



News Release

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Strong performance in fiscal year 2016

Henkel reports sales and earnings at record levels

- Sales: +3.5% to 18,714 million euros (organic: +3.1%)
- Emerging markets sales growth: organic +6.8%
- Strong increase of operating profit*: +8.5% to 3,172 million euros
- Very strong EBIT margin* improvement: +70 basis points to 16.9%
- Excellent earnings per preferred share*: +9.8% to 5.36 euros
- Double-digit dividend** increase: +10.2% to 1.62 euros per preferred share

Düsseldorf – “2016 was a very successful year for Henkel. In a challenging market environment, we achieved again new record levels for sales and earnings and met our financial targets for the fiscal year. We delivered a high quality of earnings. For the first time we reached an adjusted operating profit of more than 3 billion euros,” said Henkel CEO Hans Van Bylen. “In September, we closed the acquisition of Sun Products, which was the second-largest transaction in our company’s history. This marks a major step for Henkel and substantially strengthens our Laundry & Home Care business in North America. In November, we presented our new ambitions and strategic priorities for 2020 and beyond. Based on our strong foundation, our excellent results in 2016 and our clear priorities for the coming years, we are committed to continue our successful development in the future.”

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

** Proposal to shareholders for the Annual General Meeting on April 6, 2017.

Outlook for 2017

Looking at the current fiscal year 2017, Hans Van Bylen said: “We expect the highly volatile and uncertain market environment to continue. Nevertheless, based on our clear strategic direction, our strong global team and our innovative brands and technologies with leading market positions, we are well-positioned for further profitable growth: For the full fiscal year 2017, we expect organic sales growth of 2 to 4 percent. We expect our adjusted EBIT margin to increase to more than 17.0 percent and adjusted earnings per preferred share to grow between 7 and 9 percent.”

Sales and earnings performance 2016

At 18,714 million euros, **sales** in the fiscal year 2016 reached a new record level and grew by 3.5 percent compared to the previous year. Adjusted for foreign exchange effects, sales grew by 7.1 percent. The positive effect from acquisitions and divestments amounted to 4.0 percent, mainly as a result of acquiring The Sun Products Corporation. **Organic** sales, which exclude the impact of foreign exchange and acquisitions/divestments, showed a solid increase of 3.1 percent.

All business units reported solid organic sales growth. The **Adhesive Technologies** business unit achieved organic sales growth of 2.8 percent. Sales in the **Beauty Care** business unit grew organically by 2.1 percent and the **Laundry & Home Care** business unit recorded organic sales growth of 4.7 percent.

After allowing for one-time charges, one-time gains and restructuring charges, **adjusted operating profit (EBIT)** improved by 8.5 percent to a new high of 3,172 million euros (previous year: 2,923 million euros). All three business units contributed to this positive performance. Reported operating profit (EBIT) amounted to 2,775 million euros compared to 2,645 million euros in the previous year.

Adjusted return on sales (EBIT margin) rose by 0.7 percentage points from 16.2 percent to 16.9 percent, reaching a new record level. Reported return on sales increased by 0.2 percentage points to 14.8 percent (previous year: 14.6 percent).

The **financial result** improved from -42 million euros to -33 million euros. The financing costs relating to the acquisition of The Sun Products Corporation were more than offset by the positive effects from the repayment of the hybrid bond.

Adjusted net income for the year after non-controlling interests increased by 10.0 percent to 2,323 million euros (2015: 2,112 million euros). After deducting 40 million euros attributable to non-controlling interests, reported net income increased by 6.9 percent from 1,921 million euros to 2,053 million euros.

Adjusted earnings per preferred share grew by 9.8 percent from 4.88 euros to 5.36 euros and reached a new record level. Reported earnings per preferred share rose from 4.44 euros to 4.74 euros.

The Management Board, Supervisory Board and Shareholders' Committee will propose to the Annual General Meeting on April 6, 2017 an increase in the **dividend** per preferred share of 10.2 percent to 1.62 euros (previous year: 1.47 euros) and an increase in the dividend per ordinary share of 10.3 percent to 1.60 euros (previous year: 1.45 euros). This would be the highest dividend in the company's history and equal a payout ratio of 30.3 percent.

Net working capital as a percentage of sales improved by 0.3 percentage points from 3.8 percent to 3.5 percent.

The **net financial position** closed the year at -2,301 million euros (December 31, 2015: 335 million euros). The change compared to the end of the previous year was primarily due to payments for acquisitions.

Business unit performance

The **Adhesive Technologies** business unit generated solid organic sales growth of 2.8 percent in fiscal 2016, thus outperforming market expansion. Nominally, **sales** were at 8,961 million euros after 8,992 million euros in the previous year.

The emerging markets continued their successful performance with strong organic sales growth, with double-digit increases in the Latin America region and strong growth in the Eastern Europe region. Sales in Asia (excluding Japan) showed a solid development. Sales performance in the Africa/Middle East region was positive, despite the ongoing uncertain political situation and deterioration in the economic conditions prevailing in parts of the region. Sales in the mature markets were on prior-year level. Sales performance in North America was positive, while sales in the Western Europe region were the same year-on-year. In the mature markets of the Asia-Pacific region, sales remained below the level of the prior year.

Adjusted operating profit of the Adhesive Technologies business unit rose by 6.2 percent to 1,629 million euros compared to the previous year. Adjusted return on sales showed an excellent increase of 1.1 percentage points, reaching a new high of 18.2 percent. Reported operating profit increased by 6.8 percent to 1,561 million euros.

In 2016, the **Beauty Care** business unit continued its profitable growth path of previous years. At 2.1 percent, organic sales growth was once again above that of the relevant markets. Nominally, **sales** rose to 3,838 million euros (2015: 3,833 million euros).

From a regional perspective, business performance was very strong in the emerging markets. Eastern Europe and Latin America achieved double-digit organic sales growth. Sales in Asia (excluding Japan) and in Africa/Middle East showed a positive development. Mature markets continued to be impacted by intense price and promotional pressure. In this challenging environment, sales in mature markets

remained slightly below the level of the prior year. In Western Europe and in the mature markets of the Asia-Pacific region, sales were lower year-on-year. Beauty Care recorded solid growth compared to the previous year in North America.

Adjusted operating profit of the Beauty Care business unit increased by 6.1 percent to 647 million euros. Adjusted return on sales showed an excellent increase of 1.0 percentage points to a new high of 16.9 percent. Reported operating profit amounted to 526 million euros, after 561 million euros in the previous year.

The **Laundry & Home Care** business unit also continued the profitable growth of previous years in the fiscal year 2016. Sales grew organically by 4.7 percent year-on-year, significantly outperforming the relevant markets. Nominally, sales increased by 12.8 percent to 5,795 million euros, driven by the acquisitions closed in 2016.

With a very strong increase, emerging markets were once again the major driver of organic sales growth. In Asia (excluding Japan), Laundry & Home Care recorded double-digit organic sales growth. Sales in Africa/Middle East showed a very strong development. Sales in the Eastern Europe and Latin America regions achieved a strong increase, contributing to the successful development. Performance in the mature markets was solid. North America recorded a solid increase in sales, while sales growth in Western Europe was positive.

Adjusted operating profit of the Laundry & Home Care business unit increased double-digit by 13.7 percent to 1,000 million euros. Adjusted return on sales increased by 0.2 percentage points, reaching a new high of 17.3 percent. Reported operating profit rose by 2.2 percent from 786 million euros to 803 million euros.

Regional performance

In a market environment that continues to be highly competitive, sales in **Western Europe** were organically on the level of the previous year. The positive performance in Southern Europe could not entirely compensate the decline in France. At 5,999 million euros, nominal sales in the region were slightly down year-on-year, due to negative currency effects. In **Eastern Europe**, sales grew organically by 7.0 percent. The main contribution to this performance came from the businesses in Russia and Turkey. Nominally, sales in the region increased by 0.7 percent to 2,713 million euros (2015: 2,695 million euros). Despite the political and social unrest in some countries, organic sales growth of 5.6 percent was achieved in the **Africa/Middle East** region. Nominal sales increased by 3.7 percent to 1,378 million euros (2015: 1,329 million euros).

Sales in the **North America** region increased organically by 1.7 percent. At 4,202 million euros, nominal sales increased by 15.2 percent (2015: 3,648 million euros). The acquisition of The Sun Products Corporation contributed substantially to the increase in nominal sales. Organic sales in **Latin America** increased by 13.8 percent, with business performance in Mexico making a significant contribution to this improvement, delivering a double-digit increase. Nominal sales amounted to 1,055 million euros, following 1,110 million euros in the previous year. Sales in the **Asia-Pacific** region grew organically by 3.2 percent. Nominal sales increased by 3.6 percent to 3,246 million euros.

With an increase in organic sales of 6.8 percent, driven by all business units, the **emerging markets** again made an above-average contribution to the organic growth of the Group. Nominal sales were slightly higher year-on-year at 7,814 million euros. The share of sales from emerging markets was 42 percent, which was slightly lower year-on-year due to foreign exchange and acquisition effects. In the **mature markets**, sales grew organically by 0.4 percent to 10,779 million euros.

Outlook for the Henkel Group 2017

Henkel expects to generate organic sales growth of 2 to 4 percent in the fiscal year 2017. Henkel expects that each business unit will generate organic sales growth within this range. For adjusted return on sales (EBIT), Henkel expects an increase versus the prior year to more than 17.0 percent. Henkel expects an increase in adjusted earnings per preferred share of between 7 and 9 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 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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Key figures Q4/2016 and 1-12/2016

in million euros	Sales		EBIT		EBIT margin	
	Q4	1-12	Q4	1-12	Q4	1-12
Adhesive Technologies						
2016	2,255	8,961	371	1,561	16.5%	17.4%
2015	2,209	8,992	362	1,462	16.4%	16.3%
organic	3.9%	2.8%	-	-	-	-
2016 adjusted ¹⁾	-	-	397	1,629	17.6%	18.2%
2015 adjusted ¹⁾	-	-	371	1,534	16.8%	17.1%
Beauty Care						
2016	932	3,838	67	526	7.2%	13.7%
2015	922	3,833	128	561	13.8%	14.6%
organic	1.0%	2.1%	-	-	-	-
2016 adjusted ¹⁾	-	-	148	647	15.9%	16.9%
2015 adjusted ¹⁾	-	-	139	610	15.1%	15.9%
Laundry & Home Care						
2016	1,638	5,795	121	803	7.4%	13.9%
2015	1,211	5,137	186	786	15.3%	15.3%
organic	4.7%	4.7%	-	-	-	-
2016 adjusted ¹⁾	-	-	248	1,000	15.2%	17.3%
2015 adjusted ¹⁾	-	-	194	879	16.0%	17.1%
Henkel						
2016	4,856	18,714	526	2,775	10.8%	14.8%
2015	4,374	18,089	616	2,645	14.1%	14.6%
organic	3.5%	3.1%	-	-	-	-
2016 adjusted ¹⁾	-	-	765	3,172	15.8%	16.9%
2015 adjusted ¹⁾	-	-	670	2,923	15.3%	16.2%

Henkel	Q4/2015	Q4/2016	Change	1-12/ 2015	1-12/ 2016	Change
Earnings per preferred share in euros	1.03	0.90	-12.6%	4.44	4.74	6.8%
Adjusted EPS per preferred share in euros ¹⁾	1.11	1.27	14.4%	4.88	5.36	9.8%

Changes on the basis of figures in thousand euros

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