

Statement

Carsten Knobel

Chairman

of the Management Board

Annual General Meeting – June 17, 2020

Check against delivery.



**Statement by Carsten Knobel, Chairman of the Henkel Management Board,
Annual General Meeting, June 17, 2020**

Ladies and Gentlemen.

Esteemed Guests.

And 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.

Today we are conducting our Annual General Meeting online. For the first time in the history of Henkel. This is an unusual format. But it has been made necessary by the threat from the coronavirus. As Dr. Bagel-Trah explained in detail in her opening address. I hope that you can follow the event without difficulty. And I also thank you for your understanding.

The current crisis is cutting deep. With wide-ranging changes. The crisis is forcing us to view many things from a different perspective.

People also adopted a new view in 1969. With the landing on the moon. When people were fascinated by those images from space. Pictures showing planet Earth. Seen from the moon.

This brought us a new perspective, too. It changed our attitudes. And our behavior. For each and every one of us. And also for society.

I believe the current crisis will also greatly change the way we think and act. Much more than we can foresee today.

Our lives have fundamentally changed in the last few months. Within our families. Within our circles of friends. Within society. And of course also within the economy and in companies. All over the world.

I would like now to briefly outline to you how we have dealt with the current challenges so far.

Since the outbreak of infections, our crisis teams have been constantly at work. In all the countries and regions concerned. Also at our headquarters in Düsseldorf.

We have responded quickly and decisively. To protect our employees around the world. Their safety and their wellbeing are our highest priority.

We have taken comprehensive precautionary measures for their protection at our sites. And wherever possible, our employees are working from home around the world.

Nevertheless, there are a number of Henkel employees who have fallen sick. We are in close contact with them and their families. I send all colleagues affected my very best wishes. For a full recovery.

We have a long tradition as a family business. We are committed to our social responsibility. Which is why we are making a contribution to fight this global crisis. We launched a global solidarity program in March.

- This includes financial support. For example, one million euros for the COVID-19 Solidarity Response Fund of the World Health Organization. This is being used to purchase personal protective equipment. And support intensive care units. It also supports research into possible vaccines and drug treatments.
- We have further donated 5 million products. For personal and household hygiene.
- And we are producing disinfectants at our sites.

In Düsseldorf we have donated more than 50,000 liters. To the health authority and also to hospitals in the city and its surroundings. Nicolai Perner and his team have converted an adhesive production line for this purpose.

In Algeria our colleagues Maya Hafiz and Naila Ziani have also launched a great initiative. There, Henkel has been engaged in disinfecting public spaces and facilities. In six major cities. With around 8 million inhabitants. And we have also donated 50,000 liters for disinfection in hospitals.

These are just two specific examples. Of the great commitment of our employees.

Despite the crisis, we have succeeded in keeping our businesses operational. For our customers throughout the world. In retail. And in industry. So far, we have been able to maintain production at most locations worldwide.

This is also a great achievement of our employees. Under difficult circumstances. They have earned our gratitude for this. And our respect.

We had no short-time working in the first quarter. We also do not want to cut any jobs due to the corona crisis. We currently do not see any reason for this.

We are continuing to hire employees. And we are also continuing our apprenticeship program. This autumn another apprenticeship training year will begin here in Düsseldorf. With the same scope as last year. This is particularly important to me.

Because we must invest in the next generation. And fulfill our responsibilities as a corporate citizen within society. That is one specific example of how we are doing this.

I am very proud of how our colleagues around the world are dealing with this particular challenge. With entrepreneurial spirit. With courage and creativity. They are demonstrating what we all stand for. Our shared values. And a strong, vital corporate culture.

This is what makes Henkel so special.

Accepting challenges. Standing together. As a team. Responding flexibly. Finding new ways. Acting with speed and courage. Taking ownership.

This is our commitment. This is my commitment. As Chairman of the Management Board, I want to both lead and encourage such attitudes.

Despite all the uncertainty, I am confident. Every generation of people at Henkel has had major challenges and crises to contend with. And I am convinced: Together we are strong enough to also tackle this challenge.

Ladies and Gentlemen,

I took over as Chairman of the Management Board at the beginning of the year. At the time of taking office I could never have imagined that the year would develop as it has.

I have now been with Henkel for 25 years. Thereof eight as Chief Financial Officer. During this time, Henkel has become for me much more than just my professional home.

Even today, the company still fascinates me.

With its diversity.

With its dedicated employees.

With its history, its culture and its values.

But also with its many innovations and brands. They are an integral part of the lives of millions of customers and consumers worldwide. In their households – their kitchens, their bathrooms and their children's rooms. In cars. In planes. And in trains. Not to mention in mobile phones, computers and television screens.

With our contributions for more sustainability. And with our social engagement.

I am proud to now be leading Henkel into the future. Together with my colleagues on the Management Board. And with the energetic support of 52,000 Henkel employees. Around the world.

Therefore, I would once again like to say thank you today. For the honor, of leading Henkel as its CEO. And for the trust that is implicit in my appointment.

In particular, I would like to thank you, Dr. Bagel-Trah. But also all the members of our corporate bodies. And – of course – the Henkel family. As well as you. Our shareholders.

Today I would like to talk about two major topics.

- Of course, the report for fiscal 2019 is on the agenda. We already published the results at the beginning of March.
- Particularly important to me, however, is looking ahead. To our future.

First, I will explain Henkel's performance in the past fiscal year.

In 2019, our businesses were affected by various developments in our markets. Almost all national economies recorded weaker growth. There were increasing trade tensions between the USA and China. Uncertainties relating to the UK's exit from the EU. As well as geopolitical conflicts in various regions.

Within this environment, our businesses developed differently.

In our Adhesives business, we faced a significant slowdown in key customer segments. In particular in the automotive industry. And also in the electronics sector. At the same time, our consumer business faced intense competition in many markets. This impacted our Beauty Care and Laundry & Home Care business units.

As I said when announcing our results at the beginning of March. We had expected developments in our markets to be significantly better. In fact, we had to adjust our expectations several times in the course of the year. Even though there were clear reasons for this, this cannot be the claim we make on ourselves. We must and want to do better again in the future.

Nevertheless, we also achieved a lot in 2019.

- We increased sales by around one percent.
To more than 20 billion euros.
- We achieved a margin of 16 percent.
- We generated a free cash flow of almost 2.5 billion euros. A new high for Henkel.
- We had a low level of debt at year-end.
- We strengthened our businesses through acquisitions during the year.
- At the same time, we kept costs well under control.

We owe all this to the commitment of our employees. That is why I would like to thank them! On behalf of the entire Management Board. And certainly, also on your behalf, dear shareholders!

I will now present the business results for 2019 in more detail.

Nominally, sales rose by 1.1 percent. To 20.1 billion euros. Organically, sales development was flat. That is excluding the effects of currency effects, acquisitions and divestments.

Adjusted operating profit reached 3.2 billion euros. That is a decrease of -7.9 percent.

Adjusted return on sales amounted to 16.0 percent. Which is -1.6 percentage points less year-on-year.

The main reason for this were the increased investments. Here we had planned for an additional spend of 300 million euros. To strengthen our brands, innovations and technologies. Particularly in our consumer goods businesses. As well as for the digitalization of Henkel. In all areas.

In total, we had spent around 150 million euros more on this by the end of the year. So just half the additional investment planned.

Adjusted earnings per preferred share were at 5 euros and 43 cents. That is a decrease of -9.7 percent versus prior year.

Our free cash flow developed very well. It rose to around 2.5 billion euros. A new high.

This meant we were also able to further reduce our net debt. As of year-end, it amounted to around 2 billion euros.

We recorded good growth in the emerging markets in 2019. With a rise of 2.5 percent. This made them the main drivers of our organic sales development. Sales there amounted to 8.1 billion euros. This corresponds to 40 percent of our Group sales. Sales in the mature markets amounted to 11.7 billion euros. Slightly below the figure for the previous year.

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

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

We are the world market leader with this business. We have a global presence. And we have all the technologies. This makes us a strong partner. For customers in many different industries.

As consumers, we all rely on our technologies. Every day. Often without even knowing it.

With our innovations, we make food packaging safer. Mobile phones and computers more powerful. We make cars lighter. And enable e-mobility. We make our data networks faster. And we help to better insulate buildings. Our products are also used in medicine. You see: Our adhesive solutions can be found almost everywhere.

For many of our customers, however, 2019 was not an easy year. We saw weaker growth in key segments.

Nevertheless, together with our partners and suppliers we developed innovative solutions. Enabling us to further advance our businesses.

We recorded increased sales with applications for the aerospace industry. Our business with metal packaging products also grew. However, this only partially offset the decline in global automotive production. Sales with the electronics industry also decreased. By contrast, we achieved higher sales growth with adhesives products for Consumers, Craftsmen and Building.

Overall, sales of Adhesive Technologies amounted to around 9.5 billion euros. Which, in nominal terms, is 0.6 percent more versus prior year. However, our organic sales development showed a slight decrease of -1.5 percent.

Adjusted return on sales amounted to 18.1 percent. Which means Adhesive Technologies made an above-average contribution to Henkel's profitability.

Let's now take a look at Beauty Care. Our experts for "True Beauty".

We were not satisfied with the overall business development of Beauty Care in 2019.

Sales amounted to 3.9 billion euros. That is a decrease of -1.8 percent. Organic sales development declined by -2.1 percent.

At Beauty Care we have two major business areas. Performance here varied.

In the Professional business serving hair salons, we achieved sales of more than one billion euros. That is more than a quarter of our Beauty Care business. This business area was very successful in 2019. Posting strong organic sales growth.

At this point I would like to address our hairdressers. An important customer group for us. The current crisis has hit you hard. We will continue to support you. And will remain by your side as a true partner.

The second business area is that of Branded Consumer Goods. It includes hair care, hair styling and coloration. Especially under our top brand Schwarzkopf. But also body, skin and oral care. Sales of this business area amounted to around 3 billion euros. In organic terms, a decline to the previous year.

This was mainly due to the negative development in Western Europe and Asia.

But I would also like to highlight the successful development of our global brands. Got2b and Palette. As well as our nature brands Nature Box und N.A.E. This is particularly important to me. Because their success is linked to important trends such as more sustainability.

Adjusted return on sales reached 13.4 percent. It was thus significantly lower than in the previous year. This was mainly due to a declining gross margin. And the increased investments in brands, technologies and digitalization.

We now come to the third business unit. Laundry & Home Care. With its many tradition-rich, innovative and successful brands. From Persil and Pril to all and Somat. To name just a few examples.

Here we recorded a very good performance in 2019. Sales grew organically by 3.7 percent. Reported sales also increased year-on-year. By 3.7 percent.

This business unit also consists of two business areas.

The Laundry Care business area recorded good sales growth in 2019. With our brand icon Persil making the strongest contribution. Persil is Henkel's best-known brand. A success story since its launch 113 years ago. THE premium laundry detergent. Throughout the world. In 2019 we generated annual sales of 1.3 billion euros with Persil.

The second business area is Home Care. It grew very strongly last year. The biggest contributions came from our hand dishwashing and our toilet cleaning products. For example with brands such as Pril and Bref.

Adjusted return on sales reached 16.5 percent. That represents a decrease versus prior year. Here again, the most important reason were the increased investments already mentioned.

So much for Henkel's business performance in fiscal 2019.

This was no easy year for Henkel. We did not achieve everything we wanted. This was due to the difficult market environment. And also, to some extent, to ourselves.

We today would like to propose to you a dividend of 1 euro 85 cents per preferred share. For the ordinary shares it is 1 euro 83 cents.

This corresponds to the level of the previous year. And means that we have raised the payout ratio. It amounts to 34.2 percent. Which is 3.3 percentage points higher than previous year. And it is thus also within the targeted range. Between 30 and 40 percent.

At year-end 2019, the price of Henkel preferred shares closed below the level of the previous year. By -3.4 percent. In contrast, the DAX grew year-on-year. By 25.5 percent.

This performance of our shares is disappointing. Particularly for you as our shareholders. But also for us as management. There is nothing to gloss over. It is something we want to change.

That is why we are looking ahead. Which brings me to the second major topic for today. Our future.

This decade should be a success for Henkel.

A decade in which we set the course for Henkel's future.

With successful innovations. For our customers and consumers.

A decade in which we make our businesses even more competitive.

Further increase our sustainable development.

Rigorously drive forward digitalization in all areas.

Become even more efficient and faster.

And further develop our corporate culture.

We want to grow. With a holistic approach.

Because growth for us involves a number of different aspects:

- Creating value for our customers and consumers.
So that we grow more strongly than our markets.
- Extending our leadership in sustainability.
- And empowering our people to constantly develop within Henkel.
Professionally and personally.

That is our agenda for purposeful growth. That is my commitment. Because I am convinced: We can be successful if we achieve purposeful, sustainable growth.

This is what you should judge us by.

We have developed a clear strategic framework for this. This includes:

- A winning portfolio.
- Clear competitive edge. Particularly in the areas of innovation, sustainability and digital.
- Future-ready operating models and new business models.
- And a strong corporate culture.

I now would like to explain to the individual elements in more detail.

We want to comprehensively optimize our portfolio in the consumer business.

This is an area in which we must act. Therefore, we will divest brands or categories that do not hold a leading position. Or if we foresee little possibility for growth. So we will be focusing on active portfolio management. We have already been doing this in our industrial business in recent years. With success.

We have identified brands and categories with a total sales volume of more than one billion euros. By 2021 we will divest around 500 million euros in sales. And we will bring the other brands and categories back on track to success.

Acquisitions remain an integral part of our strategy. Also in the future. Always subject to clearly defined criteria. Availability. Strategic fit. Financial attractiveness.

This brings me to the second pillar of our strategy. Strengthening our competitiveness. For this we are focusing on three main areas. Innovation, sustainability and digitalization.

Innovative brands and technologies are key. Which is why we will invest more in this field.

For this, we will be breaking new ground. For example, through the increased use of data. And with the help of digital analyses. This will bring us many advantages. Better insights into consumer behavior. The ability to identify trends at an earlier stage. And to respond to these with new products.

We will open ourselves up more. With investments in incubators and innovation centers. And with an eye on open innovation platforms. This will give us new impulses.

We also intend to continue pursuing direct investments or collaboration with technology start-ups. With our venture capital activities.

I'll give you three specific examples:

- First: Sustainable product innovations. We have acquired a stake in the cleaning products manufacturer Truman's. This US start-up specializes in innovative cleaning products. It only uses refillable bottles. And refill cartridges containing highly concentrated detergents. This reduces plastics consumption. Making a valuable contribution to more sustainability.
- Second: New digital business models. We have invested in the start-up Hashtag You. This young company develops new brands. For attractive target groups. And markets these on its own digital platform. And on social media.

- Third: An example from our industrial business. Here we have invested in a start-up that specializes in recycling solutions. The company is called Saperatec. Together we are developing recyclable adhesives. This will also enable flexible packaging to be recycled. Particularly in the food industry.

We are also consistently supporting our innovations and brands through higher investments. From this year on, we will be increasing our growth investments by 350 million euros. Compared to the year 2018.

A considerable portion of this will be channeled into innovations, advertising and marketing. The other portion will go into the digitalization of our businesses and into IT. More on this in just a moment.

First, I would like to explain how important the topic of sustainability is for us. And also for me personally. We all have changed over the years. My views, too, have evolved on many issues.

Particularly through the engagement of so many young people. Climate protection. Less plastic waste. Sustainable consumption. These are the issues that concern us today. And rightly so, in my opinion. Because we only have this one planet. So, we must act.

Sustainable management is one of Henkel's great strengths. We have a leading role here. For a long time now. Our pioneering role is regularly confirmed in ratings and rankings. Which is why we aim to further strengthen sustainability. As a clear competitive edge.

For this we have defined the next milestones. And specific targets.

For instance with regard to climatic protection.

- By 2040, Henkel will become climate-positive.
- By 2025, we will reduce the carbon footprint of our production by 65 percent. Compared to the base year 2010.
- And expect to save 100 million tons of CO₂. Together with our consumers, customers and suppliers.

And in the avoidance of plastic waste.

- By 2025, 100 percent of Beauty Care and Laundry & Home Care packaging will be recyclable. Or reusable.

And these are just a few examples.

Sustainability will be anchored in all our business activities. It will become a central pillar in our innovation strategy. We are developing sustainable brands and products for our customers and consumers. And, with this, making our company future-ready.

We also want to create a clear competitive edge through the digitalization of our businesses. And through the expansion of new digital business models.

In doing so, we will align ourselves to the digital megatrends.

- The growing importance of the platform economy.
- The changes in consumer and customer behavior.
- And the transition to new service models in the industrial business.

All these topics will change our businesses.

We see great opportunities arising from this. Which is why we are launching corresponding projects and initiatives.

We are expanding our digital channels. We will be intensifying interaction with our customers and consumers. By extending existing digital platforms and offerings for consumers. And also establishing new models.

In the adhesives business, we are developing new digital applications. Especially tailored to our industrial customers.

Digitalization enables us to respond more rapidly. And produce more efficiently. Here we are also scaling artificial intelligence.

But we also need the right people. That is why we intend to invest even more in digital talent. For example, in data scientists and software engineers.

We have already begun with the first organizational changes in recent months. To strengthen the digital business focus. And enable greater efficiency.

We have named the new division “Digital Business.”

There, on the one hand, we are working on the ongoing optimization of business processes along our value chain. To ensure a high-performance, efficient and future-ready IT capability.

On the other hand, this unit is responsible for digital business ideas and innovations. Here, we plan to establish new digital innovation hubs. In Berlin. In Silicon Valley. And in Asia.

With our focus on innovation, sustainability and digitalization, we are making Henkel even more competitive. And are positioning our company for purposeful growth.

That brings me to the third element of our strategic framework. Lean, fast and future-ready business processes.

Business processes and structures require regular review. Are they up to date? Are they sufficiently lean, fast and simple?

We will also be developing new business models. With the focus on ensuring close proximity to our customers and consumers. Decision-making will be accelerated.

We are also striving to constantly increase efficiency in all areas.

I have now described three important elements of our strategic framework.

Successfully shape our portfolio.

Create a clear competitive edge.

Establish lean operating processes and future-ready business models.

These are big challenges.

And we need motivated, committed employees to meet them.

United by a strong corporate culture.

By shared values. And a clear understanding for teamwork and collaboration. That is the fourth element of our strategic framework. And it is one that is particularly close to my heart.

I have now been with Henkel for 25 years. I know how important values, culture and team spirit are in our company. Especially today. In difficult times. When we are facing major challenges. That is why it is important to me that we continue to further develop our culture. To strengthen it. To convey what contribution each employee can make to it.

We have introduced new Leadership Commitments. They apply to all employees. At all levels. Irrespective of hierarchy.

And now the time has come to further extend these commitments. To firmly anchor them in the minds of all employees. And thus, to drive cultural change. Towards a culture of cooperation. With more creative freedom for our employees.

It is also very important for us that our employees constantly develop. So that they can grow both professionally and personally. We therefore specifically promote their training. Particularly in areas that are relevant for the future. For example, in the areas of digitalization and collaboration.

At this point I would like to address another important issue. The promotion of diversity. And mutual respect for one another.

Henkel is a global company. Our employees come from more than 100 nations. From all cultural backgrounds. We need this diversity. It helps us be successful. Which is why we consciously promote diversity. In all dimensions. For us, it is the individual who counts. With their experience, their knowledge and their ability to contribute. Not gender or age. Skin color, nationality, sexual orientation or political leanings.

This should all go without saying. Yet it still needs to be emphasized again and again. Discrimination and racism are unacceptable! We embrace diversity. We are committed to diversity. And this too feeds into our corporate culture.

Ladies and Gentlemen.

This decade is going to be the decade for Henkel. With purposeful growth. Driven by innovation, sustainability and digitalization.

At this point I would like to show you a short film. Because pictures express much better what characterizes us. Who we are. What we stand for. And how we are shaping our future.

You see the power that lies within Henkel. What drives us.

This is also reflected in our financial ambition.

- Over the medium- and long-term, we aim to generate organic sales growth between 2 and 4 percent.
- And growth of adjusted earnings per preferred share in the mid- to high single-digit percentage range. At constant exchange rates.
- With our focus on free cash flow expansion.

The underlying economic environment has changed fundamentally for the current year. We are seeing demand collapsing across many branches of industry. As well as rapidly rising unemployment in many countries.

This is also impacting our businesses. In the first quarter, we recorded robust sales performance overall.

Nominally, Group sales decreased slightly to 4.9 billion euros. A decrease of -0.8 percent. Organic sales showed only a slight decline of -0.9 percent year-on-year. Despite the effects of the COVID-19 pandemic.

In all we registered a decrease in sales of about 100 million euros in the first quarter due to the consequences of the corona crisis. The second quarter has not yet closed. But it is clear that it will be a tough quarter. Because lockdown took place in many countries during this period. There will be more on this at the beginning of August. When we present our half-year results.

We are currently unable to realistically assess how the year will develop overall. We therefore withdrew our existing guidance for the year in April. We will publish a new forecast as soon as this is possible.

One thing is certain. We will need to constantly adapt as the crisis evolves.

At the beginning I was talking about the moon landing. And how it changed our view of things. The corona crisis will also change our perspectives in the long-term.

We will see the world with different eyes. Our behavior will change. We will react flexibly and quickly to the upheavals in our markets. Actively shape change. And break new ground.

Our foundations are sound. We have seen this in the current crisis. And this is something we will build on in the future.

- We have a diversified portfolio. With three business units.
- We stand for successful brands and innovations. With leading positions in various markets around the world.
- We have a very healthy balance sheet and a high level of financial flexibility.
- Our low net debt and strong A-rating give us very good financing options.
- Above all, we have exceptional, dedicated employees. With shared values.
- And we are pursuing a future-oriented strategy.

We are well-positioned. And we will emerge stronger from the crisis. We are pursuing a clear agenda for the future. For purposeful growth.

We create sustainable value. For our customers. Our employees. For you, our shareholders. And for society.

To end, please allow me to once again express my thanks.

- To my colleagues on the Management Board. For your team spirit.
For your outstanding commitment to our company.
- To our corporate bodies. For your valuable support. For your counsel. And for our constructive talks regarding the future of our company.
- And of course to you. Our shareholders. For your continued support. Even in these difficult times.

I thank you all. For your trust.

In our company.

In our brands and our innovations.

In our competitiveness.

In our future.

And your confidence in the people at Henkel.

Who will continue to do their very best for you. Every single day.

This is our commitment. That is my commitment.

Many thanks for your attention.

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