



News Release

August 13, 2019

Henkel updates guidance for fiscal year 2019

Mixed performance in increasingly difficult market environment

- **Adhesive Technologies delivers robust performance**
- **Beauty Care below expectations**
- **Laundry & Home Care achieves good business development**
- **Sales of 5,121 million euros, almost at prior-year level, organic: -0.4%**
- **EBIT margin* at 16.5% (-1.5 pp), earnings per preferred share (EPS)* at 1.43 euros (-9.5%)**
- **First successes from announced growth initiatives**
- **Investments in growth and digitalization**
- **Strong balance sheet with good cash management**

Düsseldorf – In the **second quarter** of 2019, Henkel was affected by an increasingly difficult market environment. **Sales** were nominally and organically almost on prior-year level. The **adjusted EBIT margin**, adjusted EBIT and **adjusted earnings per preferred share (EPS)** were below the level of the prior year.

In the **first half of 2019**, Henkel achieved a slightly positive organic sales development, while margin decreased – in line with expectations following the announcement of increased growth investments at the beginning of the year.

“The development in the second quarter was mainly characterized by a significant decline in demand in key industries such as the automotive industry. This particularly



affected our industrial business. Nevertheless, our **Adhesive Technologies** business delivered a robust performance, achieving sales almost on prior-year level and an excellent EBIT-margin,” said Henkel CEO Hans Van Bylen.

“The development of the **Beauty Care** Retail business was significantly below our expectations. On the one hand, this was due to not satisfying developments in mature markets such as North America and Western Europe. In China, the Retail business was impacted by ongoing stock adjustments. In addition, marketing and sales expenses were higher overall,” commented Hans Van Bylen. “The Professional business, however, continued its strong performance.”

“In the **Laundry & Home Care** business we achieved good organic sales growth. Despite the announced investments, adjusted EBIT margin remained at a high level. The newly launched innovations also contributed to the overall good development in this business unit.”

Investments in growth and digitalization

“Despite the difficult economic outlook, we will continue to implement our **strategic priorities** and execute our planned **growth investments** as announced. We focus on strengthening our businesses and will further increase our competitiveness to deliver sustainable profitable growth,” Hans Van Bylen continued.

“At the same time, we considered the **changing economic environment** in our full year guidance 2019.”

Updated outlook for fiscal year 2019

Henkel does not anticipate industrial demand to increase in the second half of the year – in contrast to previous expectations. In addition, it is expected that the Beauty Care business unit will develop below our initial expectations in the course of the year. Against this background, Henkel has **updated the guidance for the fiscal year**.

Previously, Henkel had expected organic sales growth of between 2 and 4 percent for the **Group** and **all three business units**. Now, Henkel anticipates for the **Group** an organic sales growth of 0 to 2 percent. For **Adhesive Technologies**, Henkel expects an organic sales growth of -1 to 1 percent. For **Beauty Care**, Henkel anticipates an organic sales development of -2 to 0 percent. For **Laundry & Home Care**, Henkel continues to expect organic growth in the range of 2 to 4 percent.

Henkel continues to expect **adjusted return on sales** on Group level in the range of 16 to 17 percent.

For **adjusted earnings per preferred share (EPS)**, Henkel now anticipates a development in the mid- to high single-digit percentage range below prior year at constant exchange rates (previously: mid-single-digit percentage range below prior year at constant exchange rates).

Sales and earnings performance in the second quarter 2019

At 5,121 million euros, **sales** in the second quarter 2019 were almost on prior-year level. **Organic** sales, which exclude the impact of currency effects and acquisitions/divestments, showed a slightly negative development of -0.4 percent. The contribution from acquisitions and divestments amounted to 0.5 percent. Currency effects had a negative impact of -0.5 percent on sales.

The **Adhesive Technologies** business unit reported a slightly negative organic development in sales of -1.2 percent. In the **Beauty Care** business unit, sales were organically -2.4 percent below the level of the prior-year quarter. The **Laundry & Home Care** business unit achieved a good organic sales growth of 2.0 percent.

The **emerging markets** achieved a strong organic sales growth of 3.9 percent. Africa/Middle East and Latin America achieved double-digit growth. The **mature markets** showed a negative organic sales development of -3.2 percent.

In a highly competitive market environment, sales in **Western Europe** showed a negative organic development of -1.8 percent. **Eastern Europe** achieved organic growth of 8.0 percent. In **Africa/Middle East**, sales grew organically by 16.5 percent. **North America** recorded organic sales development of -5.0 percent. **Latin America** achieved organic growth of 11.0 percent. In the **Asia-Pacific** region, sales decreased organically by -7.9 percent.

Adjusted operating profit (EBIT) decreased by -8.6 percent from 926 million euros in the second quarter 2018 to 846 million euros.

Adjusted return on sales (EBIT) reached 16.5 percent, -1.5 percentage points below the prior-year quarter.

Adjusted earnings per preferred share decreased by -9.5 percent from 1.58 euros in the second quarter 2018 to 1.43 euros. At constant exchange rates, adjusted earnings per preferred share likewise decreased by -9.5 percent.

At 6.7 percent, **net working capital** as a percentage of sales was slightly above the level of the second quarter 2018 (6.3 percent).

Business unit performance

In the second quarter 2019, sales in the **Adhesive Technologies** business unit reached 2,422 million euros and were almost at the level of the prior-year quarter. **Organically, sales** development was -1.2 percent. **Adjusted operating profit** increased by 1.5 percent and reached 469 million euros. **Adjusted return on sales** showed a good development compared to the second quarter 2018, reaching 19.3 percent. Particularly positive was the development of solutions for the aerospace industry, which recorded double-digit growth in the second quarter.

In the **Beauty Care** business unit, **sales** showed an **organic** development of -2.4 percent. Nominally, sales were -3.2 percent below prior-year level, reaching 1,002 million euros. **Adjusted operating profit** reached 122 million euros and was

-34.9 percent below the level of the second quarter 2018. **Adjusted return on sales** showed a negative development and reached 12.2 percent. The development of the Beauty Care **Retail business** was impacted by the weak performance in mature markets. In addition, the Retail business in China was affected by ongoing stock adjustments. Furthermore, expenses increased due to higher investments in marketing and sales and higher material prices. In contrast, the **Professional business** continued its successful performance and once more achieved strong organic growth.

The **Laundry & Home Care** business unit generated good **organic sales growth** of 2.0 percent in the second quarter. Nominally, sales increased by 1.3 percent to 1,666 million euros, after 1,644 million euros in the prior-year quarter. At 279 million euros, **adjusted operating profit** was -5.3 percent below the prior-year quarter. At 16.8 percent, **adjusted return on sales** was – as expected – below the level of the second quarter 2018. This development was mainly driven by higher investments in marketing and sales and launch of innovations as announced at the beginning of the year. The development in the business area Home Care was particularly good, achieving a very strong organic growth rate. Also, the new Persil four-chamber discs were successfully launched in several markets.

Business performance in the first half of 2019

In the first half of 2019, Henkel generated **sales** of 10.1 billion euros, an increase of 1.1 percent. **Organic sales growth**, which excludes the impact of currency effects and acquisitions/divestments, was at 0.1 percent. Foreign exchange effects contributed 0.4 percent to sales.

Adjusted operating profit decreased by -7.2 percent from 1,768 million euros to 1,641 million euros.

Adjusted return on sales was at 16.3 percent, after 17.7 percent in the first half of 2018.

Adjusted earnings per preferred share showed a negative development of -8.0 percent from 3.01 euros to 2.77 euros. At constant exchange rates, adjusted earnings per preferred share likewise decreased by -8.0 percent.

In the first half of 2019, the **Adhesive Technologies** business unit showed a slightly negative organic sales development of -1.0 percent. Adjusted return on sales was at 18.1 percent (previous year: 18.5 percent).

The **Beauty Care** business unit showed an organic sales development of -2.3 percent. Adjusted return on sales was at 13.5 percent (previous year: 17.4 percent).

The **Laundry & Home Care** business unit generated strong organic sales growth of 3.3 percent. Adjusted return on sales was at 16.9 percent (previous year: 18.2 percent).

Effective June 30, 2019, Henkel's **net financial position** showed a balance of -2,820 million euros (December 31, 2018: -2,895 million euros) and further improved – despite the payout of a record dividend of around 800 million euros in the second quarter.

Focus on sustainable profitable growth

“We pursue a long-term strategy with clear priorities and ambitious goals,” said Hans Van Bylen. “Our investments in brands, technologies, innovations and digitalization underpin our commitment to sustainable profitable growth.”

About Henkel

Henkel operates globally with a well-balanced and diversified portfolio. The company holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market – across all industry segments worldwide. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2018, Henkel reported sales of around 20 billion euros and adjusted operating profit of around 3.5 billion euros. Henkel employs around 53,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose to create sustainable value, and shared values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel's preferred shares are listed in the German stock index DAX. For more information, please visit www.henkel.com.

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The statement for the second quarter of 2019 and other information with download material as well as the link to the teleconference broadcast can be found on the internet at:

www.henkel.com/press

www.henkel.com/ir



Key figures Q2 2019 and 1-6 2019

in million euros	Sales		EBIT		EBIT margin	
	Q2	1-6	Q2	1-6	Q2	1-6
Adhesive Technologies						
2019	2,422	4,731	444	825	18.3%	17.4%
2018	2,432	4,702	438	827	18.0%	17.6%
organic growth	-1.2%	-1.0%	-	-	-	-
2019 adjusted ¹⁾	-	-	469	857	19.3%	18.1%
2018 adjusted ¹⁾	-	-	462	871	19.0%	18.5%
Beauty Care						
2019	1,002	1,962	98	234	9.8%	11.9%
2018	1,035	2,000	151	303	14.6%	15.2%
organic growth	-2.4%	-2.3%	-	-	-	-
2019 adjusted ¹⁾	-	-	122	266	12.2%	13.5%
2018 adjusted ¹⁾	-	-	187	349	18.1%	17.4%
Laundry & Home Care						
2019	1,666	3,334	240	483	14.4%	14.5%
2018	1,644	3,213	246	465	14.9%	14.5%
organic growth	2.0%	3.3%	-	-	-	-
2019 adjusted ¹⁾	-	-	279	565	16.8%	16.9%
2018 adjusted ¹⁾	-	-	295	586	17.9%	18.2%
Henkel						
2019	5,121	10,090	756	1,492	14.8%	14.8%
2018	5,143	9,978	814	1,553	15.8%	15.6%
organic growth	-0.4%	0.1%	-	-	-	-
2019 adjusted ¹⁾	-	-	846	1,641	16.5%	16.3%
2018 adjusted ¹⁾	-	-	926	1,768	18.0%	17.7%
Henkel						
	Q2 2018	Q2 2019	Change	1-6 2018	1-6 2019	Change
Earnings per preferred share in euros	1.38	1.28	-7.2%	2.63	2.51	-4.6%
Adjusted earnings per preferred share in euros ¹⁾	1.58	1.43	-9.5%	3.01	2.77	-8.0%
at constant exchange rates			-9.5%			-8.0%

Changes on the basis of figures in thousand euros

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