

News Release

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Henkel continues successful development in an increasingly challenging environment

Henkel delivers strong second-quarter performance

- Sales at 4,654 million euros: organic +3.2% (nominal: -0.9%)
- Emerging markets sales growth: organic +6.1%
- Operating profit*: +6.6% to 819 million euros
- Earnings per preferred share* (EPS): +8.5% to 1.40 euros
- Very strong EBIT margin* improvement: +120 basis points to 17.6%
- Guidance for full year EBIT margin* raised

Düsseldorf – “Henkel delivered a strong business performance in the second quarter. We generated solid organic sales growth, supported by a strong development in the emerging markets and a positive development in the mature markets. We were also able to significantly increase both earnings and profitability. Adjusted earnings per preferred share grew by 8.5 percent to 1.40 euros and adjusted return on sales rose to 17.6 percent, representing new record levels for Henkel. The successful development of Henkel was driven by all three business units,” said Henkel CEO Hans Van Bylen. “I would like to thank our global team which contributed to the strong performance in the second quarter.”

“We are also very excited about the acquisition of The Sun Products Corporation which we agreed on in the second quarter. This will be a step-change for our position in North America, one of the most important regions for Henkel worldwide. Upon closing of this transaction, we will reach the No. 2 position in the US laundry care market.”

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

Commenting on the current fiscal year, Van Bylen said: “We are facing a market environment which is becoming increasingly challenging, with moderate global economic growth, slowing growth dynamics, high uncertainties in the markets and unfavorable foreign exchange developments. We are committed to reaching our ambitious targets and will focus on leveraging our innovation capabilities, our strong brands and our leading market positions.”

Guidance for full year adjusted EBIT margin raised

“For the full fiscal year 2016, we continue to expect organic sales growth of 2 to 4 percent and our adjusted earnings per preferred share to grow between 8 and 11 percent. For adjusted EBIT margin, we now anticipate an increase to more than 16.5 percent. We had previously expected this figure to reach approximately 16.5 percent,” said Hans Van Bylen.

Sales and earnings performance in the second quarter 2016

In the second quarter of 2016, Henkel generated **organic** sales growth – i.e. adjusted for foreign exchange and acquisitions/divestments – of 3.2 percent. Nominally, **sales** decreased by 0.9 percent to 4,654 million euros due to a negative foreign exchange impact of 5.3 percent.

The **Laundry & Home Care** business unit recorded strong organic sales growth of 5.3 percent. The **Beauty Care** business unit posted a solid improvement in organic sales of 2.1 percent. The **Adhesive Technologies** business unit likewise reported a solid increase in organic sales of 2.6 percent.

After allowing for one-time charges and gains and restructuring charges, **adjusted operating profit** (EBIT) rose by 6.6 percent from 768 million euros to 819 million euros. Reported operating profit grew by 5.8 percent from 715 million euros to 757 million euros.

Adjusted return on sales (EBIT margin) showed an increase of 1.2 percentage points to 17.6 percent. Reported return on sales rose from 15.2 percent to 16.3 percent.

Henkel's **financial result** improved from -11 million euros in the second quarter of 2015 to -1 million euros this time. This is attributable both to the improvement in the net interest result and an improvement in the foreign exchange result. The reported tax rate was 24.3 percent; in the prior-year quarter it was 24.6 percent.

Adjusted net income for the quarter after deducting non-controlling interests grew by 8.8 percent from 558 million euros to 607 million euros. Reported net income for the quarter increased by 7.7 percent from 531 million euros to 572 million euros. After deducting 11 million euros attributable to non-controlling interests, quarterly net income amounted to 561 million euros (prior-year quarter: 521 million euros).

Adjusted earnings per preferred share (EPS) rose by 8.5 percent from 1.29 euros to 1.40 euros. Reported EPS increased from 1.20 euros to 1.30 euros.

Net working capital related to sales improved year on year by 1.3 percentage points to 5.3 percent.

Strong business performance in the first half of 2016

In the first half of 2016, Henkel generated **organic** sales growth – i.e. adjusted for foreign exchange and acquisitions/divestments – of 3.1 percent, with all Henkel's business units contributing. Nominally, **sales** slightly decreased by 0.2 percent to 9,110 million euros due to negative foreign exchange effects.

Adjusted operating profit rose by 6.4 percent from 1,475 million euros to 1,570 million euros; **adjusted return on sales** improved from 16.2 percent to 17.2 percent. After deducting non-controlling interests, **adjusted net income for the half year** rose by 8.2 percent from 1,068 million euros to 1,156 million euros.

Adjusted earnings per preferred share (EPS) grew by 8.1 percent or 20 eurocents from 2.47 euros to 2.67 euros.

Effective June 30, 2016, Henkel's **net financial position** showed a balance of -118 million euros (December 31, 2015: 335 million euros). The change compared to the end of 2015 was mainly due to dividends paid and payments for acquisitions.

Business unit performance in the second quarter 2016

The second quarter of 2016 saw the **Laundry & Home Care** business unit successfully extend its profitable growth path. **Sales** grew organically by 5.3 percent year on year, once again outperforming the relevant markets. Nominally, sales increased by 2.4 percent to 1,345 million euros (prior-year quarter: 1,314 million euros).

The strong organic improvement was mainly driven by business growth in the emerging markets. In Asia (excluding Japan), the business unit achieved double-digit growth. Posting a very strong increase in sales, the regions of Eastern Europe and Latin America contributed to the good performance reported. The Africa/Middle East region posted very strong growth under the challenging conditions of a still difficult market environment. Sales growth in the mature markets was solid. Sales in the North America region experienced a very strong increase year on year. Western Europe posted a positive sales performance in an intensely competitive environment.

Adjusted operating profit at the Laundry & Home Care business unit increased by a very strong 8.4 percent to 244 million euros. At 18.1 percent, adjusted return on sales improved by an excellent 1.0 percentage points versus the second quarter of 2015. Reported operating profit increased by 10.3 percent from 198 million euros to 218 million euros.

The **Beauty Care** business unit also successfully extended its long-established path of profitable growth in the second quarter of 2016. Organically, **sales** rose by 2.1

percent. Nominally, sales amounted to 988 million euros after 1,006 million euros in the prior-year quarter.

The business unit continued its successful development in emerging markets with very strong organic sales growth. In particular, Eastern Europe and Latin America contributed double-digit sales growth to the good results achieved. Sales in the Africa/Middle East region were below the level of the second quarter 2015, while the Asia region (excluding Japan) was able to achieve strong growth. Sales performance in the mature markets was slightly below the level of the prior-year quarter. Due to persistently intense crowding-out competition and strong price pressure, sales in Western Europe and in the mature markets of the Asia-Pacific region were below the level of the second quarter of 2015. North America recorded solid organic sales growth.

Adjusted operating profit of the Beauty Care business unit showed a solid growth of 3.6 percent to 172 million euros. There was a very strong improvement in adjusted return on sales of 0.9 percentage points, taking it to a new high of 17.4 percent. Reported operating profit grew by 2.0 percent to 162 million euros.

The **Adhesive Technologies** business unit generated solid organic sales growth of 2.6 percent in the second quarter. Nominally, sales amounted to 2,290 million euros after 2,343 million euros in the prior-year quarter.

The emerging markets continued their successful performance with further solid organic sales growth. Both Latin America and Eastern Europe experienced double-digit organic sales growth. Sales in Africa/Middle East showed a solid growth rate. In the Asia region (excluding Japan), sales were slightly below the level of the prior-year quarter, due particularly to weakening economic growth in China. Sales performance in the mature markets was positive as a whole. The businesses in Western Europe achieved solid sales growth. However, sales in the mature markets of the Asia-Pacific region remained below the level of the second quarter of 2015. In North America, sales were just below the level of the prior-year quarter.

Adjusted operating profit at the Adhesive Technologies business unit increased year on year by a very strong 7.1 percent to 426 million euros. Adjusted return on sales improved by an excellent 1.6 percentage points to a new high of 18.6 percent. Reported operating profit rose by 3.7 percent to 403 million euros.

Regional performance in the second quarter 2016

In a highly competitive market environment, Henkel's sales in the **Western Europe** region increased organically by 1.1 percent. In particular, the countries of Southern Europe along with the UK posted very strong performance, while sales in France and Benelux decreased. Nominally, sales in the region increased by 1.4 percent to 1,585 million euros. In **Eastern Europe**, sales grew organically by 9.7 percent in a challenging market environment. The main contribution to this performance came from the businesses in Russia, Turkey and Poland. Nominal sales in the region totaled 698 million euros (prior-year quarter: 707 million euros). Growth in the **Africa/Middle East** region continued to be impacted by the geopolitical unrest prevailing in some countries. Nevertheless, organic sales growth was at 4.4 percent. Nominal sales amounted to 333 million euros after 342 million euros in the second quarter of 2015.

Sales in the **North America** region increased organically by 1.8 percent. At 932 million euros, nominal sales were at prior-year level (prior-year quarter: 934 million euros). Organic sales in **Latin America** increased double-digit by 11.0 percent, with business performance in Mexico making a significant contribution to this improvement. Nominal sales amounted to 266 million euros following 292 million euros in the prior-year quarter. Sales in the **Asia-Pacific** region grew organically by 0.4 percent. This positive organic improvement resulted primarily from business performance in India and South Korea, while performance in China declined. At 808 million euros, nominal sales were below the level of the second quarter of 2015 (826 million euros).

With an increase in organic sales – driven by all three business units – of 6.1 percent, the **emerging markets** again made an above-average contribution to the

organic growth of the Group. Due to negative foreign exchange effects, nominal sales decreased by 4.0 percent to 1,964 million euros. Hence, at 42 percent, the share of Group sales from emerging markets was slightly below the level of the second quarter of 2015. In the **mature markets**, sales grew organically by 1.0 percent to 2,659 million euros.

Outlook for the Henkel Group in 2016

Henkel has updated its guidance for fiscal 2016. Henkel continues to expect to generate organic sales growth of 2 to 4 percent, with each business unit generating growth within this range. Regarding the share of sales from emerging markets, Henkel now anticipates a slight decrease compared to the prior-year level due to foreign exchange effects. For adjusted return on sales (EBIT), Henkel now expects an increase to more than 16.5 percent and the adjusted return on sales of each individual business unit is expected to be above the level of the previous year. Henkel continues to expect 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 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 report for the second quarter of 2016 and other information with download material and the link to the teleconference broadcast can be found on the internet at:

www.henkel.com/ir

www.henkel.com/press

Key figures Q2/2016 and 1-6/2016

in million euros	Sales		EBIT		EBIT margin	
	Q2	1-6	Q2	1-6	Q2	1-6
Laundry & Home Care						
2016	1,345	2,678	218	454	16.2%	17.0%
2015	1,314	2,612	198	389	15.1%	14.9%
organic	5.3%	5.0%	-	-	-	-
2016 adjusted ¹⁾	-	-	244	487	18.1%	18.2%
2015 adjusted ¹⁾	-	-	225	447	17.1%	17.1%
Beauty Care						
2016	988	1,938	162	304	16.4%	15.7%
2015	1,006	1,946	158	291	15.7%	15.0%
organic	2.1%	2.4%	-	-	-	-
2016 adjusted ¹⁾	-	-	172	329	17.4%	17.0%
2015 adjusted ¹⁾	-	-	166	316	16.5%	16.2%
Adhesive Technologies						
2016	2,290	4,433	403	766	17.6%	17.3%
2015	2,343	4,503	388	733	16.6%	16.3%
organic	2.6%	2.4%	-	-	-	-
2016 adjusted ¹⁾	-	-	426	802	18.6%	18.1%
2015 adjusted ¹⁾	-	-	398	751	17.0%	16.7%
Henkel						
2016	4,654	9,110	757	1,474	16.3%	16.2%
2015	4,695	9,125	715	1,363	15.2%	14.9%
organic	3.2%	3.1%	-	-	-	-
2016 adjusted ¹⁾	-	-	819	1,570	17.6%	17.2%
2015 adjusted ¹⁾	-	-	768	1,475	16.4%	16.2%

Henkel	Q2/2015	Q2/2016	Change	1-6/ 2015	1-6/ 2016	Change
Earnings per preferred share in euros ¹⁾	1.20	1.30	8.3%	2.29	2.51	9.6%
Adjusted earnings per preferred share in euros ¹⁾	1.29	1.40	8.5%	2.47	2.67	8.1%

Changes on the basis of figures in thousand euros

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