

Statement

Hans Van Bylen  
Chairman  
of the Management Board

Annual General Meeting – April 8, 2019

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**Statement by Hans Van Bylen, Chairman of the Henkel Management Board  
Annual General Meeting, April 8, 2019**

Ladies and Gentlemen.

Dear Guests.

Dear Friends of the Henkel Group.

A warm welcome to our Annual General Meeting!

On behalf of the Management Board. And our employees around the world.

I would like to begin with Henkel's development in 2018.

How did we perform in the various regions?

How did our three business units develop?

How did our market environment change?

And how was all this reflected in our results?

I would then like to take a look ahead. How will we position ourselves going forward?

What are our strategic priorities? What are our expectations for 2019? And for the future?

But first, a review of the recent past. Overall, 2018 was a successful year for Henkel.

Particularly in view of the difficult underlying conditions we encountered.

Here I would like to especially mention the impact of foreign exchange effects. They never have been as strong as in 2018. In total 1.1 billion euros. We also faced strongly increasing prices for direct materials. This was also a burden on our business.

In addition, the global economic environment deteriorated. There were various reasons for this. The controversies on global free trade. The imposition of further trade tariffs. The slow-down in growth in China. And the uncertainties regarding Brexit.

At the beginning of 2018, further challenges arose from within our own company. Delivery difficulties in our consumer goods businesses in North America. I reported to you on this at the last Annual General Meeting.

We took decisive action. And were able to solve the problems in the course of the second quarter. Our service quality in North America is now at a higher level than before.

Despite these challenges, 2018 was a good year for Henkel.

- We continued to generate profitable growth.
- We achieved good organic growth.
- And we posted new highs in earnings and profitability.
- We strengthened our businesses also through acquisitions.
- At the same time, we maintained our high cost focus.
- We pursued our strategic priorities with redoubled effort.

And we successfully implemented numerous strategic initiatives.

- We further drove the digital transformation of Henkel.
- We strengthened our sustainability efforts in all areas.
- We have further improved our competitiveness.
- And have thus laid the foundations for a successful future of Henkel.

This is a result of the commitment of our employees. 53,000 Henkel people around the world. It is they who made 2018 a successful year for Henkel. With their dedication. Their entrepreneurial spirit. And their customer focus.

For this, I would like to thank all of them. On behalf of the entire Management Board. And I am sure I also speak on behalf of you, our esteemed shareholders!

Let's now take a detailed look at our business performance in 2018.

Organic sales growth came in at 2.4 percent. Excluding the impact of foreign exchange effects and acquisitions/divestments.

These influences were particularly high in 2018. Especially through currency developments. Their total resulting impact on sales was around 1.1 billion euros. Nevertheless, we achieved 19.9 billion euros in sales. And were thus approximately on the same level as the previous year.

We achieved new highs on the earnings side. The adjusted EBIT, that is earnings before interest and tax, rose once more. To 3.5 billion euros. This is the highest operating profit figure ever reported by Henkel.

Adjusted return on sales increased to 17.6 percent. And that, too, is a new high.

Adjusted earnings per preferred share rose to 6 euros and 1 cent. An increase of 2.7 percent versus prior year. And that too is a new high. Without foreign exchange effects, growth would have amounted to 7 percent.

Our free cash flow also showed a very good development. With a rise to 1.9 billion euros.

This meant we were also able to further reduce our net debt. As of year-end 2018, this amounted to around 2.9 billion euros.

Henkel is financially very healthy. We are generating growth from within. We have a high profitability. We are generating free cash flows to further invest in our businesses.

We have low debt exposure. And outstanding ratings. In short: We have all possibilities to actively shape our own future.

But more on this later. First I would like to report on our sales performance in the regions. And also in our business units.

We again posted very strong growth in the emerging markets. With a rise of 6.3 percent. Sales there amounted to 8.1 billion euros. This corresponds to 40 percent of our total sales.

Sales in the mature markets came in at 11.7 billion euros. Slightly below the figure for the previous year. We generated growth in all regions except North America. This was due primarily to the delivery difficulties in our consumer goods businesses.

Let's now take a look at our three business units.

Adhesive Technologies is Henkel's biggest business unit. It generates around half our total sales. And half our earnings.

We are the world market leader in the adhesives business. We have a global presence. And we have all the technologies of importance in this industry. This makes us a strong partner for customers in many different sectors. We develop for them high-impact solutions.

Our innovations enhance the food safety of packaging. Make cellphones or tablets more efficient. They make cars lighter and more intelligent. And they help to better insulate buildings. And those are just a few of the fields of application covered.

Adhesive Technologies generated strong organic sales growth of 4 percent in 2018. In all, reported sales amounted to 9.4 billion euros. A level similar to that of the previous year.

All business areas contributed to the strong organic sales growth. In particular, in the General Industry business we achieved significant increases. We also achieved strong growth in other business areas. Including Packaging Adhesives, Electronics and Adhesives for Consumers, Craftsmen and Building. Accompanied by good growth in the Transport & Metal business area.

The positive developments are also reflected in earnings. Adjusted return on sales rose to 18.7 percent. Making Adhesive Technologies a major driver of our profitable growth in the past year.

Let's go on with our second business unit. Beauty Care.

Here we generated sales of almost 4 billion euros in 2018. An increase of 2.1 percent. However, organic sales development was slightly down by -0.7 percent.

At Beauty Care we have two large business areas.

First there is the professional business with hair salons. Here we now achieve an annual sales figure of over 1 billion euros. That's approximately a quarter of our Beauty Care business. This business area was again very successful in 2018. With strong growth in organic sales.

Then we have the retail business. With products for consumers. These mainly are the categories of hair care, hair styling and hair coloring. But also oral care and personal care. Sales of the retail business was at around 3 billion euros.

Within the retail business, performance was split. Results with respect to hair care products showed a downturn. Conversely, our colorants businesses were very successful. The same goes for hair styling.

Despite the challenges, Beauty Care was able to sustain its high level of profitability. Adjusted return on sales amounted to 17.1 percent.

Our third business unit is Laundry & Home Care.

Here we posted a good performance in 2018. Sales grew organically by 1.9 percent. Reported sales decreased year on year by 3.5 percent. Primarily due to the strong currency effects.

Here too we have two business areas: Laundry Care. And Home Care. Both posted a good organic sales performance in 2018.

Growth in the Laundry Care business area was attributable particularly to successful innovations. The strongest contribution came from our top brand Persil. With Persil, we have a presence in over 60 countries around the world. In 2018 we generated sales of 1.3 billion euros with this brand. Representing growth of around 8 percent.

In the Home Care business area, our strongest growth drivers were hand dishwashing products and toilet care products.

Laundry & Home Care was able to further improve its EBIT margin. With an increase to 18.1 percent.



So much for Henkel's business performance in fiscal 2018.

I think we have every right to say that overall this was a good year financially.

And we want you to be a part of that. You our shareholders.

Therefore, we propose to you today a dividend of 1 euro 85 cents per preferred share. For the ordinary shares the figure is 1 euro 83 cents. That is an increase of 3.4 percent per category versus prior year. The proposed dividends represent new highs.

As our shareholders, our share price development is of interest for you.

Overall, the stock market indices declined in the course of 2018. The DAX decreased by more than 18 percent. This also affected Henkel's stock. As of year-end 2018, the price of Henkel preferred shares had decreased by 13.5 percent versus prior year. However, this is better than the DAX. And it is also better than many of our direct competitors.

We are well aware that the share price development doesn't meet your expectations. And rest assured: ... also not our own expectations.

At Henkel we are committed to generating sustainable value. For our customers. For our employees. For you, our shareholders. And for society. Therefore, we are pursuing a long-term strategy.

We want to generate sustainable profitable growth.

With “Henkel 2020+” we have set ourselves clear ambitions for the future. For 2020 and beyond. Our four strategic priorities are: Drive growth. Accelerate digitalization. Increase agility. And: Fund growth.

We have made very good progress in the implementation of our strategy. We realized a number of important strategic initiatives in 2018.

We want to drive growth. In our markets around the world. For this we are placing emphasis on innovations.

We further accelerated the development of innovations. In both our industrial and our consumer goods businesses. Close collaboration with customers is also a key success factor. They provide impetus. Together with them we develop new businesses.

In 2018 we laid the cornerstone in Düsseldorf for a new innovation center. For Adhesive Technologies. An investment of more than 130 million euros. From next year onwards, it will house 350 researchers and application specialists. We will also be receiving our customers here. From all sectors. And from around the world.

This is the largest single investment that we have ever made at our Düsseldorf site. A clear commitment underlining the importance of innovation. And a clear commitment to our primary site.

But it is not only by leveraging our own strengths that we are driving growth. We also acquire other businesses and operations. Acquisitions are part of our strategy.

In 2018 we made good progress in the integration of acquired businesses. We also made further acquisitions. In our industrial business. And in our consumer businesses. Right around the world. These acquisitions complement our portfolio. And they strengthen our competitiveness.

We are opening up new sources of growth. Through our Corporate Venture Capital unit, we are investing in new technologies and business models. We are investing in start-ups. And also in other venture funds. We have planned around 150 million euros for that. By the end of 2018, half of that figure had already been invested.

Our second strategic priority is: Accelerate digitalization.

We want to strengthen our digital businesses. Henkel's digital sales increased organically double-digit after adjusting for foreign exchange. In our consumer businesses particularly, organic growth was very good. With a plus of more than 30 percent.

We have made further targeted investments aligned to Industry 4.0. In our production and logistics. That is to say, our supply chain. We are now collecting more than a billion data points per day. This enables optimal control of our facilities. We are able to improve the use of their capacities. We can precisely measure our energy consumption or water usage. We are able to better plan maintenance work.

This leads to higher quality. Increasing cost-efficiency. And also more sustainability in our production activities.

We are redoubling our efforts in driving Henkel's digital transformation.

Henkel X is an important platform enabling us to further accelerate the digital transformation. We have established an exclusive network. This allows access to around 150 external mentors. Including founders, digital experts and thought leaders. They support and advise our employees in their digital projects and initiatives.

We are strengthening the digital skills of our employees. There is now a digital test that allows them to determine their level of expertise. We then tailor our support to their needs. With training offers. Aligned to their responsibilities.

Our third priority is: Increasing agility throughout the organization.

We are increasing openness to change. So that we can react more quickly and flexibly to the opportunities and challenges arising in our environment. We are strengthening the entrepreneurial spirit among our employees and within our teams.

We are breaking down hierarchies. We are encouraging individual responsibility and are creating more scope for initiative. To enable ideas and business models to come more quickly to fruition. To this end we developed new guidelines on collaboration and leadership. The so-called Leadership Commitments. These are binding for all employees worldwide.

Our fourth strategic priority is: Fund growth.

For this we have four major individual initiatives. From 2020, they are expected to generate annual efficiency gains of more than 500 million euros. Here we made very good progress in 2018. We have already achieved more than half the targeted efficiency gains.

Ladies and Gentlemen.

We at Henkel are very proud of our successes in the field of sustainable development. Our leading position was once again recognized in 2018. We are at the top of all the major rankings and ratings relevant to our industry.

And we continue to make progress. In all aspects. As well as across the entire value chain.

A particular focus is the responsible use of plastics. Plastic waste has become a serious problem. Worldwide. But in particular with regard to the pollution of oceans. Everyone needs to be involved in finding a solution. Plastics manufacturers. The consumer goods industry. Retail partners. Consumers. And governments. We can only find a solution together!

We are contributing. By focusing on three areas. First, usage of sustainable materials. Second, development of smart packaging designs. And third, closing the loop.

Already today, more than 80 percent of our packaging is recyclable, reusable or compostable. Over the next few years, this figure will rise to 100 percent. At the same time, we are using more recycled plastics in our packaging.

We are also involved in a number of different initiatives and partnerships. For example, with "Plastic Bank." An organization that provides plastic collection centers. In countries that not yet have a recycling system. The first Henkel products with plastics from this initiative are already on the market.

Or as founding member of the global "Alliance to End Plastic Waste." This is an initiative of around 30 international corporations. Together we aim to develop new approaches to reducing plastic waste.

Our strong sustainability performance is also appreciated by investors. Last year we agreed a "green credit line" of 1.5 billion euros. In simplified terms: We act more sustainably. And the interest rates on our loans are getting cheaper.

So you see: Sustainability at Henkel has many dimensions. And we are making progress in each of them. Because sustainable thinking and acting are important to us. They are part of our corporate culture. And of our values. And for good reason: Because sustainability is a competitive edge. This is becoming increasingly important for our customers. In all sectors.

We stand by our social obligations. And we act. With concrete measures. We offer all our employees in Germany attractive safeguards against major misfortunes. Against occupational disability with a generous insurance policy. Against illnesses through the comprehensive provision of preventive medical check-ups. And with our own nursing care insurance. As the first company in the DAX.

We also promote diversity at Henkel. Because, for us, having a diverse workforce is a success factor. We operate in more than 100 countries worldwide. We generate more than 85 percent of our sales abroad. Four out of five Henkel employees work outside of Germany. Here are our markets. Our customers. And our partners.

Hence we need a high level of diversity among our employees. This relates to different nationalities and cultural diversity. But also to the proportion of women in our workforce. In management. And in our corporate bodies. Within the DAX, we are right at the top of the league in this regard. This was confirmed, for example, by a study carried out by the Boston Consulting Group at the end of 2018.

Diversity. Cultural tolerance. Mutual respect. Despite all differences. These are the underlying principles for the successful development of a globally active company.

This is also why we support a united Europe. Taken as a whole, Europe is an economic area with around 500 million people. With free movement for labor. For capital. For innovations and ideas. For entrepreneurs. With high standards. For the protection of the environment. And of citizens.

We have a clear interest in a strong Europe. Even though there is much to do. We have therefore joined the call to participate in the European elections in May. And encouraged our employees to use their vote. To ensure that Europe remains successful as a competitive player on the international markets of the future. And to ensure that Europe continues to represent freedom and prosperity.

Ladies and Gentlemen.

So much for the development in fiscal 2018.

Now I would like to take a look forward. To the current fiscal year. And the following years.

As you know: We are pursuing a long-term strategy. With clear priorities. We are making very good progress in the implementation. And: We are financially healthy. With the funds necessary to shape our future. And to seize growth opportunities.

We will do so even more in the future. We will further invest in growth. 300 million euros more. Starting this year. The focus is on our consumer goods businesses. And the digital transformation.



Henkel has already invested heavily. Last year alone we spent more than 800 million euros in property, plant and equipment. Year for year we invest around 500 million euros into research and development. We are investing hugely in our brands and technologies.

These increased investments will affect our results for this year. This is also reflected in our outlook for 2019.

This announcement on January 21 no doubt came as a surprise to you, our shareholders. Henkel's share price fell significantly in the course of the day. Shortly after, a number of similar announcements were made by several major, well-known competitors. Competitors from Germany. But also from the international plane.

We are convinced: We took the right decision. For Henkel. And for the long-term success of our company. I would therefore now like to explain to you our specific initiatives and measures.

At Adhesive Technologies we are focusing on three major growth trends. First: Mobility. This is all about alternative drives, autonomous driving and lightweight construction. The second trend is connectivity. This addresses the world of mobile devices. The Internet of Things. And the digital infrastructure. The third trend is sustainability. This relates to the use of renewable raw materials, energy efficiency and the circular economy. Our adhesive technologies offer solutions to our customers in all these spheres.

In Henkel Beauty Care we are driving growth with innovations. Particularly in the hair care segment. For this we are in the process of completely revising our successful and well-known brands. We are also rolling out young, recently launched brands more quickly to other markets. And we are launching a series of completely new brands onto the market.

We also intend to boost growth in North America and gain market shares. To this end, we are strengthening our core business. Particularly in the body care segment. We are also expanding our business with hair colorants. With new product lines and variants.

Plus, we are gaining entry into new categories. For example, with products for men. And finally, we are continuing to drive our strong growth in the hair salon business. With new brands. With new formulations.

That brings me to the growth initiatives of the Laundry & Home Care business unit. One of our focuses will be on our best-known brand Persil. With numerous initiatives. New Persil Deep Clean features an exclusive enzyme technology. We are also introducing the so-called Persil Discs. With the world's first four-chamber system. For best performance. And convenience.

Another focus is North America. We are implementing numerous initiatives to increase growth. We are launching our new Caps there. For all Henkel's laundry detergent brands. Many existing brands are being relaunched. With new formulations and a new design. And we are extending the reach of successful brands to new segments.

And finally, we are strengthening our Home Care business. With the relaunch of leading brands. With new technologies. And with a new line which follows the trend toward sustainable products.

We also accelerate our digital transformation.

With additional investments. Throughout the company. We are investing in digital commerce, analytics and infrastructure. We are intensifying cooperation with important partners in e-commerce. Therefore, we have developed new packaging. Especially suitable for transportation. And we will be using concentrated formulations for our products. That way we save weight and volume.

We are also investing in new analytical methods. In Industry 4.0. And modern automation and robotic solutions. We are strengthening our digital infrastructure. Added to this are investments in cyber security. That means the security of our networks and systems.

Ladies and Gentlemen.

As you see: We have set ourselves a great many goals. In order to lead Henkel into a successful future.

We continue to operate in a difficult environment. One characterized by uncertainty and volatility. The pace of growth in industrial production was already slowing in the second half of 2018. For 2019, we expect a good but generally lower level of growth momentum.

The consumer goods markets continue to show a mixed picture. Competition remains fierce. And the high price pressure is unrelenting. This applies particularly to the relevant mature markets.

We expect the overall foreign exchange effects in 2019 to be weaker than last year. However, we still anticipate a burden in the low single-digit percentage range. The fluctuations on the raw material markets will persist. Here we expect a rise by a low single-digit percentage.

And that brings me to our outlook for 2019.

We anticipate seeing the first successes from our initiatives already this year. However, our 2019 results will be affected by our additional investments.

Specifically, we expect the following:

- All three business units to achieve organic sales growth of 2 to 4 percent.
- Adjusted EBIT margin in the range between 16 and 17 percent.
- And adjusted earnings per preferred share development in the mid-single percentage range below prior year at constant exchange rates.

We want to generate sustainable profitable growth in the future. And we want to achieve attractive returns. This is also reflected in our medium- to long-term financial ambition for 2020 and beyond.

- We want to generate organic sales growth between 2 and 4 percent.
- We want to achieve growth in adjusted earnings per preferred share in the mid to high single-digit percentage range at constant exchange rates.
- And we will also continue to focus on expanding our free cash flow.
- In addition, we intend to continue seizing promising growth opportunities. And implement them successfully.
- At the same time, we will continue to focus on margin. And maintain our strict cost discipline.

We would like to involve you, our shareholders, in this development even more in the future. Consequently, we have raised the target corridor for our dividend payout ratio. Effective fiscal 2019, the range will increase to between 30 and 40 percent. Previously it was 25 to 35 percent.

To close.

Let me briefly summarize. 2018 was a successful year for Henkel. We were able to generate profitable growth. With new highs in earnings, returns and dividend.

We made further progress in the field of sustainability. We will further increase our investments in growth and digitalization going forward. In confirmation of our strategy. We have expanded our medium- to long-term financial ambitions for 2020 and beyond.

For you, our shareholders, we want to achieve sustainable profitable growth. And offer you attractive returns.

Ladies and gentlemen.

At this point I would like on behalf of the Henkel Management Board to thank our supervisory bodies. For their valuable support. For their advice. For their expertise. And the constructive discussions. We very much appreciate the exchange with you.

I would especially like to express my thanks to you, Mrs. Dr. Bagel-Trah. You play a key role in ensuring this high level of excellent collaboration between the Management Board and the supervisory bodies. I want to personally thank you for the good and trustful collaboration.

I also want to join in the words of gratitude expressed to Kathrin Menges.

Dear Kathrin, you have moved mountains for Henkel. As Board Member and Head of HR. And also in your role as Sustainability Lead. You were a great colleague to all of us. And I always very much enjoyed working together with you. We wish you all the best for the future.

Esteemed Shareholders. Of course, we also want to thank you. For your continued trust and support. Particularly in challenging times.

Finally, we also thank our customers and consumers. For their trust. In our company.  
In our brands and innovations.

We remain true to our commitment to continue creating sustainable value. For you  
all.

Thank you very much for your kind attention.

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