

Investor Relations News

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Guidance for 2014 confirmed

Henkel delivers good performance in second quarter

- Solid organic sales growth: +3.3%
- Sales impacted by foreign exchange: 4,137 million euros (-3.5%)
- Adjusted operating profit: +2.1% to 674 million euros
- Adjusted EBIT margin: +0.9 percentage points to 16.3%
- Adjusted earnings per preferred share: +8.4% to 1.16 euros
- Strong organic sales growth in emerging markets: +6.5%

Düsseldorf – “Henkel continued its good performance in the second quarter of 2014. Despite the persistently difficult market environment, all our business units increased organic sales and further improved profitability,” said Henkel CEO Kasper Rorsted. “With a strong increase in organic sales, the emerging markets once again made an above-average contribution to growth. We also grew our business in the mature markets. However, foreign exchange continued to have a significant negative impact on reported sales.”

Commenting on the current fiscal year, Rorsted said: “We expect the escalation of the Russian Ukrainian conflict as well as the persisting political turmoil in the Middle East to have a negative impact on the market environment. Therefore, we anticipate a slower growth of adjusted earnings per preferred share in the second half of this year compared to the first half. A high degree of agility and flexibility will remain key success factors and we will continue to simplify and further accelerate our processes and structures.”

Henkel confirms guidance

Despite the challenging environment, Rorsted confirmed the outlook for 2014. “We expect to generate organic sales growth of between 3 and 5 percent. We see our adjusted EBIT margin rising to around 15.5 percent and adjusted earnings per preferred share increasing in the high single-digits.”

Good progress in strategy implementation

Rorsted said Henkel is well on track in implementing its strategic priorities and achieving its targets for 2016. In the second quarter, Henkel announced acquisitions with a total value of around 1.2 billion euros.

Sales and profit performance in the second quarter 2014

The second quarter of 2014 saw a further weakening of the emerging-market currencies in particular, and also of the US dollar. Due to the negative foreign-exchange impact, **sales** amounted to 4,137 million euros, 3.5 percent below the figure for the prior-year quarter. By contrast, **organic sales** – which exclude the impact of foreign exchange and acquisitions/divestments – rose by 3.3 percent.

The **Laundry & Home Care** business unit posted solid organic sales growth of 4.2 percent. In the **Beauty Care** business unit, sales rose organically by a solid 2.1 percent. **Adhesive Technologies** likewise posted a solid improvement in organic sales of 3.7 percent.

After allowing for one-time gains, one-time charges and restructuring charges, **adjusted operating profit** rose by 2.1 percent, from 660 million euros to 674 million euros. Reported operating profit (EBIT) amounted to 589 million euros compared to 607 million euros in the prior-year quarter.

Adjusted return on sales (EBIT margin) increased by a very strong 0.9 percentage point, from 15.4 to 16.3 percent. At 14.2 percent, reported return on sales matched the level of the prior-year quarter.

The **financial result** amounted to -11 million euros compared to -27 million euros in the second quarter of 2013. This positive development is primarily due to an improvement in the net interest result. The reasons for this include repayments of senior bonds in June 2013 and March 2014, as well as the maturing of interest-rate fixings in March 2014. The tax rate was 22.8 percent compared to 25.5 percent in the prior-year quarter.

Net income for the quarter increased by 3.2 percent, from 432 million euros to 446 million euros. After deducting 5 million euros attributable to non-controlling interests, net income amounted to 441 million euros (prior-year quarter: 418 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 499 million euros compared to 461 million euros in the prior-year period. **Earnings per preferred share** (EPS) rose from 0.96 euro to 1.02 euros. After adjustment, EPS increased by 8.4 percent, from 1.07 euros in the second quarter of 2013 to 1.16 euros.

The ratio of **net working capital to sales** was 6.0 percent compared to 5.2 percent in the same period last year. As of June 30, 2014, Henkel showed a **net financial position** of 156 million euros, representing an increase of around 300 million euros year-on-year.

Business performance January through June 2014

Negatively affected by foreign-exchange movements, **sales** for the first half of 2014 totaled 8,066 million euros, 3.0 percent below the figure for the prior-year period. **Organic sales** on the other hand, rose by a solid 3.8 percent, with all of Henkel's business units contributing. **Adjusted operating profit** increased by 2.7 percent, from 1,260 million euros to 1,293 million euros. There was a very strong increase in **adjusted return on sales** (EBIT margin) from 15.1 percent to 16.0 percent, with all business units contributing.

Adjusted net income for the half year was 963 million euros compared to 902 million euros in the same prior-year period. After deducting non-controlling interests

of 12 million euros, adjusted net income increased by 8.3 percent, from 878 million euros to 951 million euros. At 2.20 euros, **adjusted earnings per preferred share** (EPS) exceeded the prior-year figure by 8.4 percent.

Business unit performance in the second quarter 2014

The **Laundry & Home Care** business unit continued to generate profitable growth in the second quarter, further expanding its positions in relevant markets. **Sales** grew organically by 4.2 percent year-on-year. Nominally, sales amounted to 1,139 million euros compared to 1,186 million euros in the same quarter of the previous year.

This solid organic sales performance was mainly attributable to the emerging markets, which again posted double-digit growth, driven primarily by the Africa/Middle East region. Latin America contributed to this successful business development with solid sales growth, and Eastern Europe also generated solid sales in a difficult market environment. Overall, organic sales in the mature markets fell below the level of the prior-year quarter, although sales increased in Western Europe. Due to an increasingly declining market and very intense competition, sales in North America fell below the level of the second quarter of 2013.

Adjusted operating profit at the Laundry & Home Care business unit increased by 4.2 percent to 190 million euros. At 16.6 percent, adjusted return on sales improved by a significant 1.3 percentage points versus the second quarter of 2013. Reported operating profit amounted to 160 million euros compared to 167 million euros in the prior-year period.

The **Beauty Care** business unit also posted further profitable growth in the second quarter of 2014. At 2.1 percent, organic sales growth was once again higher than the rate of expansion in the relevant markets, leading to higher market shares. Nominally, **sales** amounted to 897 million euros following 923 million euros in the prior-year quarter.

The business unit sustained its strong organic sales growth in the emerging markets. Sales in Asia (excluding Japan) again increased in the double-digit range. Growth in the Africa/Middle East region was very strong, and Eastern Europe continued to perform solidly. In the mature markets – characterized by further decline, increasing promotional activity, and higher pressure on prices – Beauty Care’s performance still remained steady overall, with positive growth in Western Europe. Adversely affected by sharply intensified price competition, sales in North America fell below the level of the second quarter of 2013. Sales in the mature markets of Asia-Pacific also declined year-on-year.

— **Adjusted operating profit** generated by the Beauty Care business unit showed a significant increase of 5.1 percent versus prior year, taking the figure to 145 million euros. Adjusted return on sales improved significantly by 1.3 percentage points to 16.2 percent. At 135 million euros, reported operating profit matched the level of the prior-year quarter.

— The **Adhesive Technologies** business unit continued to generate profitable growth in the second quarter with another solid increase in organic sales of 3.7 percent. Nominally, **sales** amounted to 2,069 million euros compared to 2,138 million euros in the prior-year period.

— In the emerging markets, organic sales growth was solid, with the highest increases in the regions of Asia (excluding Japan) and Africa/Middle East. Sales rose strongly in both regions. A solid increase in sales was posted in Latin America, and Eastern Europe also showed solid development, despite the difficult political situation in parts of the region. Solid sales growth was achieved in the mature markets, driven mainly by solid growth in Western Europe and an improvement in Southern Europe. North America posted a positive sales performance, while sales in the mature markets of the Asia-Pacific region fell short of the level achieved in the second quarter of 2013.

At 362 million euros, **adjusted operating profit** at Adhesive Technologies matched the level of the prior-year quarter. Adjusted return on sales showed a very strong

improvement versus the prior-year period, rising 0.6 percentage points to 17.5 percent. Reported operating profit increased by 4.0 percent, to 346 million euros.

Regional performance in the second quarter 2014

In a highly competitive market environment, Henkel's sales in the **Western Europe** region increased by 1.9 percent, to 1,450 million euros. Organically, sales grew by 2.2 percent, with the slight decline in Southern Europe being offset by, in particular, growth in France and the Benelux countries. Sales in the **Eastern Europe** region amounted to 739 million euros following 799 million euros in the prior-year quarter. Organic growth was 2.8 percent, with the businesses in Russia and Turkey making a major contribution. Sales in the **Africa/Middle East** region totaled 287 million euros compared to 307 million euros in the prior-year quarter. Despite ongoing political unrest in some countries, the region once again posted double-digit organic sales growth with a plus of 17.5 percent.

The **North America** region achieved sales of 703 million euros following 760 million euros in the prior-year period. Organically, sales were 0.7 percent below the figure for the same period last year, with business negatively impacted by, in particular, persistently intense promotional competition in the consumer goods businesses. Sales in **Latin America** amounted to 259 million euros compared to 282 million euros in the prior-year quarter. Organically, however, sales grew by 3.8 percent, driven primarily by the businesses in Mexico. In the **Asia-Pacific** region, sales amounted to 666 million euros following 675 million euros in the prior-year period. Organically, sales improved by 5.5 percent. This strong performance was particularly attributable to double-digit growth in China.

In nominal terms, sales in the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) declined by 5.1 percent to 1,844 million euros due to negative foreign exchange effects. However, sales rose by 6.5 percent organically. Driven by the activities of all three business units, the emerging markets thus once again made an above-average contribution to growth. At 45 percent, their share of sales remained at the level of the second quarter of 2013. In

the **mature markets**, sales grew organically by 0.9 percent, coming in at 2,261 million euros.

Outlook for the Henkel Group 2014

Henkel expects to generate organic sales growth of between 3 and 5 percent in the fiscal year 2014. Henkel anticipates that each business unit will generate organic sales growth within this range. In line with its 2016 strategy, Henkel also expects a slight increase in the share of sales from its emerging markets. Compared to the 2013 figures, Henkel expects adjusted return on sales (EBIT) to rise to around 15.5 percent and 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.

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<https://itunes.apple.com/en/app/henkel/id580146237>

Key figures Q2/2014 and 1-6/2014

in million euros	Sales		EBIT		EBIT margin	
	Q2	1-6	Q2	1-6	Q2	1-6
Laundry & Home Care						
2014	1,139	2,286	160	356	14.0%	15.6%
2013	1,186	2,363	167	342	14.1%	14.5%
organic	4.2%	5.1%	-	-	-	-
2014 adjusted ¹⁾	-	-	190	380	16.6%	16.6%
2013 adjusted ¹⁾	-	-	182	358	15.3%	15.2%
Beauty Care						
2014	897	1,753	135	248	15.0%	14.2%
2013	923	1,796	135	259	14.6%	14.4%
organic	2.1%	2.6%	-	-	-	-
2014 adjusted ¹⁾	-	-	145	279	16.2%	15.9%
2013 adjusted ¹⁾	-	-	138	268	14.9%	14.9%
Adhesive Technologies						
2014	2,069	3,962	346	677	16.7%	17.1%
2013	2,138	4,082	333	646	15.6%	15.8%
organic	3.7%	3.9%	-	-	-	-
2014 adjusted ¹⁾	-	-	362	681	17.5%	17.2%
2013 adjusted ¹⁾	-	-	362	682	16.9%	16.7%
Henkel						
2014	4,137	8,066	589	1,197	14.2%	14.8%
2013	4,286	8,319	607	1,172	14.2%	14.1%
organic	3.3%	3.8%	-	-	-	-
2014 adjusted ¹⁾	-	-	674	1,293	16.3%	16.0%
2013 adjusted ¹⁾	-	-	660	1,260	15.4%	15.1%

Henkel	Q2/2013	Q2/2014	Change	1-6/ 2013	1-6/ 2014	Change
Earnings per preferred share in euros ¹⁾	0.96	1.02	6.3%	1.87	2.06	10.2%
Adjusted earnings per preferred share in euros ¹⁾	1.07	1.16	8.4%	2.03	2.20	8.4%

Changes on the basis of figures in thousand euros

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