Henkel Excellence is our Passion

# News Release

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Henkel reports successful fiscal 2015:

## Significant sales and earnings growth

- **Sales: +10.1% to 18,089 million euros (organic: +3.0%)**
- **Operating profit*: +12.9% to 2,923 million euros**
- **EBIT margin*: +0.4 percentage points to 16.2%**
- **Earnings per preferred share* (EPS): +11.4% to 4.88 euros**
- **Proposed dividend: +12.2% to 1.47 euros per preferred share**

**Düsseldorf – "2015 was an excellent year for Henkel. We recorded double-digit growth rates in sales, profits, earnings per share and our proposed dividends. All three business units delivered solid organic growth and significantly improved their profits," said Henkel CEO Kasper Rorsted. "Emerging markets continued to be the main growth drivers contributing to our good performance. We also achieved further organic sales growth in mature markets."**

**"Despite the difficult economic environment, we delivered a strong financial performance, continued to successfully implement our strategy and laid a strong foundation for our future. After three years of our four-year strategy cycle, we are well on track to meet our main targets for 2016," said Rorsted summarizing Henkel's development.**

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

**Outlook for 2016**

**Looking at the current fiscal year and the 2016 financial targets, Rorsted said: "The economic and political environment remains challenging. Therefore we will continue to adapt our processes and structures to the markets, further increasing our efficiency and competitiveness. For the full fiscal year 2016 we expect organic sales growth of 2 to 4 percent. We expect our adjusted EBIT margin to rise to approximately 16.5 percent and adjusted earnings per preferred share to grow between 8 and 11 percent in fiscal 2016. With an average annual growth of adjusted earnings per preferred share of 9.7 percent in the period from 2013 to 2015 we are well on track and fully committed to reach our 10 percent CAGR target for the current strategy cycle."**

**Sales and profit performance 2015**

At 18,089 million euros, **sales** in the fiscal year 2015 were significantly above the level of the previous year. The development of currencies had a positive impact on sales of 4.4 percent. The positive effect from acquisitions/divestments amounted to 2.7 percent. **Organic sales**, which exclude the impact of foreign exchange and acquisitions/divestments, showed a solid increase of 3.0 percent.

All business units reported solid organic sales growth and overall Henkel increased market shares in the relevant markets. The **Laundry & Home Care** business unit achieved organic sales growth of 4.9 percent. Sales in the **Beauty Care** business unit grew organically by 2.1 percent and the **Adhesive Technologies** business unit recorded organic sales growth of 2.4 percent.

After one-time charges, one-time gains and restructuring charges, **adjusted operating profit** improved substantially, by 12.9 percent to 2,923 million euros (previous year: 2,588 million euros). All three business units contributed to this positive performance. Reported operating profit (EBIT) amounted to 2,645 million euros compared to 2,244 million euros in the previous year.

**Adjusted return on sales** (EBIT margin) rose by 0.4 percentage points from 15.8 percent to 16.2 percent. Reported return on sales increased by 0.9 percentage points to 14.6 percent (previous year: 13.7 percent).

The **financial result** improved from -49 million euros to -42 million euros. At 24.4 percent, the **tax rate** remained virtually unchanged following 24.3 percent in the previous year.

**Adjusted net income** for the year after non-controlling interests increased by 11.4 percent to 2,112 million euros (2014: 1,896 million euros). Reported net income rose by 18.4 percent year on year, from 1,662 million to 1,968 million euros. After deducting 47 million euros attributable to non-controlling interests, net income increased to 1,921 million euros (previous year: 1,628 million euros).

**Adjusted earnings per preferred share** (EPS) grew by 11.4 percent from 4.38 euros to 4.88 euros. Reported EPS rose from 3.76 euros to 4.44 euros.

The Management Board, Supervisory Board and Shareholders' Committee will propose to the Annual General Meeting on April 11, 2016 an increase in the **dividend** per preferred share of 12.2 percent to 1.47 euros (previous year: 1.31 euros) and an increase in the dividend per ordinary share of 12.4 percent to 1.45 euros (previous year: 1.29 euros). This would give a payout ratio of 30.2 percent.

**Net working capital** as a percentage of sales improved by 0.4 percentage points from 4.2 percent to 3.8 percent.

The **net financial position** closed the year at 335 million euros (December 31, 2014: -153 million euros).

## Business unit performance

In 2015, the **Laundry & Home Care** business unit very successfully continued its profitable growth path of previous years. Sales grew organically by 4.9 percent year on year, significantly outperforming the relevant markets. Nominally, **sales** increased by 11.0 percent to 5,137 million euros, exceeding the 5 billion euro mark for the first time.

With a very strong increase, emerging markets were once again the major driver of organic sales growth in 2015. Eastern Europe, Latin America and Asia (excluding Japan) each recorded very strong increases. The Africa/Middle East region also achieved very strong growth. Compared to the previous year, however, growth slowed due to the difficult market conditions prevailing.

Performance in mature markets was positive. North America achieved a solid increase in sales, while sales growth in Western Europe was positive.

**Adjusted operating profit** increased significantly, by 17.4 percent to 879 million euros. Adjusted return on sales showed a very strong improvement of 0.9 percentage points to 17.1 percent. Reported operating profit actually rose by 27.8 percent from 615 million euros to 786 million euros.

The **Beauty Care** business unit also extended the profitable growth of previous years in the fiscal year 2015. At 2.1 percent, organic sales growth was once again above that of the relevant markets. Nominally, **sales** rose by 8.1 percent to 3,833 million euros.

From a regional perspective, business performance was very strong in the emerging markets. The emerging markets of Asia (excluding Japan) in particular posted very strong growth as a result of the successful expansion of business in China. Latin America recorded double-digit sales growth. In the Africa/Middle East region, the business unit extended its successful development of previous years, recording a solid growth rate. Strong growth was achieved in Eastern Europe.

Mature markets continue to be impacted by fierce crowding-out competition and intense price and promotional pressure. In this challenging environment, sales in mature markets remained slightly below the level of the prior year, due in particular to developments in Western Europe and in the mature markets of the Asia-Pacific region. In a challenging competitive environment, sales in North America recorded solid growth compared to the previous year.

**Adjusted operating profit** increased by 12.2 percent versus the prior year, to 610 million euros, the business unit's highest result to date. Adjusted return on sales showed a very strong improvement of 0.6 percentage points to 15.9 percent. Reported operating profit rose by 33.3 percent to 561 million euros.

The **Adhesive Technologies** business unit generated solid organic sales growth of 2.4 percent, thus growing at the same rate as the market. Nominally, **sales** increased by 10.6 percent from 8,127 million euros in the previous year to 8,992 million euros.

The business unit achieved a solid increase in organic sales in emerging markets with a very strong increase in Latin America. The Africa/Middle East and Eastern Europe regions recorded strong sales growth, despite the ongoing difficult political situation and challenging economic conditions prevailing. Sales in Asia (excluding Japan) showed positive development.

Sales performance in the mature markets was positive overall, with positive developments in particular in Western Europe and North America. The mature markets of the Asia-Pacific region recorded solid growth.

**Adjusted operating profit** rose by 9.4 percent to 1,534 million euros, the business unit's highest result to date. Adjusted return on sales was 17.1 percent, just slightly below the high level of the previous year. Reported operating profit increased by 8.7 percent to 1,462 million euros.

**Regional performance**

In a market environment that continues to be highly competitive, sales in **Western Europe** rose by 5.6 percent to 6,045 million euros. Organically, sales decreased slightly, by 0.3 percent. The positive performance in countries such as France and the United Kingdom could not entirely compensate for the decline in Switzerland and the northern European countries. Sales in **Eastern Europe** declined year on year to 2,695 million euros due to the significant devaluation of the Russian ruble and other currencies in the region. Organically, however, sales increased by 7.3 percent, driven in particular by business developments in Russia and Turkey. Despite the political and social unrest in some countries, sales in the **Africa/Middle East** region increased nominally by 17.3 percent to 1,329 million euros. Organic sales growth came in at 6.8 percent, with each of the business units making an important contribution.

Sales in **North America** rose substantially, by 26.5 percent to 3,648 million euros. Positive foreign exchange effects and acquisitions made in 2014 contributed to the increase. Organically the region posted solid sales growth of 2.3 percent. Sales in **Latin America** rose by 7.9 percent to 1,110 million euros, with organic sales growth of 8.8 percent to which double-digit growth in Mexico made an especially important contribution. Sales in the **Asia-Pacific** region increased substantially year on year with growth of 17.1 percent to 3,134 million euros. Despite slowing growth in China, organic sales in this region also rose by 2.5 percent.

Sales in the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased substantially year on year to 7,797 million euros. Organically, sales improved by 5.9 percent, with all business units contributing. The emerging markets again made an above-average contribution to organic sales growth. Due to currency effects, the share of sales from emerging markets declined slightly to 43 percent. Sales in **mature markets** increased organically by 0.7 percent to 10,164 million euros.

**Business development in the fourth quarter of 2015**

**Sales** in the fourth quarter rose by 6.0 percent year on year, to 4,374 million euros (previous year: 4,126 million euros). **Organic sales**, which exclude the impact of foreign exchange and acquisitions/divestments, grew by 2.9 percent. After allowing for one-time gains, one-time charges and restructuring charges, **adjusted operating profit** improved by 11.3 percent from 602 million to 670 million euros. Reported operating profit (EBIT) rose 39.0 percent to 616 million euros compared to 444 million euros in the prior-year quarter.

**Adjusted return on sales** (EBIT margin) increased by 0.7 percentage points from 14.6 percent to 15.3 percent. Reported return on sales rose by 3.3 percentage points from 10.8 percent to 14.1 percent. **Adjusted net income** for the quarter after deducting non-controlling interests, increased by 9.8 percent versus prior year, from 437 million to 480 million euros. Reported net income for the quarter grew by 48.7 percent, rising to 461 million euros (previous year: 310 million euros). After deducting 15 million euros attributable to non-controlling interests, net income amounted to 446 million euros (prior-year quarter: 298 million euros). **Adjusted earnings per preferred share** (EPS) increased by 9.9 percent from 1.01 euros to 1.11 euros. Reported EPS increased versus the prior-year quarter by 49.3 percent from 0.69 euros to 1.03 euros.

## Progress in strategy implementation

In the fiscal year 2015, Henkel made very good progress in the implementation of its strategy 2016 with respect to all four strategic priorities: Outperform, Globalize, Simplify and Inspire.

### Outperform our competition

Henkel continued to strengthen its top brands in 2015. Persil, Schwarzkopf and Loctite generated combined sales of 5.9 billion euros. The share of sales accounted for by Henkel's top 10 brands rose from 59 to 61 percent, thus already exceeding the target of 60 percent set for 2016. The significant increase over the previous year was driven by innovations, investment in brand equity and expansion into new markets. In both its consumer businesses (Laundry & Home Care and Beauty Care), Henkel achieved more than 45 percent of its sales with products launched within the last three years. In the Adhesive Technologies business unit, the share of sales from products introduced within the last five years was around 30 percent. Again in 2015, strong relationships with major retail and industrial customers helped us to grow the share of sales with them.

In addition to expanding its competitive position, Henkel has identified digitalization as a key driver of future business success and made further progress in integrating it into all dimensions of its business and processes. In 2015 Henkel continued to standardize and digitalize its business platforms. The company also improved internal networking and successfully expanded its market- and customer-facing digital activities.

### Globalize our company

In 2015, sales in emerging markets accounted for 43 percent of total sales, slightly below the prior-year level. The decrease is mainly due to declining currencies in a number of these markets. Adjusted for currency fluctuations, the emerging markets again were the main growth driver for Henkel and the company will continue to grow its presence in these markets.

In the mature markets, Henkel was able to consolidate its leading market positions. A highlight in 2015 was the successful launch of two of Henkel's flagship brands, Persil and Schwarzkopf, in the US retail business, helping Henkel to return to growth and improve its performance in its largest single market worldwide.

**Simplify our operations**

Henkel aims to continuously simplify its organization in order to improve operational excellence, increase efficiency and create competitive advantage. In fiscal 2015, Henkel made significant progress in building a scalable business model with standardized, digitalized and accelerated business processes. Henkel also successfully established a new organization that manages global supply chain and purchasing activities for all business units. By the end of 2015, the number of employees in Henkel's six shared service centers around the world had climbed to more than 3,000. Key processes for the company's global organization are handled in these centers.

**Inspire our global team**

Excellent performance is based on a clear strategy and a strong global team that drives its execution. In order to excel in a highly dynamic and complex business environment, Henkel requires strong leaders and aims to continuously improve its leadership team. Henkel offers its employees – both through on-the-job training and via the Henkel Global Academy – a wide range of training opportunities. A diverse workforce that blends different cultural backgrounds and work experiences is also an important success factor. Henkel actively manages diversity and has made significant progress over the past years. In 2015, the share of employees in emerging markets was 55 percent. The share of female managers was around 33 percent.

## Outlook for the Henkel Group 2016

Henkel expects to generate organic sales growth of 2 to 4 percent in the fiscal year 2016. Henkel expects that each business unit will generate organic sales growth within this range. Henkel furthermore expects a slight increase in the share of sales from its emerging markets. For adjusted return on sales, Henkel expects an increase versus the prior year to approximately 16.5 percent. The adjusted return on sales of the individual business units is expected to be at or above the level of the previous year. Henkel expects an increase in adjusted earnings per preferred share of between 8 and 11 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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The 2015 Annual Report and other information with download material relating to fiscal 2015 can be found together with the links to the live webcast of the press conference for the financial year in our press folder on the internet at:

www.henkel.com/ir
www.henkel.com/press

# Key figures Q4/2015 and 1-12/2015

| in million euros | Sales Q4 | Sales 1-12 | EBIT Q4 | EBIT 1-12 | EBIT margin Q4 | EBIT margin 1-12 |
|---|---|---|---|---|---|---|
| **Laundry & Home Care** | | | | | | |
| **2015** | **1,211** | **5,137** | **186** | **786** | **15.3%** | **15.3%** |
| **2014** | **1,152** | **4,626** | **88** | **615** | **7.6%** | **13.3%** |
| **organic** | **4.3%** | **4.9%** | - | - | - | - |
| **2015 adjusted** [1)] | - | - | **194** | **879** | **16.0%** | **17.1%** |
| **2014 adjusted** [1)] | - | - | **169** | **749** | **14.7%** | **16.2%** |
| **Beauty Care** | | | | | | |
| **2015** | **922** | **3,833** | **128** | **561** | **13.8%** | **14.6%** |
| **2014** | **876** | **3,547** | **74** | **421** | **8.5%** | **11.9%** |
| **organic** | **2.4%** | **2.1%** | - | - | - | - |
| **2015 adjusted** [1)] | - | - | **139** | **610** | **15.1%** | **15.9%** |
| **2014 adjusted** [1)] | - | - | **125** | **544** | **14.2%** | **15.3%** |
| **Adhesive Technologies** | | | | | | |
| **2015** | **2,209** | **8,992** | **362** | **1,462** | **16.4%** | **16.3%** |
| **2014** | **2,065** | **8,127** | **314** | **1,345** | **15.2%** | **16.6%** |
| **organic** | **2.3%** | **2.4%** | - | - | - | - |
| **2015 adjusted** [1)] | - | - | **371** | **1,534** | **16.8%** | **17.1%** |
| **2014 adjusted** [1)] | - | - | **347** | **1,402** | **16.8%** | **17.2%** |
| **Henkel** | | | | | | |
| **2015** | **4,374** | **18,089** | **616** | **2,645** | **14.1%** | **14.6%** |
| **2014** | **4,126** | **16,428** | **444** | **2,244** | **10.8%** | **13.7%** |
| **organic** | **2.9%** | **3.0%** | - | - | - | - |
| **2015 adjusted** [1)] | - | - | **670** | **2,923** | **15.3%** | **16.2%** |
| **2014 adjusted** [1)] | - | - | **602** | **2,588** | **14.6%** | **15.8%** |

| Henkel | Q4/ 2014 | Q4/ 2015 | Change | 1-12/ 2014 | 1-12/ 2015 | Change |
|---|---|---|---|---|---|---|
| **Earnings per preferred share** in euros | **0.69** | **1.03** | **49.3%** | **3.76** | **4.44** | **18.1%** |
| **Adjusted EPS per preferred share** in euros[1)] | **1.01** | **1.11** | **9.9%** | **4.38** | **4.88** | **11.4%** |

Changes on the basis of figures in thousand euros

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

Henkel AG & Co. KGaA