previous year. Reported return on sales amounted to 10.8 percent compared to 12.1 percent in the same prior-year period. **Adjusted net income for the quarter** after deducting non-controlling interests increased year-on-year by 6.6 percent from 410 million euros to 437 million euros. Net income for the quarter was 310 million euros compared to 321 million euros in the previous year. After deducting 12 million euros attributable to non-controlling interests, quarterly net income was 298 million euros (prior-year quarter: 320 million euros). **Earnings per preferred share** (EPS) amounted to 0.69 euros compared to 0.74 euros in the fourth quarter of 2013. After adjustment, EPS increased year-on-year by 7.4 percent from 0.94 euros to 1.01 euros.

Progress in strategy implementation

In the fiscal year 2014, Henkel made very good progress in the implementation of its strategy 2016 with respect to all four strategic priorities: Outperform, Globalize, Simplify and Inspire.

1. Outperform: Outperform our competition

Henkel continued to strengthen its top brands in 2014. The top three brands, Persil, Schwarzkopf and Loctite, generated sales of around 5 billion euros. The proportion of sales from the top 10 brands increased from 57 to 59 percent. The target for 2016 is to increase this share to 60 percent. Successful product innovations across all business units were an important success factor for Henkel. In 2014, Henkel generated more than 45 percent of sales from its consumer businesses (Laundry & Home Care and Beauty Care) with products that had been on the market for less than three years. In the Adhesive Technologies business unit, the share of sales attributable to products introduced within the preceding five years increased to more than 30 percent. Henkel continued to strengthen the close relationship with its major retail and industrial customers in 2014, helping to generate a growing share of sales with them.

2. Globalize: Globalize our company

Henkel is committed to capturing growth opportunities globally. Despite higher volatility and adverse currency developments, Henkel will continue to expand its footprint in emerging markets while leveraging its strong positions in mature markets. In the fiscal year 2014, sales in emerging markets grew organically by 7.8 percent while their share of total sales remained constant at 44 percent, as a number of currencies declined in these markets. In mature markets, Henkel reported organic growth slightly above the previous year. Henkel enhanced its global footprint in 2014 through a number of targeted acquisitions, which accounted for a total value of around 1.8 billion euros. The acquisition of the Spotless Group strengthens the position of the Laundry & Home Care business unit in Western Europe. Henkel is now one of the top three companies in the world's largest hair professional market after the acquisition of three US hair professional companies. In addition, Henkel will be able to market leading thermal-management technologies to its customers on a global scale due to the acquisition of The Bergquist Company in the US.

3. Simplify: Simplify our operations

Henkel aims to constantly improve its efficiency through the increased standardization, digitization and acceleration of its processes. In 2014, Henkel continued to develop standardized, scalable business platforms for its business processes in order to become faster and more efficient. This includes starting the rollout of an integrated SAP platform in Europe after successful completion of the systems integration in Asia in 2014. In addition, over 45,000 users at Henkel were converted to a new digital workplace environment, which will enable better collaboration and networking for employees around the world. In 2014, Henkel also began to combine its supply chain and sourcing activities into an integrated global supply chain organization and expanded its network of global sourcing hubs.

4. Inspire: Strengthen our global team

Henkel's success is based on the performance of a strong global team. The company therefore puts particular emphasis on attracting, developing and retaining talents, especially in emerging markets, through specifically designed programs. At the same time, Henkel continuously improves and strengthens its leadership team and fosters a unique performance culture at the company. Around 1,150 employees were promoted in the course of 2014, proving the viability of this approach. For a global company, a diverse workforce that unites different cultural backgrounds and work experience is an important success factor. Henkel actively manages diversity and has made significant progress in this domain over the past years. In 2014, the share of employees in emerging markets was around 57 percent and the share of female managers increased to around 33 percent worldwide (excluding acquisitions).

Outlook for the Henkel Group 2015

Henkel expects to generate organic sales growth of 3 to 5 percent in the fiscal year 2015. Henkel expects that the Adhesive Technologies and Laundry & Home Care business units will each generate organic sales growth within this range. In the Beauty Care business unit, Henkel expects growth of approximately 2 percent. Henkel furthermore expects a stable development in the share of sales from emerging markets. Compared to the 2014 figures, Henkel expects adjusted return on sales (EBIT) to rise to around 16 percent and an increase in adjusted earnings per preferred share of approximately 10 percent.

This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate, forecast and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the 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 forward-looking statements.

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Key figures Q4/2014 and 1-12/2014

	Sales		EBIT		EBIT margin	
in million euros	Q4	1-12	Q4	1-12	Q4	1-12
Laundry & Home Care						
2014	**1,152**	**4,626**	**88**	**615**	**7.6%**	**13.3%**
2013	**1,050**	**4,580**	**155**	**682**	**14.7%**	**14.9%**
organic	**4.8%**	**4.6%**	-	-	-	-
2014 adjusted [1)]	-	-	**169**	**749**	**14.7%**	**16.2%**
2013 adjusted [1)]	-	-	**170**	**714**	**16.2%**	**15.6%**
Beauty Care						
2014	**876**	**3,547**	**74**	**421**	**8.5%**	**11.9%**
2013	**828**	**3,510**	**93**	**474**	**11.2%**	**13.5%**
organic	**2.2%**	**2.0%**	-	-	-	-
2014 adjusted [1)]	-	-	**125**	**544**	**14.2%**	**15.3%**
2013 adjusted [1)]	-	-	**125**	**525**	**15.1%**	**15.0%**
Adhesive Technologies						
2014	**2,065**	**8,127**	**314**	**1,345**	**15.2%**	**16.6%**
2013	**1,940**	**8,117**	**259**	**1,271**	**13.3%**	**15.7%**
organic	**4.3%**	**3.7%**	-	-	-	-
2014 adjusted [1)]	-	-	**347**	**1,402**	**16.8%**	**17.2%**
2013 adjusted [1)]	-	-	**315**	**1,370**	**16.2%**	**16.9%**
Henkel						
2014	**4,126**	**16,428**	**444**	**2,244**	**10.8%**	**13.7%**
2013	**3,852**	**16,355**	**464**	**2,285**	**12.1%**	**14.0%**
organic	**3.9%**	**3.4%**	-	-	-	-
2014 adjusted [1)]	-	-	**602**	**2,588**	**14.6%**	**15.8%**
2013 adjusted [1)]	-	-	**584**	**2,516**	**15.2%**	**15.4%**

Henkel	**Q4/ 2013**	**Q4/ 2014**	**Change**	**1-12/ 2013**	**1-12/ 2014**	**Change**
Earnings per preferred share in euros	**0.74**	**0.69**	**-6.8%**	**3.67**	**3.76**	**2.5%**
Adjusted EPS per preferred share in euros[1)]	**0.94**	**1.01**	**7.4%**	**4.07**	**4.38**	**7.6%**

Changes on the basis of figures in thousand euros

[1)] Adjusted for one-time charges/gains and restructuring charges

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