

News Release

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Implementation of strategic growth agenda well on track

Henkel delivers very strong performance in the first half year – double-digit growth in organic sales and earnings

- **Group sales show organic growth of +11.3 percent to around 10 billion euros (nominal +4.7 percent), driven by all business units and regions**
- **Operating profit* rises to 1,430 million euros, +20.1%**
- **EBIT margin* increased to 14.4%, +1.9 percentage points**
- **Earnings per preferred share (EPS)* grow by +22.4% to 2.40 euros, +30.1% at constant exchange rates**
- **Good progress in all areas of purposeful growth agenda**
- **Outlook for fiscal year 2021 updated: higher sales growth with unchanged earnings guidance**
 - **Organic sales growth: +6.0 to +8.0 percent (previously: +4.0 to +6.0 percent)**
 - **EBIT margin*: 13.5 to 14.5 percent (previously: 14.0 to 15.0 percent)**
 - **Earnings per preferred share (EPS)*: Increase in the high single-digit to mid-teens percentage range at constant exchange rates (unchanged)**

Düsseldorf – Following a strong start to fiscal year 2021, Henkel once again accelerated growth in the course of the first half year and adjusted for currency effects already exceeded the pre-crisis level of 2019. Despite the impacts of the global coronavirus crisis that continue to adversely affect the social and economic environment in numerous markets around the world, Henkel achieved significant sales and earnings growth in the first half of the year. Organic sales growth reached 11.3 percent in the first six months of 2021. Group sales amounted to around 10 billion euros, an increase of 4.7 percent in nominal terms.

Adjusted operating profit grew by 20.1 percent to 1,430 million euros and the adjusted EBIT margin recorded an increase of 1.9 percentage points and reached 14.4 percent, an increase of 1.9 percentage points compared to the prior-year period. At constant exchange rates, adjusted earnings per preferred share increased by 30.1 percent. The effects of higher raw material costs in the first half of the year were offset in particular by very strong volume growth as well as price increases and by strict cost management and efficiency improvements.

“In the first half of 2021, Henkel continued to be affected by the COVID-19 pandemic. Nevertheless, we achieved double-digit growth in sales and earnings. In terms of sales, we have already been able to exceed the pre-crisis level of 2019 adjusted for currency effects. Mainly thanks to the outstanding team spirit and commitment of our employees around the world, as well as our balanced and robust portfolio of successful brands and innovative technologies in the consumer and industrial businesses,” said Henkel CEO Carsten Knobel.

All business units and regions contributed to organic sales growth in the first half of 2021. The Adhesive Technologies business unit achieved the strongest sales growth in the first half of the year. The business unit increased sales organically across all regions and business areas and overall achieved double-digit growth. This development was supported by the significant recovery of the global economy. But also in Beauty Care and Laundry & Home Care, Henkel achieved organic sales growth. The picture, however, was mixed with regard to the individual business areas. In the Beauty Care business unit, growth was driven by the Professional business. After weaker growth in the previous year due to the pandemic, growth well into the double digits was achieved. The Consumer Goods business, on the other hand, was below the level of the prior-year period in the first half of 2021, due to a decline in organic sales in the body care category, also as a consequence of significant weakening markets. In the Laundry & Home Care business unit, the growth was mainly driven by the Home Care business, which achieved significant organic sales growth. The Laundry Care business recorded good organic sales growth.

“We continued to make good progress in implementing our strategic growth agenda in the first half of the year. As part of our active portfolio management, further brands and businesses were divested or discontinued as planned. At the same time, we made targeted acquisitions, in particular to expand our sustainable brands portfolio. Our special focus this year is on further strengthening our competitiveness in the areas of innovation, sustainability, and digitalization, and on further developing our company

culture. We progressed very well in these areas in the first half of the year and believe we are well on track in implementing our purposeful growth agenda,” added Carsten Knobel.

Outlook for fiscal year 2021 updated: higher sales growth with unchanged guidance for earnings per share

Looking ahead to the rest of fiscal 2021, Knobel said: “Overall, we are seeing a normalization in demand in most of our businesses. And after the recovery in industrial demand began in many regions in the second half of 2020, growth rates are likely to be significantly lower in the second half of fiscal 2021 despite a continued economic recovery. At the same time, there is still great uncertainty about how the pandemic will develop and how consumption and industrial output will be impacted. In particular, the exceptionally sharp rise in raw material prices and strained supply chains will weigh heavily on the economy in the further course of the year. We are working hard and with extensive measures to limit the impact on our business and profitability. At the same, we will continue to respond flexibly and quickly to changes in our markets and we are consistently driving the implementation of our growth agenda. Taking into account the described environment and based on the very strong performance in the first half, we have updated our full-year guidance today. We have raised our sales forecast and kept our expectations for earnings per share unchanged - despite increasing headwinds from raw material cost inflation.”

Henkel now anticipates organic sales growth of +6.0 to +8.0 percent and adjusted return on sales (EBIT margin) in the range of 13.5 to 14.5 percent. For adjusted earnings per preferred share (EPS) at constant exchanges rates, Henkel continues to expect an increase in the high-single digit to mid-teens percentage range.

Group sales and earnings performance in the first half of 2021

At 9,926 million euros, Henkel Group **sales** in the first half of 2021 were +4,7 percent above the prior-year period (Q2: 4,958 million euros, +8.8 percent). **Organic** sales, which exclude the impact of currency effects and acquisitions/divestments, showed double-digit growth of +11.3 percent (Q2: +15.2 percent). The contribution from acquisitions and divestments amounted to +0.4 percent (Q2: +0.1 percent). Currency effects had a negative impact of -7.0 percent on sales (Q2: -6.5 percent).

Emerging markets showed an organic sales growth of +21.5 percent (Q2: +24.7 percent). Business in the **mature markets** showed a very strong organic sales development of +4.5 percent (Q2: +8.8 percent).

Sales in the first half of the year in **Western Europe** showed an organic sales development of +5.5 percent (Q2: +10.7 percent). **Eastern Europe** achieved organic sales growth of +17.6 percent (Q2: +24.1 percent). In **Africa/Middle East**, sales grew organically by +26.4 percent (Q2: +31.7 percent). Organic sales growth in **North America** was at +3.0 percent (Q2: +6.3 percent). **Latin America** recorded an organic sales development of +21.0 percent (Q2: +34.2 percent). In the **Asia-Pacific** region, sales increased organically by +20.8 percent (Q2: +17.3 percent).

Adjusted operating profit (adjusted EBIT) increased by +20.1 percent from 1,191 million euros in the first half of the previous year to 1,430 million euros.

Adjusted return on sales (adjusted EBIT) increased by 1.9 percentage points from 12.6 percent to 14.4 percent.

Adjusted earnings per preferred share grew by +22.4 percent from 1.96 euros in the first half of 2020 to 2.40 euros. At constant exchange rates, adjusted earnings per preferred share increased by +30.1 percent.

Net working capital was further improved. At 3.6 percent of sales, it was 80 basis points below the level of the prior-year period (4.4 percent).

Free cash flow of 471 million euros was below the figure for the first half of 2020 (940 million euros), in particular due to lower cash flow from operating activities. With higher operating profit, the decrease resulted from the significant increase in net working capital compared to the end of fiscal 2020, which was partly due to the significant expansion in sales volumes.

The **net financial position** amounted to -1,035 million euros as of June 30, 2021 (December 31, 2020: -888 million euros).

Business unit performance in the first half of 2021

In the first half of 2021, **sales** in the business unit **Adhesive Technologies** increased nominally by +14.4 percent from 4,153 million euros in the prior-year period to 4,752 million euros (Q2: 2,394 million euros, +23.1 percent). **Organically**, sales increased by +20.2 percent (Q2: +28.5 percent). The development in the first half of the year was significantly influenced

by the ongoing recovery of the global economy across all regions and business areas. **Adjusted operating profit** in the first half of 2021 grew by +50.9 percent and reached 820 million euros. At 17.3 percent, **adjusted return on sales** was 4.2 percent above the level of the first half of 2020.

In the **Beauty Care** business unit, **sales** in the first half of 2021 showed an organic development of +5.2 percent (Q2: +8.2 percent). Nominally, sales increased by +1.1 percent, reaching 1,839 million euros (Q2: 914 million euros, +3.5 percent). The sales growth is mainly due to the strong recovery of the Professional business, which had been significantly impacted by pandemic-related hair salon closures in the second quarter of the previous year. The **adjusted operating profit** in the first half of 2021 was +6.8 percent above prior-year level, reaching 183 million euros. At 10.0 percent, **adjusted return on sales** was also above the level of the prior year.

The **Laundry & Home Care** business unit generated **organic sales** growth of +3.9 percent in the first half of 2021 (Q2: +3.6 percent). Nominally, sales decreased by -5.3 percent to 3,275 million euros (Q2: 1,619 million euros, -5.1 percent). At 490 million euros, **adjusted operating profit** was -7.7 percent below the prior-year period, mainly due to strong currency headwinds. At 15.0 percent, **adjusted return on sales** was slightly below the level of the first half of 2020, especially due to higher raw material costs and negative currency effects.

Purposeful Growth Agenda: good progress

“We worked consistently on the implementation of our growth agenda in the first half of 2021,” said Carsten Knobel. In addition to active portfolio management, Henkel is focusing on two aspects of its growth agenda in the current year: firstly, Henkel wants to expand its competitive edge by further strengthening innovation, sustainability, and digitalization. Secondly, the company wants to further enhance its company culture. The company made good progress in all areas in the first half of 2021.

As part of its active portfolio management, Henkel has identified brands and categories with total sales of more than one billion euros, of which around 50 percent are to be divested or discontinued by the end of 2021. The remaining brands and businesses are expected to show sustainable performance improvements. To date, 60 percent of the revenue base of these brands and businesses delivered improved topline momentum. Despite the continuing market uncertainties, Henkel overall already discontinued or divested businesses with total sales of around 350 million euros – predominantly in the consumer businesses. In addition, with the acquisition of Swania SAS completed in July 2021, Henkel’s position in the market for

sustainable laundry and home care products was strengthened and its portfolio expanded with complementary brands.

To further strengthen its **competitive edge**, Henkel is accelerating impactful **innovations**, boosting **sustainability** as a differentiating factor, and driving the **digital** transformation of the company.

A key pillar of Henkel's strategy is a clear differentiation in the market through successful **innovations**. These supported growth significantly in the first half of the year. In Adhesive Technologies, Henkel was able to achieve growth in the mid double-digit percentage range with innovative thermal interface materials for 5G applications, driven by co-developments with major customers. Beauty Care outperformed market growth in Colorations with strong innovations under the Natural & Easy and Palette brands, gaining market share compared to the pre-COVID-19 period. In the Hair Salon business, the relaunch of the IGORA Royal brand contributed to growth. Supported by successful innovations such as Somat Excellence 4in1 Caps and Pril Antibacterial, the Laundry & Home Care business unit expanded its global market share in dishwashing.

For a long time, **sustainability** has been one of Henkel's great strengths. The company has a leading role that is regularly confirmed in ratings and rankings and Henkel aims to leverage sustainability as a competitive differentiator.

For example, Henkel has significantly expanded its partnership with Plastic Bank. The common goal of the partnership is to prevent plastic waste in the environment while improving the lives of people living in poverty. Henkel and Plastic Bank have opened the first three collection centers for plastic waste in Egypt, in the vicinity of Cairo. The project is part of the successful long-term partnership between Henkel and Plastic Bank.

The progress in the area of sustainability is also reflected in products for consumers and industrial customers. In the Laundry & Home business unit, the new Love Nature brand is already number three in the fast-growing segment for sustainable laundry and home care products in Germany. Beauty Care continued to expand sustainable packaging solutions. Recyclable refill packaging was developed for the Nature Box brand, using more than 70 percent less plastic than conventional packaging. Adhesive Technologies introduced a new water-based bonding technology for footwear, eliminating several production steps and enabling CO₂ reduction of up to 30 percent.

Next to innovation and sustainability, Henkel has defined **digitalization** as a key lever to strengthen its competitiveness. In the first half of the year, the share of sales generated via digital channels further increased across all business units. In the consumer businesses combined, growth of over 30 percent was achieved. In the Adhesive Technologies business unit, sales generated digitally were further expanded. Through its e-commerce platform, growth in the mid-double-digit percentage range was achieved in the first half of 2021. As a result, the share of sales generated in the adhesives business via the e-shop rose to over 25 percent. At Group level, the share of digital sales increased by 40 percent to around 18 percent of total sales.

Furthermore, Henkel has entered into a strategic partnership with Adobe – with the objective to further strengthen competitive advantages through digitalization across all business. A newly developed, data-driven digital platform for digital business and e-commerce is intended to accelerate digital innovations and create new business opportunities for Henkel.

Further developing Henkel's corporate culture and accelerating the **cultural transformation** are other key elements of the Purposeful Growth agenda. The company aims to foster a collaborative culture. In the first half of the year, Henkel continued to launch a range of measures to achieve this goal and empower its employees.

Henkel has developed a new, holistic concept called "Smart Work" about the future of work and presented it to its employees. This reflects a modern working environment for the post-COVID-19 time, allowing more flexibility and promoting hybrid working. For jobs that do not require permanent presence on-site, this concept offers employees the option to work mobile for up to 40 percent. Henkel has also redefined its company purpose. Employees around the world were involved in its development to ensure that the purpose statement is authentic and relevant to employees. At its core, it is about the pioneering spirit that has characterized the company and its employees since its founding and that drives all employees. And it is about striving to enrich and improve life every day, for customers and society, creating lasting value.

"Our purpose statement 'Pioneers at heart for the good of generations' describes who we are at Henkel, what unites us and what role we want to play in the world. It is far more than just a slogan or buzzword. We are deeply committed to live up to it every single day. We want to use our pioneering and entrepreneurial spirit – for our employees, for customers and consumers, our shareholders and for the good of current and future generations," said Carsten Knobel. "That is why it is important that we have a common understanding of our purpose and that we consciously align our actions accordingly."

“We are proud of the successful business development in the first half of the year and the good progress we have made in implementing our strategic agenda, despite ongoing headwinds from the COVID-19 pandemic,” Knobel explained. “We will continue to consistently pursue our purposeful growth agenda and remain highly flexible throughout the rest of the year in responding to changes in our markets given the challenges posed by rising raw material prices and strained supply chains.”

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 2020, Henkel reported sales of more than 19 billion euros and adjusted operating profit of about 2.6 billion euros. Henkel employs about 53,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose, 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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Key figures Q2 2021 and 1-6 2021

in million euros	Sales		EBIT	EBIT margin
	Q2	1-6	1-6	1-6
Adhesive Technologies				
2021	2,394	4,752	814	17.1%
2020	1,944	4,153	532	12.8%
organic growth	28.5%	20.2%	-	-
2021 adjusted ¹⁾	-	-	820	17.3%
2020 adjusted ¹⁾	-	-	543	13.1%
Beauty Care				
2021	914	1,839	167	9.1%
2020	883	1,818	148	8.1%
organic growth	8.2%	5.2%	-	-
2021 adjusted ¹⁾	-	-	183	10.0%
2020 adjusted ¹⁾	-	-	172	9.4%
Laundry & Home Care				
2021	1,619	3,275	433	13.2%
2020	1,705	3,460	500	14.4%
organic growth	3.6%	3.9%	-	-
2021 adjusted ¹⁾	-	-	490	15.0%
2020 adjusted ¹⁾	-	-	531	15.3%
Henkel				
2021	4,958	9,926	1,296	13.1%
2020	4,558	9,485	1,094	11.5%
organic growth	15.2%	11.3%	-	-
2021 adjusted ¹⁾	-	-	1,430	14.4%
2020 adjusted ¹⁾	-	-	1,191	12.6%
Henkel				
	1-6	1-6	Change	
	2020	2021		
Earnings per preferred share in euros	1.79	2.18	21.8%	
Adjusted earnings per preferred share in euros ¹⁾	1.96	2.40	22.4%	
at constant exchange rates			30.1%	

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