

## Investor Relations News

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Outperform – Globalize – Simplify – Inspire

### Henkel presents growth strategy and financial targets for 2016

- Strong potential for accelerated growth and increased profitability in all three business sectors
- Financial targets 2016\*:
  - 20 bn euros sales
  - 10 bn euros sales in emerging markets
  - 10 % EPS growth (CAGR)\*\*
- Strengthen competitiveness: Focus on brands, innovations, customers
- Expand in emerging markets, leverage strong positions in mature markets
- Increase investments: capex to rise by over 40% to total 2 bn euros
- Ongoing adaptation and simplification of processes and structures
- Strengthen global team: Leadership, Talents & Performance, Diversity

London/Düsseldorf – Today, Henkel presented its new strategy and financial targets for the period up to 2016. At the same time, the company reconfirmed its guidance for fiscal 2012 based on its strong business performance in the first nine months of the year.

\* Including continuous portfolio optimization without major acquisitions and divestments

\*\* Adjusted earnings per preferred share, compound annual growth rate

**“The new strategy builds on the foundation of our corporate values and will drive Henkel’s successful development in the coming years in order to achieve our long-term vision – to be a global leader in brands and technologies,” explained Henkel CEO, Kasper Rorsted. “We will outperform our competition as a globalized company with simplified operations and a highly inspired team - this is the essence of our new strategy. We will accelerate growth and increase profitability in all our three business sectors. We are focusing particularly on the development of our core and growth categories and the expansion of our businesses in emerging markets while we are continuously adapting our structures and strengthening our global team.”**

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The new strategy builds on the successful implementation of the strategic priorities defined in 2008 for the period up to 2012. The foundation for the strategy until 2016 was a detailed **analysis of the major long-term market trends**. The portfolios of Henkel’s three business sectors were reviewed against these trends to determine how they are positioned for delivering profitable growth in their respective markets.

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As a result, Henkel has identified **considerable potential for accelerated growth and increased profitability in each of its business sectors**. The company will increase its investments and raise **capital expenditures** (capex) by more than 40 percent to a total of around 2 billion euros until 2016.

### **Financial targets 2016**

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By 2016, Henkel aims to grow **sales to 20 billion euros**, of which **10 billion euros in emerging markets**. For **adjusted earnings per preferred share (EPS)** Henkel targets a compound annual growth rate (CAGR) of **10 percent** until 2016.

These financial targets include an active **portfolio optimization**, i.e. small and mid-sized acquisitions as well as divestments or the discontinuation of non-strategic activities (with total sales of currently around 500 million euros). Potential major acquisitions or divestments are not accounted for in the financial targets.

Henkel will continue to focus on **strong cash generation** driven by reducing **net working capital** to around 5 percent of sales by 2016.

## Strategic priorities in summary

### 1. Outperform: Leverage potential in categories

Henkel will leverage its full potential in categories by actively managing its **portfolio**, strengthening **top brands**, launching powerful **innovations** and focusing on **customers and consumers**.

In its **core categories**, Henkel will continue to invest in strengthening and expanding its leading positions. In **growth categories**, investments will fuel overproportional growth of existing and new segments. In **value categories**, investments will be tailored to maximize profit potential. Henkel will focus on its strong brands: By 2016, the **top 10 brands** will generate approximately 60 percent of total sales (2012: around 46 percent).

To move its **innovation** capabilities closer to the growing consumer base in emerging markets, Henkel will open seven new R&D facilities: in Pune (India), Seoul (Korea), Dubai, Moscow (Russia), Johannesburg (South Africa), São Paulo (Brasil) and Toluca (Mexico).

### 2. Globalize: Focus on regions with high potential

In **mature markets**, Henkel will leverage its strengths and generate profitable growth by increased brand investments and continued cost focus. By 2016, the company aims to gain more top positions while increasing profitability.

In **emerging markets**, Henkel will expand its existing category positions and accelerate growth in countries where the company has already a strong presence. In addition, Henkel will selectively enter new countries. By 2016, 12 out of Henkel's Top 20 countries are expected to be in emerging markets.

### **3. Simplify: Drive operational excellence**

Henkel will continuously **improve its operational excellence** by making its processes faster, more standardized and more digital, driving cost-efficiency and reducing administration cost.

To expand the global coverage of its **Shared Services Centers**, Henkel will make significant investments and plans to open new hubs for the Arabic speaking region and Greater China/North East Asia in addition to its existing four Centers. The number of employees in Shared Services will grow to more than 3,000. A **stronger IT focus** will be critical to increase the efficiency of business processes. Henkel will leverage an integrated global IT platform supported by incremental IT investments of 140 million euros until 2016. Henkel will also increase efficiency by **sourcing** via global hubs, expanding e-sourcing and reducing the number of suppliers globally by around 40 percent by 2016.

As Henkel continuously adapts its structures to changing market environments, the company will **optimize its global manufacturing footprint** on an ongoing basis.

### **4. Inspire: Strengthen our global team**

To strengthen its global team Henkel will focus on three areas **Leadership, Talents & Performance** and **Diversity**.

As part of its focus on developing strong leaders, Henkel will expand its **training and development** programs, such as the Executive Resource Program at Harvard Business School. To **attract and retain talents** globally, Henkel will strengthen its employer brand and offer competitive compensation linked to performance. Its revised Long-Term-Incentive Plan is fully aligned with the new financial targets for 2016.

As a diverse employee base with different cultural and professional backgrounds provides a competitive advantage, Henkel promotes **diversity** by actively managing the dimensions nationality, age and gender. With around 30 percent women in management, Henkel has a leading position and strives to increase this ratio by 1 to 2 percentage points per year.

### **Long-term sustainability strategy through to 2030**

At the beginning of 2012, Henkel already announced its long-term sustainability strategy with the target to triple its resource efficiency by 2030 and defined specific intermediate targets for five-year intervals.

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Henkel operates worldwide with leading brands and technologies in three business areas: Laundry & Home Care, Beauty Care and Adhesive Technologies. Founded in 1876, Henkel holds globally leading market positions both in the consumer and industrial businesses with well-known brands such as Persil, Schwarzkopf and Loctite. Henkel employs about 47,000 people and reported sales of 15,605 million euros and adjusted operating profit of 2,029 million euros in fiscal 2011. Henkel's preferred shares are listed in the German stock index DAX.


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