

Press Release

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Henkel confirms 2014 targets with higher EBIT margin expected

Henkel reports solid performance in third quarter despite difficult market environment

- Sales rise 1.2% to 4,236 million euros (organic: +2.3%)
- Adjusted operating profit: +3.1% to 693 million euros
- Adjusted EBIT margin: +0.3 percentage points to 16.4%
- Adjusted earnings per preferred share (EPS): +6.4% to 1.17 euros
- Strong organic sales growth in emerging markets: +6.7%

Düsseldorf – “Despite a difficult economic environment, Henkel reported a solid performance in the third quarter of 2014. We increased organic sales in all our business units and further improved our profitability,” said Henkel CEO Kasper Rorsted. “With a strong increase in organic sales, emerging markets once again delivered above-average growth. The acquisition of The Bergquist Company in the third quarter will further advance the leading position of Adhesive Technologies. In the course of this year, we have invested about 1.7 billion euros across all three business units in order to further strengthen our portfolio.”

Commenting on the market conditions for the remainder of the fiscal year, Rorsted said: “We face an ongoing conflict between Russia and Ukraine and persistent political unrest in the Middle East. Overall, the economic outlook is becoming increasingly challenging. In this difficult market environment, agility

and flexibility are key success factors. That's why we will continue to further simplify and align our structures.”

Outlook 2014

Rorsted specified Henkel's outlook for 2014. “We continue to expect organic sales growth of between 3 and 5 percent. We have raised our guidance for adjusted EBIT margin and now anticipate an increase to just under 16.0 percent. We also continue to expect an increase in adjusted earnings per preferred share in the high-single digits.”

Sales and profit performance in the third quarter 2014

In the third quarter of 2014 **sales** increased by 1.2 percent to 4,236 million euros compared to the prior-year quarter. Adjusted for negative foreign-exchange effects of 2.2 percent, sales were up 3.4 percent. **Organic sales** – which exclude the impact of foreign exchange and acquisitions/divestments – rose by 2.3 percent.

The **Laundry & Home Care** business unit reported solid organic sales growth of 3.5 percent. **Beauty Care** posted positive organic sales growth of 0.8 percent. The **Adhesive Technologies** business unit reported a solid improvement in organic sales of 2.7 percent.

After allowing for one-time gains, one-time charges and restructuring charges, **adjusted operating profit** rose by 3.1 percent, from 672 million to 693 million euros. Reported operating profit (EBIT) amounted to 603 million euros compared to 649 million euros in the prior-year quarter.

Adjusted return on sales (EBIT margin) increased by 0.3 percentage points to 16.4 percent. Reported return on sales reached 14.2 percent compared to 15.5 percent in the third quarter 2013.

The **financial result** improved from -25 million euros in the prior-year quarter to -11 million euros in the third quarter of 2014. This positive development is primarily due to an improvement in net interest result. The reasons for this include repayments of senior bonds and interest-rate fixings maturing in March 2014. The tax rate was 24.0 percent compared to 24.8 percent in the prior-year quarter.

Net income for the quarter amounted to 450 million euros compared to 469 million euros in the prior-year quarter. After deducting 10 million euros attributable to non-controlling interests, net income amounted to 440 million euros (prior-year quarter: 458 million euros). Adjusted net income for the quarter after deducting non-controlling interests increased by 6.7 percent, from 476 million euros to 508 million euros. **Earnings per preferred share (EPS)** amounted to 1.01 euros compared to 1.06 euros in the prior-year quarter. After adjustment, EPS increased by 6.4 percent from 1.10 euros to 1.17 euros.

The ratio of **net working capital to sales** was 5.6 percent compared to 4.5 percent in the same prior-year period. As of September 30, 2014, Henkel showed a **net financial position** of 740 million euros, representing an increase of 255 million euros year-on-year.

Business Performance January through September 2014

Negatively affected by foreign-exchange movements, **sales** for the first nine months of 2014 totaled 12,302 million euros, 1.6 percent below the figure for the prior-year period. **Organically**, however, sales grew by 3.3 percent, a solid performance to which all business units contributed. **Adjusted operating profit** increased by 2.8 percent from 1,932 million euros to 1,986 million euros. **Adjusted return on sales (EBIT margin)** increased from 15.5 to 16.1 percent. Again, all the business units shared in this successful development.

Adjusted net income for the first nine months (after deducting non-controlling interests) grew by 7.8 percent from 1,354 million euros to 1,459 million euros. At 3.37

euros, **adjusted earnings per preferred share (EPS)** exceeded the prior-year figure by 7.7 percent.

Business unit performance in the third quarter 2014

The **Laundry & Home Care** business unit continued to generate profitable growth, with a solid increase in organic sales and very strong improvement in adjusted return on sales in the third quarter. Nominally, sales increased by 1.8 percent year-on-year, from 1,167 million euros to 1,188 million euros.

The solid organic sales growth was primarily attributable to the emerging markets, with the strongest momentum coming from the Africa/Middle East region, which posted double-digit growth. Latin America and Eastern Europe also posted solid sales growth. Organic sales in the mature markets remained slightly below the level of the prior-year quarter. While Western Europe reported solid organic sales growth, organic sales decreased in North America. This development is primarily due to the very intense competition in markets that continue to decline.

Adjusted operating profit grew by 7.4 percent to 200 million euros. Adjusted return on sales increased to 16.8 percent from 15.9 percent in the third quarter of 2013. Reported operating profit was 171 million euros compared to 185 million euros in the prior-year quarter.

The **Beauty Care** business unit continued its long-term path of sustainable growth, with positive organic sales growth and a solid increase in adjusted return on sales in the third quarter. Nominally, sales increased by 3.6 percent, from 886 million euros to 918 million euros.

Beauty Care once again reported strong organic sales growth in the emerging markets. In Asia (excluding Japan), sales increased in the double-digit range. The business unit posted very strong growth in the Africa/Middle East region and solid growth in Eastern Europe. In the mature markets – again characterized in the third quarter by contraction, increasing promotional activity and rising price pressures –

organic sales were below the level of the prior-year quarter. However, positive growth was achieved in Western Europe. The mature markets of the Asia-Pacific region also performed positively. With price competition in North America intensifying sharply, sales fell short of the level of the third quarter of 2013.

Adjusted operating profit increased by 5.9 percent year-on-year to 140 million euros. Adjusted return on sales improved by 0.3 percentage points to 15.2 percent. Reported operating profit was 98 million euros compared to 122 million euros in the prior-year quarter.

The **Adhesive Technologies** business unit again generated solid organic sales growth in the third quarter. Nominally, sales increased by 0.3 percent to 2,100 million euros.

Once again the emerging markets reported a strong increase in organic sales. The Africa/Middle East region recorded double-digit growth, Asia (excluding Japan) showed very strong performance, and the Latin America region reported solid sales growth. Despite the difficult political situation in parts of Eastern Europe, the businesses in this region showed solid development. Sales in the mature markets overall remained slightly below the level of the prior-year period. North America reported positive sales growth while Western Europe fell short of the sales level achieved in the prior-year quarter. On the other hand, business performance in the mature markets of the Asia-Pacific region was solid.

At 373 million euros, **adjusted operating profit** matched the high level of the prior-year quarter. At 17.8 percent, adjusted return on sales also reached the high level of the prior-year quarter. Reported operating profit (EBIT) was 354 million euros compared to 365 million euros in the prior-year quarter.

Regional performance in the third quarter 2014

In a highly competitive market environment, Henkel's organic sales in the **Western Europe** region increased by 0.2 percent in the third quarter. Solid growth in Germany was a main contributor to this performance. Overall, Henkel generated sales of 1,423 million euros in Western Europe. In **Eastern Europe**, sales grew organically by 3.1 percent in a difficult market environment. Despite the political tension, Henkel's businesses in Russia made an above-average contribution to growth. However, sales in Ukraine declined. In total, Eastern Europe generated revenues of 792 million euros. Business in **Africa/Middle East** continued to be affected by political and social unrest in some countries. Nevertheless, Henkel generated organic growth of 14.9 percent in the region, once again a double-digit increase. Total sales in Africa/Middle East rose from 255 million to 279 million euros.

In the **North America** region, organic sales decreased by 3.7 percent. The business was negatively impacted by the continued intense promotional competition in Henkel's consumer goods businesses. Total sales amounted to 755 million euros. In **Latin America**, organic sales rose by 1.5 percent. A decline in sales in Brazil, which was due to weak economic development, was more than offset by strong business growth in Mexico. Total sales in Latin America reached 266 million euros. In **Asia-Pacific**, sales grew organically by 9.7 percent. This very strong performance was driven especially by double-digit growth in India and China. Total sales in the region rose from 631 million to 691 million euros.

The **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) once again provided particular momentum in the third quarter of 2014, with organic sales growth of 6.7 percent, to which all three business units contributed. With total sales amounting to 1,914 euros, the share of revenues coming from emerging markets was 45 percent, matching the level of the prior-year quarter.

Outlook for the Henkel Group 2014

Henkel continues to expect organic sales growth of 3 to 5 percent in the fiscal year 2014. As before, Henkel expects growth in the Laundry & Home Care and Adhesive Technologies business units to be within this range. In the Beauty Care business unit, Henkel now expects organic growth of approximately 2 percent. In line with its 2016 strategy, Henkel also expects a slight increase in the share of sales from its emerging markets. Henkel specifies its guidance for adjusted return on sales (EBIT) in more detail. Compared to the 2013 figure, Henkel now expects an increase to just under 16.0 percent (before: around 15.5 percent). As before, Henkel expects an increase in adjusted earnings per preferred share in the high-single digits.

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.

Contact

Wulf Klüppelholz

Phone: +49 211 797 - 1875

Email: wulf.klueppelholz@henkel.com

Julie Cruz

Phone: +49 211 797 - 8551

E-Mail: julie.cruz@henkel.com

Henkel AG & Co. KGaA

The report for the third quarter of 2014 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-and-media/press-releases-and-kits/2014-11-11-publication-report-q3-2014/273860>

Key figures Q3/2014 and 1-9/2014

in million euros	Sales		EBIT		EBIT margin	
	Q3	1-9	Q3	1-9	Q3	1-9
Laundry & Home Care						
2014	1,188	3,474	171	527	14.4%	15.2%
2013	1,167	3,531	185	527	15.8%	14.9%
organic	3.5%	4.6%	-	-	-	-
2014 adjusted ¹⁾	-	-	200	580	16.8%	16.7%
2013 adjusted ¹⁾	-	-	186	544	15.9%	15.4%
Beauty Care						
2014	918	2,671	98	346	10.6%	13.0%
2013	886	2,683	122	381	13.8%	14.2%
organic	0.8%	2.0%	-	-	-	-
2014 adjusted ¹⁾	-	-	140	419	15.2%	15.7%
2013 adjusted ¹⁾	-	-	132	400	14.9%	14.9%
Adhesive Technologies						
2014	2,100	6,062	354	1,031	16.9%	17.0%
2013	2,095	6,177	365	1,012	17.4%	16.4%
organic	2.7%	3.5%	-	-	-	-
2014 adjusted ¹⁾	-	-	373	1,055	17.8%	17.4%
2013 adjusted ¹⁾	-	-	373	1,055	17.8%	17.1%
Henkel						
2014	4,236	12,302	603	1,800	14.2%	14.6%
2013	4,184	12,503	649	1,821	15.5%	14.6%
organic	2.3%	3.3%	-	-	-	-
2014 adjusted ¹⁾	-	-	693	1,986	16.4%	16.1%
2013 adjusted ¹⁾	-	-	672	1,932	16.1%	15.5%

Henkel	Q3/2013	Q3/2014	Change	1-9/ 2013	1-9/ 2014	Change
Earnings per preferred share in euros	1.06	1.01	-4.7%	2.93	3.07	4.8%
Adjusted EPS per preferred share in euros ¹⁾	1.10	1.17	6.4%	3.13	3.37	7.7%

Changes on the basis of figures in thousand euros

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