

Press Release

November 12, 2013

Significant increase in earnings and profitability

Henkel reports strong performance in third quarter

- **Solid organic sales growth of 4.2%**
- **Sales impacted by foreign exchange effects: 4,184 million euros (-2.6%)**
- **Adjusted operating profit: +6.5% to 672 million euros**
- **Adjusted EBIT margin: +1.4 percentage points to 16.1%**
- **Adjusted EPS again with double-digit growth: +11.1%***
- **Very strong organic sales growth in emerging markets**

Düsseldorf – “Despite an increasingly challenging market environment, Henkel continued its strong performance in the third quarter and was able to accelerate organic growth quarter by quarter in 2013. We significantly increased both earnings and profitability – with our EBIT margin exceeding 16 percent for the first time,” said Henkel CEO Kasper Rorsted. “We achieved solid organic sales growth with all our business sectors and regions contributing. The emerging markets once again showed a particularly dynamic development. However, foreign exchange effects negatively impacted reported sales.”

Looking at the remainder of the year, Rorsted stated: “The economic environment will remain difficult. Therefore we will continue to adapt our processes and structures in order to further improve our flexibility and efficiency in this volatile market environment.”

* When applying IAS 19 revised to the prior-year quarter, growth amounts to 13.4 percent.

2013 guidance confirmed – higher margin expected

“As previously stated, we expect organic sales growth to be between 3 and 5 percent in the full fiscal year and adjusted earnings per preferred share (EPS) to increase by about 10 percent. For our adjusted EBIT margin, we are raising our forecast from about 14.5 percent to about 15 percent,” Kasper Rorsted said.

Sales and earnings performance in the third quarter 2013

Henkel generated **sales** of 4,184 million euros in the third quarter of 2013. This was below the prior-year figure due to negative foreign exchange effects amounting to 6.7 percent. Nominally, sales decreased by 2.6 percent. **Organic** sales growth, which excludes the impact of foreign exchange and acquisitions/divestments, reached solid 4.2 percent, with all business sectors contributing.

Laundry & Home Care recorded strong organic sales growth of 5.5 percent. **Beauty Care** achieved a solid organic growth rate of 3.1 percent. **Adhesive Technologies** also registered solid growth with organic sales rising by 4.2 percent versus the prior-year quarter.

After allowing for one-time gains, one-time charges and restructuring charges, **adjusted operating profit** improved by 6.5 percent, from 631 million euros to 672 million euros, with all three business sectors contributing. Reported operating profit (EBIT) was 649 million euros compared to 586 million euros in the third quarter of 2012.

Adjusted return on sales (EBIT margin) rose by 1.4 percentage points, from 14.7 to 16.1 percent. Reported return on sales amounted to 15.5 percent compared to 13.6 percent in the prior-year quarter.

Henkel's **financial result** improved by 27 million euros to -25 million euros, due primarily to a stronger net financial position and an improved result from currency

hedging activities. The tax rate was at 24.8 percent compared to 24.7 percent for the prior-year quarter.

Net income for the quarter rose by 16.7 percent, from 402 million euros to 469 million euros. After deducting 11 million euros attributable to non-controlling interests, quarterly net income amounted to 458 million euros (prior-year quarter: 390 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 476 million euros compared to 422 million euros in the same period of 2012. **Earnings per preferred share (EPS)** rose from 0.90 euros to 1.06 euros. The adjusted figure was 1.10 euros compared to 0.97 euros in the prior-year quarter. Before application of IAS 19 revised, prior-year EPS was 0.99 euros. Compared to this figure, adjusted earnings per preferred share increased by 11.1 percent.

The ratio of **net working capital to sales** further improved year-on-year, decreasing to 4.5 percent. The **net financial position** as of September 30, 2013, changed from a net debt figure to a net investment of 485 million euros. As of September 30, 2012, Henkel reported a net debt of 612 million euros.

Business performance January through September 2013

At 12,503 million euros, **sales** in the first nine months of fiscal 2013 remained at the level of the prior-year period. **Organic** sales, which excludes the impact of foreign exchange and acquisitions/divestments, registered solid growth of 3.6 percent. **Adjusted operating profit** rose by 7.8 percent, from 1,791 million euros to 1,932 million euros, with all business sectors contributing. **Adjusted return on sales (EBIT margin)** increased from 14.3 to 15.5 percent.

Adjusted net income for the nine months after deducting non-controlling interests grew by 12.6 percent, from 1,203 million euros to 1,354 million euros. **Adjusted earnings per preferred share (EPS)** amounted to 3.13 euros, showing a significant increase of 12.6 percent compared to the 2.78 euros registered in the first nine

months of 2012. Before application of IAS 19 revised, prior-year EPS was 2.83 euros. Compared to this figure, the increase in EPS was 10.6 percent.

Business sector performance in the third quarter 2013

Laundry & Home Care achieved strong organic sales growth and an excellent increase in adjusted return on sales in the third quarter, thus continuing its profitable growth path. Nominally, sales amounted to 1,167 million euros compared to 1,194 million euros in the prior-year quarter.

The strong organic sales growth recorded in the Laundry & Home Care business was entirely driven by the emerging markets, which again achieved a double-digit increase. Despite continuing unrest, sales in the Africa/Middle East region rose double-digit. Eastern Europe posted strong sales growth, driven primarily by the continued very dynamic performance in Turkey. In Latin America sales also recorded a strong increase, with Mexico making a major contribution. In the mature markets, which were still declining and characterized by tough promotional and pricing competition, organic sales remained slightly below the level of the prior-year quarter. In Western Europe, growth was again impacted by the weakness of the Southern European markets, which compensated the solid performance in Germany. In North America, sales in a continuing declining market were slightly below the level of the prior-year quarter.

Adjusted operating profit increased by 7.6 percent to 186 million euros. This resulted in adjusted return on sales increasing to 15.9 percent against 14.5 percent in the third quarter of 2012. Reported operating profit (EBIT) rose to 185 million euros compared to 168 million euros in the prior-year quarter.

In the third quarter of 2013, **Beauty Care** posted a solid increase in both organic sales and adjusted return on sales. At 3.1 percent, organic sales increase was once again higher than the growth rate in relevant markets, leading to further market share gains. Nominally, sales amounted to 886 million euros compared to 908 million euros in the third quarter of 2012.

Once again, the emerging markets reported double-digit growth rates and were the main driver of Beauty Care's solid organic sales performance. Asia (excluding Japan) and Latin America showed particularly strong momentum. With very strong growth, the regions of Africa/Middle East as well as Eastern Europe also contributed to this development. In the mature markets, which again were characterized by negative market development, a further increase in promotional activity and rising price pressures, organic sales were slightly below the level of the prior-year quarter. In North America, however, solid sales growth was achieved, despite declining markets. Sales in Western Europe remained stable in what continued to be a difficult market environment.

Adjusted operating profit for the third quarter amounted to 132 million euros. Adjusted return on sales (EBIT margin) improved by 0.2 percentage points to 14.9 percent. Reported operating profit increased by 7.5 percent year-on-year, to 122 million euros.

In the third quarter, **Adhesive Technologies** achieved a solid increase in organic sales and an excellent improvement in adjusted return on sales. Nominally, revenues grew to 2,095 million euros. Organic sales growth compared to the same quarter of the previous year was 4.2 percent.

Sales in the emerging markets showed strong organic development in the Adhesive Technologies business. Thanks in particular to the dynamic development in Brazil, the Latin America region once again achieved the strongest growth with double-digit percentage increase. The business also benefited from strong growth in Eastern Europe. Asia (excluding Japan) registered a solid increase in sales year-on-year. The Africa/Middle East region recorded positive business development. Despite the difficult market environment, the mature markets showed a solid organic sales performance with the highest growth coming from Western Europe. A solid increase in sales versus the prior-year quarter was once again achieved in North America.

Adjusted operating profit showed a very strong increase of 8.2 percent to 373 million euros. Adjusted return on sales reached 17.8 percent for the first time and, with a plus of 1.8 percentage points, demonstrated an excellent performance. Reported operating profit grew by 11.2 percent, from 329 million euros to 365 million euros.

Regional performance across the Group in the third quarter

In a highly competitive market environment, Henkel's organic sales in the **Western Europe** region increased by 0.7 percent, offsetting the effects of the recession in Southern Europe. Total sales amounted to 1,415 million euros. In **Eastern Europe**, sales grew organically by 6.2 percent, with Russia and Turkey making a major contribution to this solid performance. Sales in the region totaled to 822 million euros. Business in **Africa/Middle East** continued to be affected by political and social unrest in some countries. However, the region again posted double-digit organic sales growth of 23.1 percent, with major contributions coming from both Laundry & Home Care and Beauty Care. Sales in the region totaled to 255 million euros.

Sales in **North America** increased organically by 2.2 percent supported by the solid performance of Beauty Care and Adhesive Technologies. Total sales in the region amounted to 756 million euros. **Latin America** achieved an increase in organic sales of 12.5 percent, with business performance in Brazil making a major contribution. Total sales in the region amounted to 269 million euros. In **Asia-Pacific**, sales grew organically by 1.8 percent. Strong performance in the rapidly growing markets of this region, especially China, was partially offset by declining sales in Japan. Sales in the region totaled 631 million euros.

Sales growth was again particularly driven by Henkel's performance in the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan). Organically, sales increased by 9.1 percent, with all three business sectors contributing. With total sales amounting to 1,865 million euros, the share of revenues coming from emerging markets was 45 percent (prior-year quarter: 44 percent).

Outlook for the Henkel Group in 2013

Henkel expects to generate organic sales growth of between 3 and 5 percent in fiscal 2013. The company is confident that each business sector will grow within this range. Henkel specifies its guidance for adjusted return on sales (EBIT) from about 14.5 percent to about 15 percent (2012: 14.1 percent) and assumes that all business sectors will contribute to the increase over the prior year. Henkel further expects an increase in adjusted earnings per preferred share of about 10 percent (2012: 3.70 euros).

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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Henkel AG & Co. KGaA

The report for the third quarter of 2013 and other information with download material and the link to the teleconference broadcast can be found in our press folder on the internet at:

<http://www.henkel.com/press/2013-11-12-publication-report-q3-2013-43282.htm>

Key figures Q3/2013 and 1-9/2013

in million euros	Sales		EBIT		EBIT margin	
	Q3	1-9	Q3	1-9	Q3	1-9
Laundry & Home Care						
2013	1,167	3,531	185	527	15.8%	14.9%
2012	1,194	3,448	168	478	14.1%	13.9%
organic	5.5%	6.4%	-	-	-	-
2013 adjusted ¹⁾	-	-	186	544	15.9%	15.4%
2012 adjusted ¹⁾	-	-	173	500	14.5%	14.5%
Beauty Care						
2013	886	2,683	122	381	13.8%	14.2%
2012	908	2,690	114	365	12.5%	13.6%
organic	3.1%	3.3%	-	-	-	-
2013 adjusted ¹⁾	-	-	132	400	14.9%	14.9%
2012 adjusted ¹⁾	-	-	133	390	14.7%	14.5%
Adhesive Technologies						
2013	2,095	6,177	365	1,012	17.4%	16.4%
2012	2,153	6,252	329	939	15.3%	15.0%
organic	4.2%	2.3%	-	-	-	-
2013 adjusted ¹⁾	-	-	373	1,055	17.8%	17.1%
2012 adjusted ¹⁾	-	-	345	963	16.0%	15.4%
Henkel						
2013	4,184	12,503	649	1,821	15.5%	14.6%
2012	4,294	12,508	586	1,707	13.6%	13.6%
organic	4.2%	3.6%	-	-	-	-
2013 adjusted ¹⁾	-	-	672	1,932	16.1%	15.5%
2012 adjusted ¹⁾	-	-	631	1,791	14.7%	14.3%

Henkel	Q3/2012	Q3/2013	Change	1-9/ 2012	1-9/ 2013	Change
Earnings per preferred share in euros ²⁾	0.90	1.06	17.8%	2.65	2.93	10.6%
Adjusted EPS per preferred share in euros ²⁾	0.97	1.10	13.4%	2.78	3.13	12.6%
Adjusted EPS per preferred share in euros (2012 before IAS 19 revised)	0.99	1.10	11.1%	2.83	3.13	10.6%

Changes on the basis of figures in thousand euros

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

²⁾ Q3/2012 and 1-9/2012 adjusted in application of IAS 19 revised (see notes in the Quarterly financial report Q3 2013 on page 33)