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Conference Call FY 2020, March 4, 2021

Henkel representatives
Carsten Knobel, CEO
Marco Swoboda, CFO
& Investor Relations Team

Carsten Knobel, CEO:

Dear Investors and Analysts,

Good morning from Düsseldorf and a warm welcome to our conference call on the full year 2020.

Thank you for joining us today. I hope that you and your loved ones are really doing well and they stay safe and healthy.

I'm joined today by Marco Swoboda, our CFO.

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Before we start, let me begin this call reminding everyone that this presentation which contains the usual formal of disclaimer to forward-looking statements within the meaning of relevant US legislation can be accessed via our website at henkel.com/ir.

The presentation and discussion are conducted subject to this disclaimer. I will not read the disclaimer, but we take it as read into the record for the purpose of this conference call.

Exactly one year ago, when I first talked to you as the newly appointed Chairman of the Management Board of Henkel, the world looked very different from today.

Over the past 12 months, we have encountered fundamental changes to the way we live, work and do business. People around the world have gone through very challenging times, facing severe risks to their health and the well-being of their loved ones.

2020 was far beyond anything we could have imagined when we as management board developed our Purposeful Growth agenda for Henkel – and for sure not what I expected my first year as CEO to be.

But we were able to steer the company through this unprecedented crisis. Doing everything possible to protect the health and safety of employees. Ensuring business continuity, serving our customers and consumers, and supporting communities around the world.

But 2020 has not only shown us the fragility of the world we live in. It has also made clear that the world is looking for new ideas, different approaches and deeper meaning.

Our aspiration for purposeful growth aims at providing new solutions to our customers and consumers, contributing to a more sustainable way of living, developing our people and creating a sense of belonging for all of them.

This will allow us to unlock the full potential of our company and enable us to be a force for good in this world.

As I said before, every business transformation requires a cultural and a personal transformation.

And here we really moved forward, accelerating our cultural journey with a clear growth mindset and a culture of collaboration and empowerment.

You can continue to count on my personal commitments:

We will carry on taking an unbiased, factual look at our performance and progress - and will share this transparently with you.

We will take full ownership for our results.

And we will further drive change – balancing business health and performance.

So what's on our agenda today?

First, I am going to lead you through the key developments in 2020 and provide an update on where we stand in executing our Purposeful Growth Agenda in its first year.

I will then hand over to Marco who will comment the financials for 2020 as well as our outlook for the fiscal year 2021.

After this, I will share our Way Forward, giving you the perspective of the management team regarding the key strategic steps we aim to make in 2021.

Afterwards, Marco and I are looking forward to answering your questions.

AGENDA

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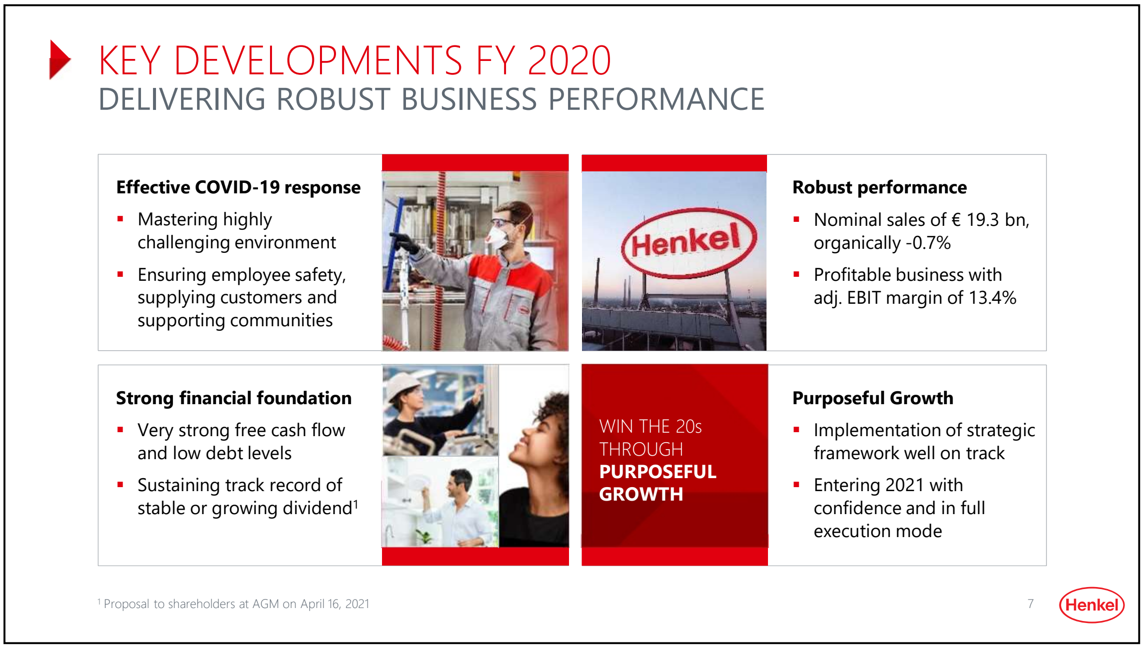


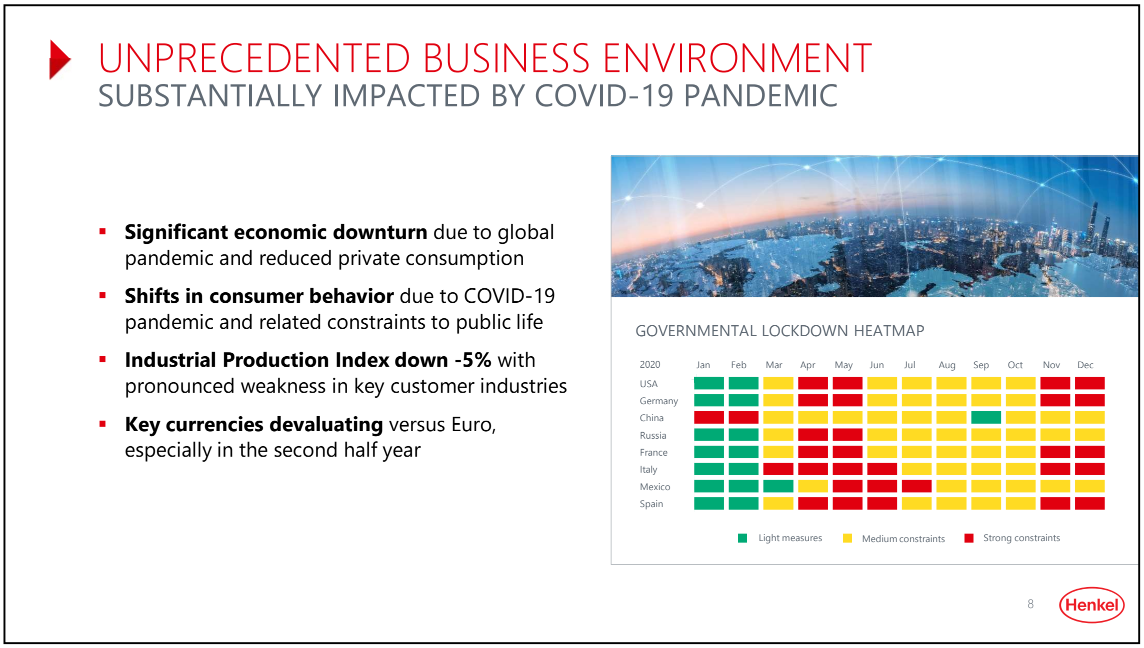
So, 2020 was a truly exceptional year.

In a highly disruptive business environment, Henkel delivered an overall robust performance.
We recorded sales of 19.3 billion euros, slightly below the prior-year level in organic terms and maintained a profitable business with an adjusted EBIT margin of 13.4 percent.

We have a strong financial foundation. We generated a very strong free cash flow in excess of 2.3 billion euros, almost at the record level of the prior year. And we significantly improved the net financial position to -0.9 billion euros at year-end.

We will propose a stable dividend of 1.85 euros per preferred share. This represents a pay-out ratio of 43.7 percent, which is above our target bandwidth of 30 to 40 percent reflecting the special nature of the burdens on earnings caused by the COVID-19 pandemic. This payment is possible not least thanks to the strong financial base and low net financial debt of the Henkel Group.
With this we sustain a strong long-term track record:
Over the past 35 years, since going public, Henkel has always paid out a dividend above or at the prior-year level.

During the coronavirus crisis, we adapted flexibly and quickly to changes in our markets, putting the safety of employees at the top of our agenda. At the same time, we were able to successfully launch our strategic framework. These days, our Purposeful Growth Agenda is more relevant than ever, and we are fully on track to implement it across all pillars.



We did all this in a highly challenging business environment:

Throughout 2020, global economic development was largely dictated by the pandemic resulting in a considerably economic slump with GDP and private consumption down by around 4% and 5.5%, respectively.

While we experienced the most severe disruptions in Q2, in many parts of the world, economic activities and household consumption remain below prior year's level also in the second half of the year.

We also observed partially drastic changes in consumer behavior triggered by the pandemic and related constraints to public life.

In terms of industrial production, demand clearly recovered in the second half year yet remained significantly lower on a full year basis at around minus 5%.

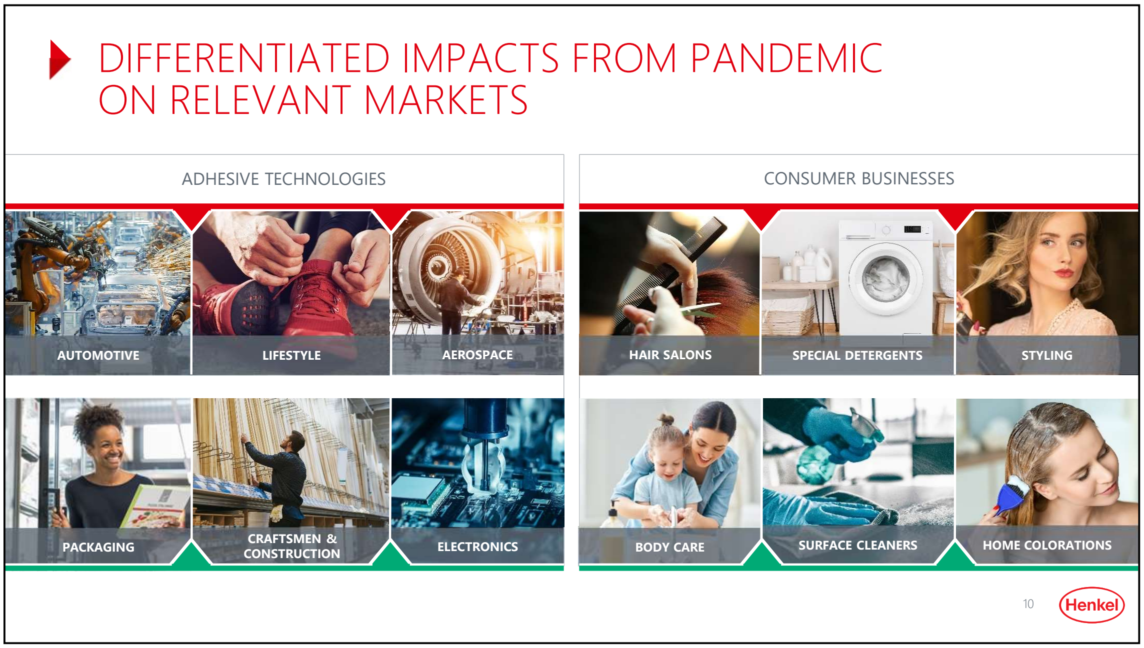
Looking at currencies, quite some movement could be observed. Key currencies for Henkel devaluated especially in the second half in part really significantly.

While we were confronted with the first wave of COVID infections early last year, we had robust crisis management processes in place. Our crisis teams around the world acted fast, decisively and effectively to ensure the safety of our people, as well as the continuity of our businesses.

Despite the disruption of global supply chain, temporary mandatory site closures, and increased complexity in our production processes, we were able to serve our consumers and customers.

All of this would not have been possible without the dedication and the commitment of our 53,000 Henkelaners owners around the world.
I'm very proud by how they responded to the pandemic. In the face of an unprecedented challenge, they stood up, acted as one team, supported and cared for each other while ensuring we continue to serve our customers and consumers, and support our community.
For this reason, I would like to say a heartfelt thank you to all of them. You really made the difference.

We also took action in living up to our responsibility toward society and supporting our community. Donating millions in financial aid to organizations dedicated to fighting the pandemic, giving out more than 5 million units of our products to those in need, or converting production lines to quickly produce more than 110,000 liters of hand sanitizers.

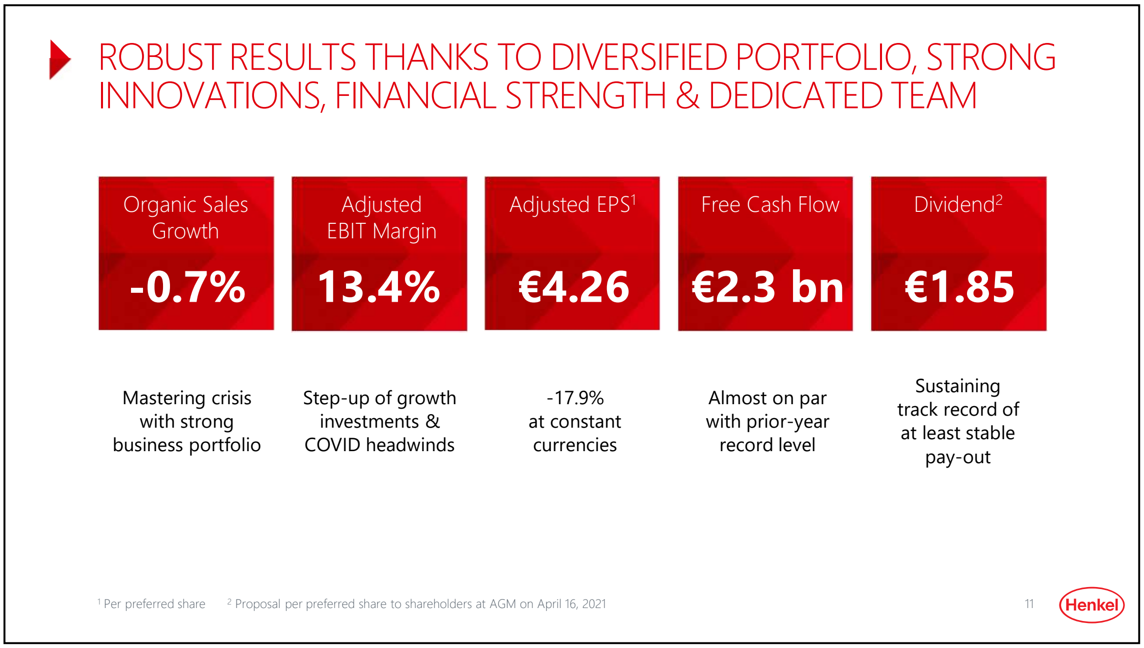


Let’s take a closer look at the implications on some of our key markets:

The automotive industry was hit especially hard with the sharp fall of global automotive production due to the pandemic.
Also, other markets suffered from the demand-driven decline in industrial production, particularly the aerospace industry.
Due to the special nature of the COVID-19 pandemic, even adhesive markets for lifestyle products such as sport shoes or fashion were negatively impacted.

Other industrial segments experienced partly higher demand, including markets for packaging, adhesives or electronics. The adhesive markets for consumers craftsmen and construction benefited from increased demand for do-it-yourself and construction products especially in the second half year.

Looking at our consumer businesses, hair salons were confronted with very significant pressure from enforced salon closures. In turn, the market for at-home hair colorations grew significantly.
With social distancing in place, the styling market also developed strongly negative.
In more hygiene-related categories, on the other hand, markets grew strongly due to increased consumer awareness for health and hygiene. Consumer demand for products such as soaps, dishwashing or surface cleaners was particularly high. In contrast, demand for special detergents was weaker.



Thanks to our broad-based portfolio, strong innovation and financial strength as well as the outstanding commitment of our employees we delivered the robust set of results across all business units.

Adhesive Technologies faced significantly declining in demand from key industries, yet the business strongly recovered in the second half of the year.

In Beauty Care, our Professional business was strongly impacted as mentioned before by hair salon closures, while retail returned to good growth.

Laundry & Home Care achieved very strong growth driven by impactful innovations and an increased consumer demand.

As one team, we achieved organic sales growth of minus 0.7% for the group and an adjusted EBIT margin of 13.4%, 260 basis points below the prior year and affected by both, declining volumes and higher growth investments in marketing, advertising, digital and IT that we increased as announced by about €200 million versus 2019.

Adjusted earnings per preferred share came in at €4.26, a decline of 17.9% at constant exchange rates.

DELIVERING ON 2020 GUIDANCE

	GUIDANCE (March 2020, pre COVID[1])	GUIDANCE (October 2020[2])	ACTUAL	
OSG	**0 to 2%**	**-2 to -1%**	**-0.7%**	✓
Adj. EBIT Margin	**~15%**	**13 to 13.5%**	**13.4%**	✓
Adj. EPS Growth[3]	**Mid to high single-digit % below PY**	**-22 to -18%**	**-17.9%**	✓

[1] Issued on March 5, 2020, withdrawn on April 7, 2020 [2] Issued on October 9, 2020 [3] Per preferred share, at constant exchange rates

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With this robust set of results, we have been clearly delivering on our 2020 guidance.

Both the organic sales growth and the development of the adjusted earnings per preferred share at constant exchange rates were slightly above our guidance ranges.

The adjusted EBIT margin came in at the upper end of our outlook.

AGENDA

01 Key developments 2020

02 **Purposeful Growth Agenda – Progress in Year One**

03 Results 2020

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05 Purposeful Growth Agenda – Way Forward in 2021

06 Closing

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With this now, let's take a closer look at our purposeful growth agenda and where we stand with the execution after year one.

As you know, one of my first actions, as CEO of Henkel, was to conduct a detailed group review together with my colleagues and the management board.

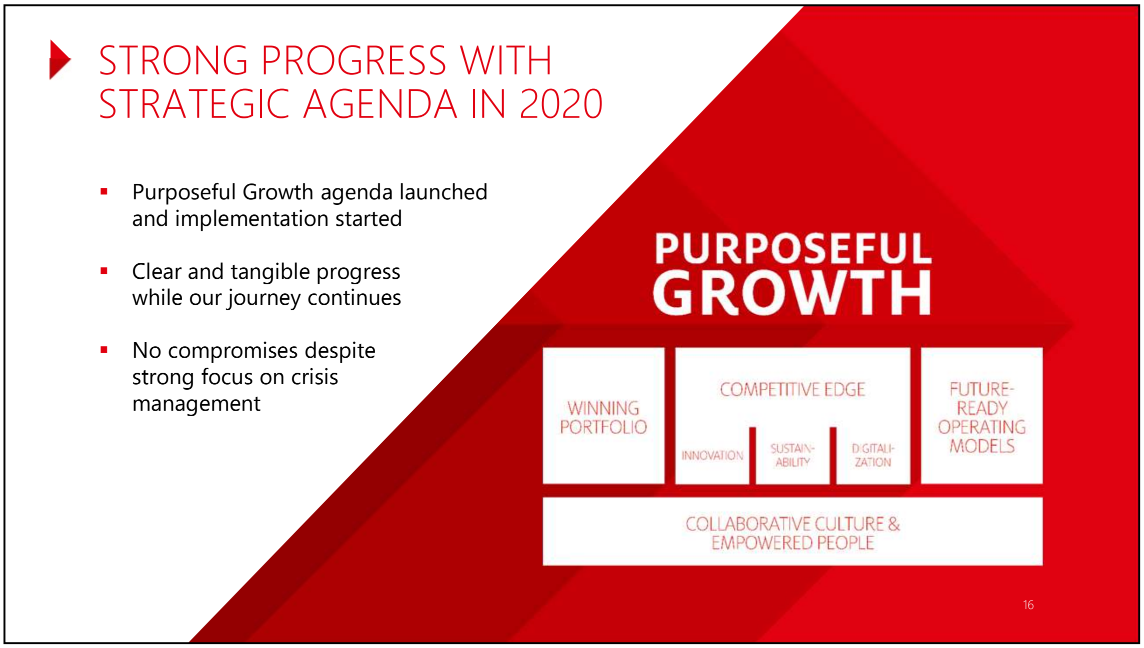
And we knew, Henkel has a great foundation and is a financially healthy company with a unique DNA.

Yet, the need for change was crystal clear. We understood that our old recipe for performance had outlived its time, put too much pressure on the system

So, we took action, decided together that we need a reset and a transformation and as a consequence, carefully designed our purposeful growth agenda - to set the right course for our future and to win the 20s.

Here, with a clear definition for purposeful growth in mind, it is about creating superior value for our customers and consumers to outgrow our market, reinforcing our leadership in sustainability to shape Henkel's future, and by that contribute to society and benefit the planet.

And lastly, enabling our people to grow the clear sense of belonging.



After one year in execution, I am more convinced than ever that we set the right course and priorities.

While we decisively managed the crisis throughout 2020, we started implementing our Purposeful Growth Agenda across all six pillars That means:

shaping a winning portfolio; creating competitive edge by accelerating impactful innovations by anchoring sustainability firmly in really everything we do; and by transforming digital into a value creator; developing future-ready operating models; and strengthening our collaborative culture with empowered people at the heart.

Let me now share some key milestones along these six pillars.

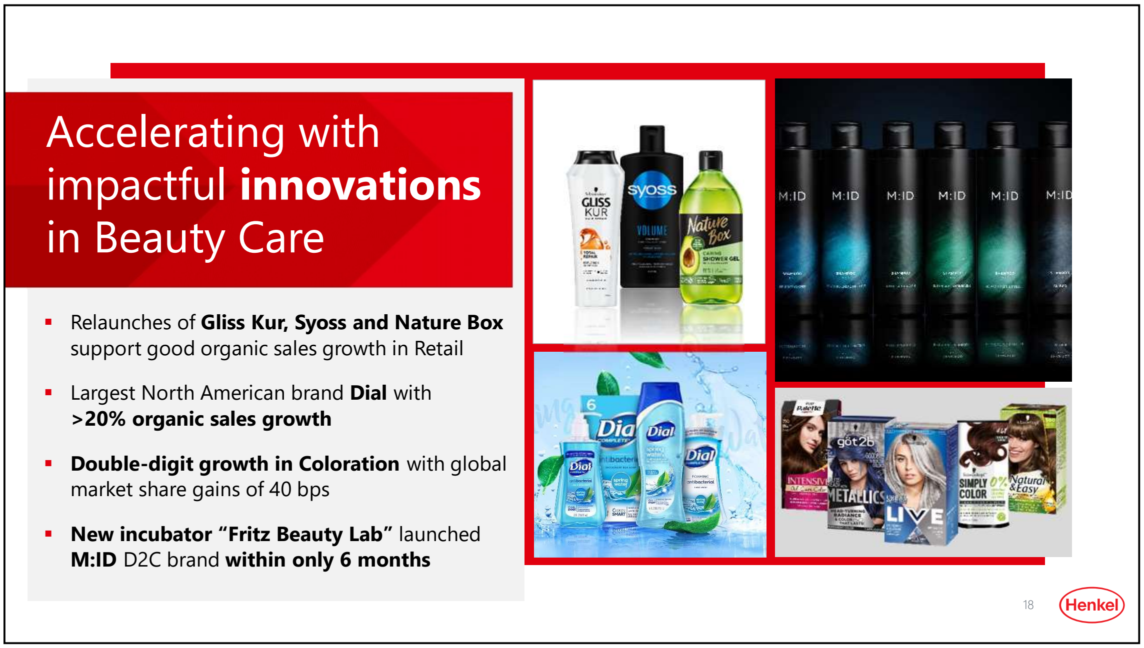
A key element of our strategic framework is active portfolio management.

With emphasis on our consumer businesses, we have identified brands and categories with a total annual sales volume of more than one billion euros for portfolio measures – and marked half of this amount for divestment or discontinuation by the end of this year, end of 2021.

In 2020, we signed divestment contracts, completed the sale or discontinued businesses representing annual sales of more than 100 million euros.

Besides that, we gained traction with those brands and businesses that we had marked for turnaround measures. Here, around 60% of the revenues in the turnaround cluster delivered improved top line momentum in year one means in 2020.

Furthermore, M&A is an integral part of our portfolio strategy.
In 2020, we strengthened our portfolio with the addition of two compelling acquisitions in Beauty Care and Adhesive Technologies for roughly half a billion euros.



Today as relevant as ever, to gain competitive edge, it is critical to accelerate this with impactful innovations.

Beauty Care, our Retail business came back to growth in 2020 recording its strongest organic sales growth since 2013.
This was supported by impactful hair care launches in the second half of the year with a strong sustainability focus under our key brands Gliss Kur, Syoss and Nature Box, which address around 60% of our hair care Retail business.

To cater the needs of our consumers during the pandemic, we put increased focus on hygiene-related products. Here, our biggest body care brand Dial in the US recorded a fantastic year generating more than 20% organic sales growth.

The team also managed to outgrow the thriving hair coloration market with double-digit organic sales growth winning global market shares of 40 basis points in our active markets.

M:ID is our first launch born within just six months from our newly established incubator and a great example of how we create innovative business concepts, which are rapidly prototyped and tested directly in the market.
With M:ID, we provide men with personalized hair and scalp care leveraging really the potential of e-commerce.

Let me also share how we accelerated with impactful innovations in our Laundry & Home Care business:

The teams really did a great job outgrowing the booming dishwashing market with clear double-digit growth and winning market shares of 120 basis points globally.
The strong result was in particular driven by impactful innovations, including the launch of automated dishwashing caps under our Pro Nature range.
And in addition, we were able to trigger significant uplifts for our Somat and Pril brand and positive sentiment in social media with strong local activations of our purposeful brand communication #enjoytogether.

I am very pleased that the teams also kept momentum in the strategic detergents cap segment. Bolstered by our cutting-edge Persil 4in1 DISCS, we recorded double-digit growth.
Here we see that our increased growth investments are paying off, with higher media investments supporting strong market share gains in the single-unit dose segment.

With our new idea factory, we are furthermore piloting innovative solutions while accelerating scalable new business models and holistic sustainability concepts.
Our first launch - the cross-category brand Love Nature - is by now available at all major retailers in Germany.

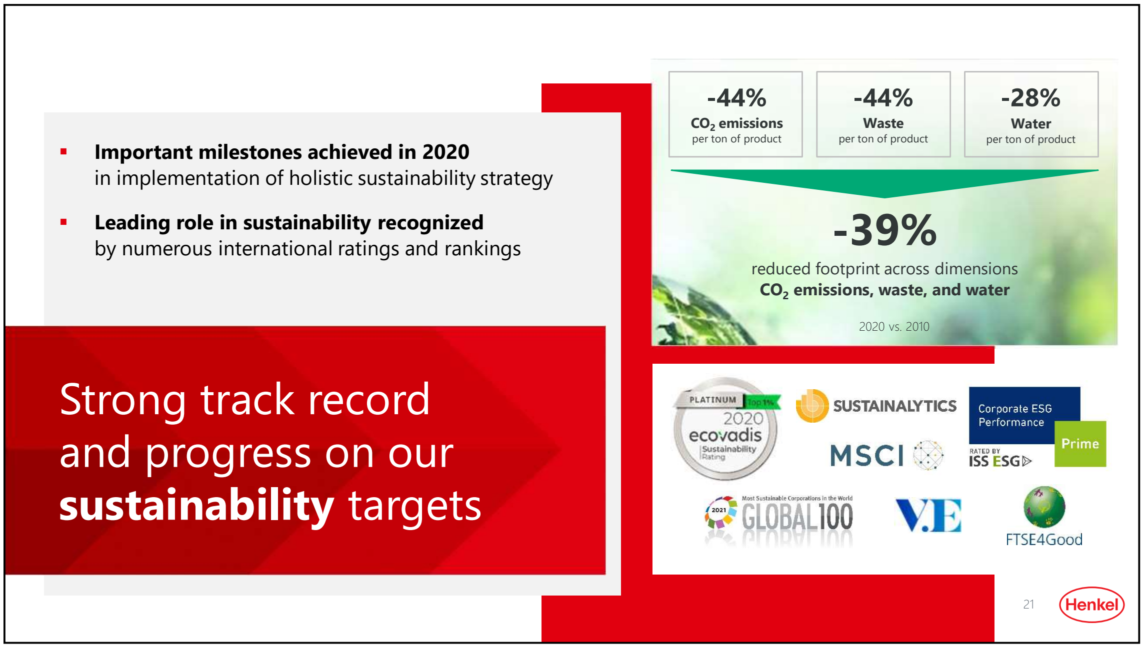
But also beyond our idea factory, the Laundry & Home Care teams stepped up in agility and speed, improving the average time to market by about 10% to 52 weeks from ideation to launch. A crucial step to enhance competitive edge.

Now, looking at Adhesive Technologies in the context of innovation. We are dedicated to leveraging our global innovation strength for customers across more than 800 industries.

With our broad portfolio of high-end adhesives, we enabled the design of compact camera modules and sensor technology in the smartphone industry. Additionally, Henkel is best positioned to develop new market solutions, improving water resistance for true wireless headphones, tablets and laptops. Thanks to such powerful innovation, we achieved almost double-digit growth in our Consumer Electronics business in 2020.

In our Automotive business, we are gaining market share with our e-mobility solutions. In the past year, we doubled the number of innovation projects with our customers by further developing a dedicated portfolio for the electrification of the powertrain, especially our thermal interface management materials are highly demanded by multiple customers.
And finally, we believe that digitalization is opening up new exciting opportunities.

With the successful pilot of our new digital R&D platform "Albert", we make product development leaner, faster and more collaborative.
With our virtual end-to-end formulation assistant, for example, we were able to screen more than 20,000 formulas and hundreds of thousands of data points. This allowed us to develop a first product prototype in just three days - much faster compared to a few weeks with traditional methods.



We also advanced our leadership in the field of sustainability.

At Henkel, commitment to sustainability has been an integral part of our corporate culture for decades, and it is our license to operate tomorrow.

Already 11 years ago, we defined a comprehensive sustainability strategy and our long-term ambition.
We want to achieve more value for our customers and consumers for the communities we operate in, and for our company at a reduced environmental footprint.
2020 marks the end of the first decade within this framework, and thus is an important milestone for which we had defined ambitious interim targets.

I am proud to share that overall, we were able to reduce our environmental footprint by 39% across three dimensions – CO_2 emissions, waste, and water – significantly exceeding the target of a 30% reduction for 2020 versus our base year 2010.

Our many years of work have created a strong foundation, and our leading role and strong progress are recognized by numerous international ratings and rankings.

While this is great progress, we are already fully focused working towards our ambitious set of targets for 2025, which address relevant global changes.

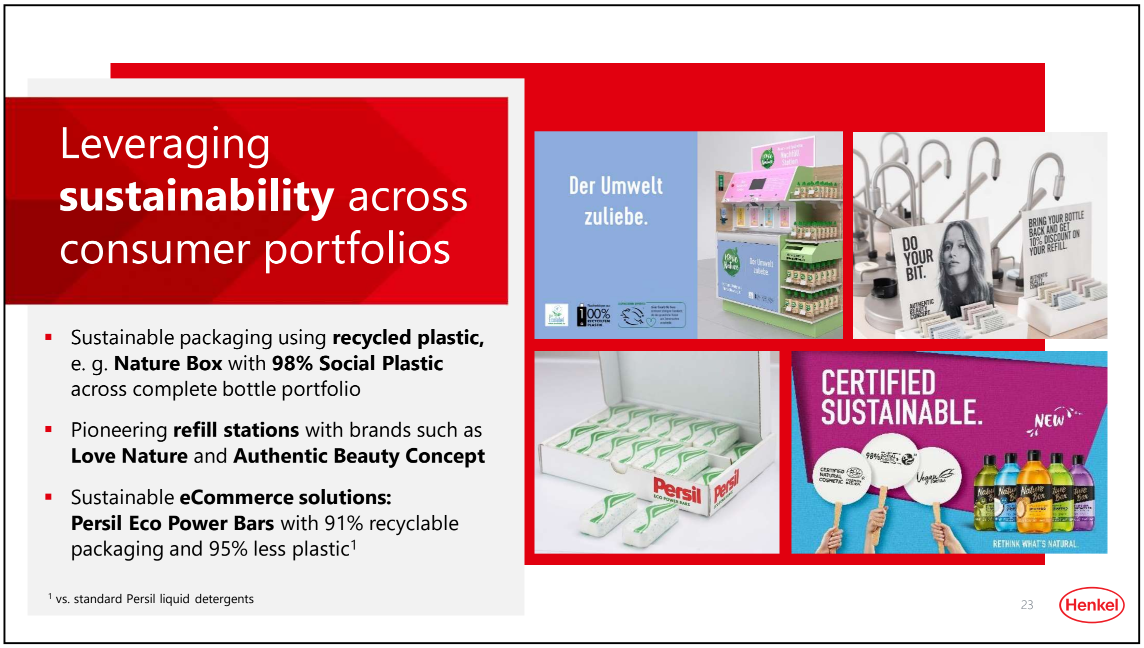
On our way to becoming a **climate positive** company by 2040, we entered into large-scale virtual power purchasing agreement relating to a new wind farm in Texas. The agreed capacity of renewable energy equals 100% of the annual electricity demand of Henkel's operations in the US.

To enable a **circular economy**, we increased the share of recycled plastics in our packaging year-over-year by 50%. What does that mean in real life?

Last year alone, Henkel used more than 400 million bottles made of 100% recycled plastics.

To contribute through **social progress**, we increased the share of certified palm oil to 90% in 2020 and continued our support for smallholder farmers for example through trainings on best agricultural practice.

When it comes to sustainability, we are going beyond operations and innovation. In June, Henkel became the world's first company to place a plastic waste reduction bond marking yet another step in combining attractive financing instruments with sustainability advancements.



While we are driving sustainability across the group to achieve our ambitious targets, we are also successfully anchoring sustainability in our product innovation.

In Beauty and Laundry, the teams put a strong focus on sustainable packaging solutions. When it comes to **recycled plastic**, we have taken our use of social plastic and our packaging to the next level.

With the latest re-launch, Nature Box is the first Beauty brand introducing social plastic as a packaging material for its complete bottle portfolio.

Moreover, we are pioneering **refill stations**. Our new Laundry & Home Care brand, Love Nature, is the first detergent and cleaning brand to offer a refill service across all major retailers in Germany.

And in Beauty Professional, we launched the first refill bar for hair salons in Europe under our brand Authentic Beauty Concept.

We are also connecting sustainability with the second key competitive edge factor, digitalization. Our new Persil Eco Power Bars for example come with a packaging that allows for 95% less plastic than a standard Persil liquid detergent bottle, and it is made of recycled and recyclable cardboard. Sustainable innovation that is perfect for the growing e-commerce channel.

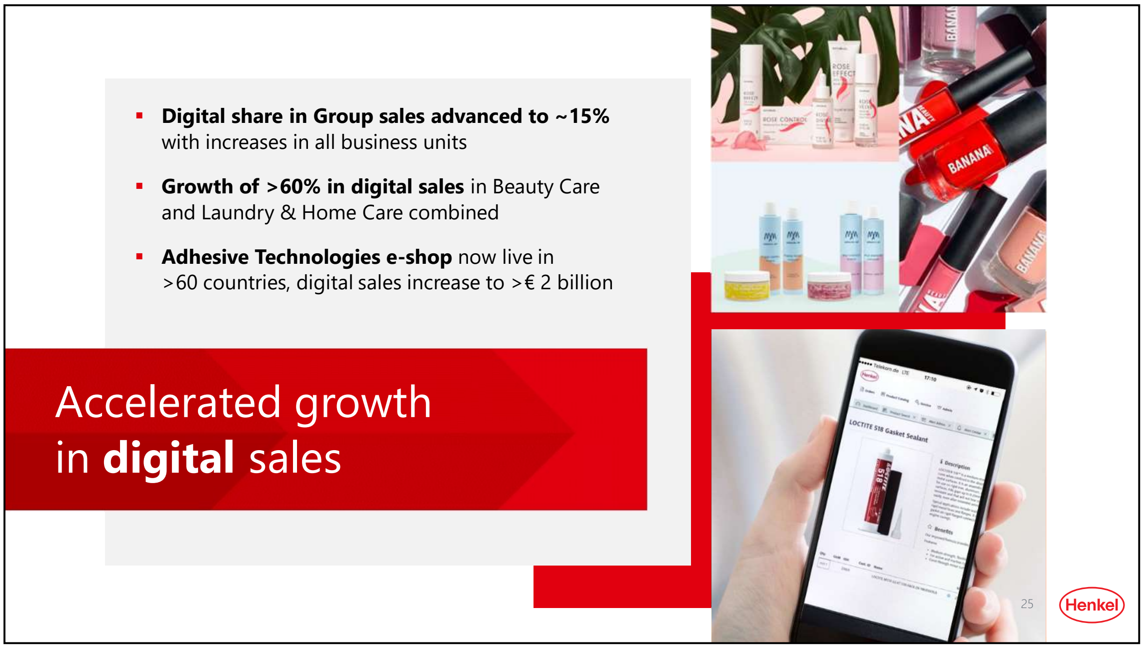
Also in Adhesive Technologies, sustainability is a key driver of innovation in all of our markets. And we are dedicated to continue driving our entire industrial portfolio towards contribution to sustainability.

Our portfolio of hot-melt adhesives for the **packaging industry** allows retail businesses to save up to 90% in plastic packaging films along their supply chain. The automated application of these hotmelts helps to make processes safer and more efficient.

In the **sport and fashion industry**, we partner up with major brands towards the goal of developing innovative and sustainable solutions for footwear product.

Our latest innovations allow to reduce the CO2 footprint of the bonding process by up to 30%.

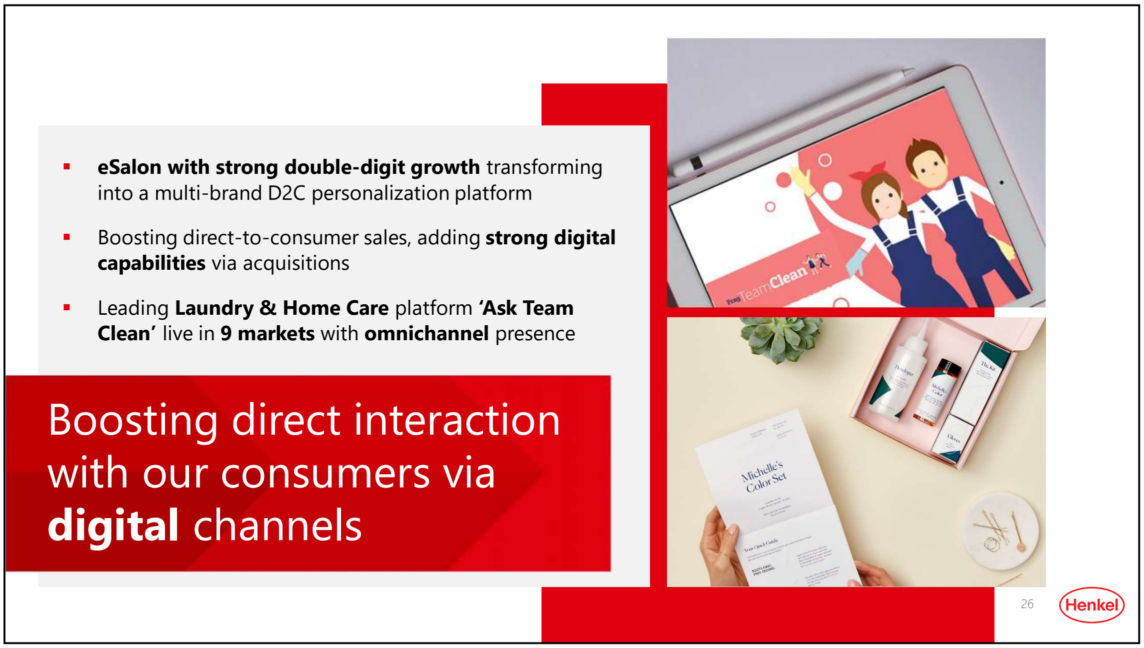
Also, we launched a high-impact **hot sealing additive**. It enables doubling of the standard lifespan of sealed parts, an increase in the productivity of single-step hot sealing by more than 20%, and the reduction of the makeup of the bath by 50% or more reducing the CO2 footprint.



I would also like to speak about our advancements in the area of digital, an important value creator and one of our strategic priority.

Here, we were really shifting up gears in 2020, meaningfully accelerating digital sales growth.
For the full year, we advanced our digital sales share to around 15% of total group sales.
I am really impressed to see strong digital sales growth in all business units with especially high growth rates of more than 60% in our consumer goods businesses combined.

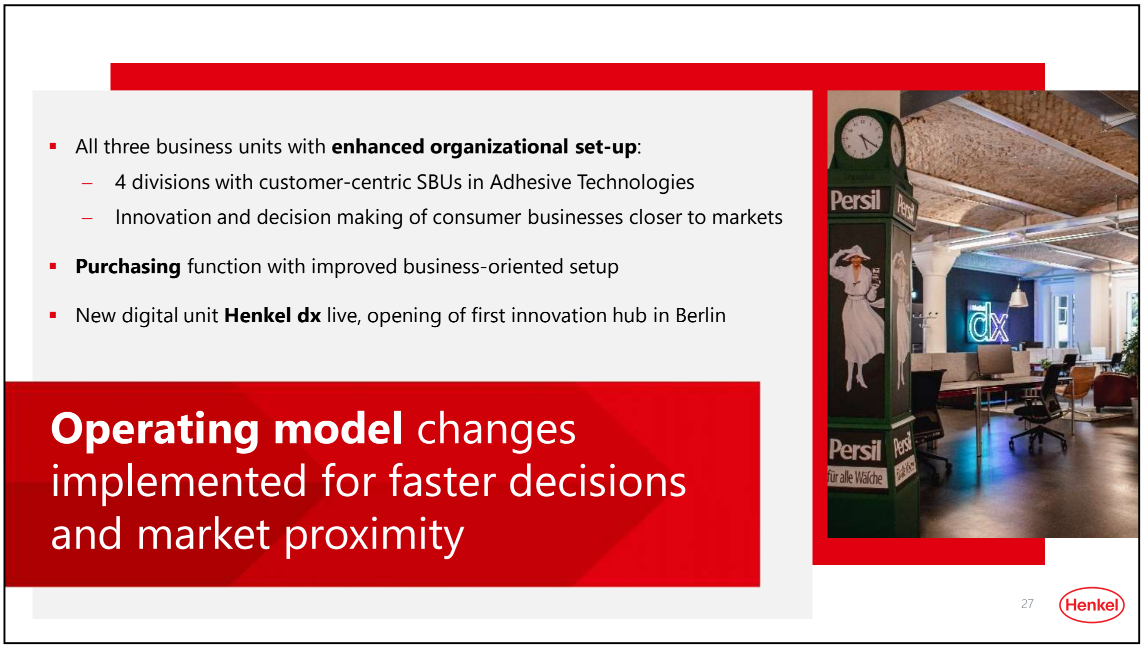
Adhesive Technologies in 2020 passed the €2 billion mark in terms of digital sales and is thus the strongest absolute contributor to group digital sales. Here, we further expanded our e-shop which is now live in more than 60 countries.



We also put strong emphasis on boosting direct interaction with our consumers. Beauty Care, eSalon achieved mid-double-digit growth with its personalized hair colorations that are directly sent to consumers. 2020 was a record year for the business with 2 million sales orders. The platform by now expanded to a true multi-brand D2C offering for various target groups and consumers. Overall, direct-to-consumer sales in Beauty increased six-fold in 2020 versus 2019, and by now make up 20% of the business unit's digital sales.

We also expanded our consumer platform Ask Team Clean, our community on all laundry care and home care-related topics. The platform is now live in nine markets in Europe and in the US.

By developing an omnichannel presence and boosting our one-to-one consumer relationships, we aim to generate loyal product fans.
And we see already a notable cross and upselling potential with registered consumers.



Our strong progress in innovation, sustainability and digitalization is important in order to expand our competitive edge.

Nevertheless, future-ready operating models across the company are of equal importance because they will determine our ability to execute what we intend to do.

In Adhesive Technologies, we are successfully operating in the new structure comprising four business divisions made up of 11 strategic business units. The enhanced setup enables us to be even more effective in serving our sales market and our customers.

In both Beauty and Laundry Care, we took important steps to more innovation and decision-making power closer to customers and consumers enabling the businesses to be more agile and faster in the marketplace.

Structures were also improved in our group-wide purchasing function to ensure optimum alignment to our business units, customers and procurement markets, and foster innovation and sustainability.

And finally, we successfully implemented the integration of our digital and IT teams under the roof of our newly established organization Henkel dx. Here, we also opened our first innovation hub located in Berlin.

A strong culture, shared values and a clear framework for collaborating as one team from the foundation is what will form the foundation of our growth agenda.

In 2020, we took important steps and created a strong momentum for change that will enable us to deliver superior performance and purposeful growth.

Our leadership commitments are our cultural north star for our 53,000 people.
Next to an active dialogue across the organization we integrated them in our HR processes and systems to really anchor them in our corporate culture.

To further move forward and identify additional opportunities for change, we conducted a global organizational health survey asking 10,000 employees worldwide for their feedback.
Henkel overall, recorded a good total score. And the findings gave us a clear picture about our strength, but also and most importantly, about areas where we can and where we need to do better here.
Here, we have identified focus fields and defined them and specific opportunities to continue our journey. To shape the most competitive workforce, we placed continued focus on up-skilling our employees for future capability. In 2020, the number of digital learning hours more than doubled year over year, not least during the COVID-19 pandemic.

So, wrapping up. We made a strong start to the journey.

We pushed ahead with our **portfolio management** despite the difficult market environment and we strengthened our portfolio with two compelling acquisitions.

We accelerated with impactful **innovations** in all three business units. We increased our investments as announced by around €200 million compared to 2019 or around €350 million versus 2018. And most importantly, it is paying off.

We achieved important milestones in **sustainability**, advanced in the areas of climate protection, circular economy and social progress, and anchored sustainability more firmly in our products and solutions.

Strong digital sales growth, especially in Beauty and Laundry & Home Care is a testament to our progress in **digitalization**.

We implemented key changes to drive future **operating models**.

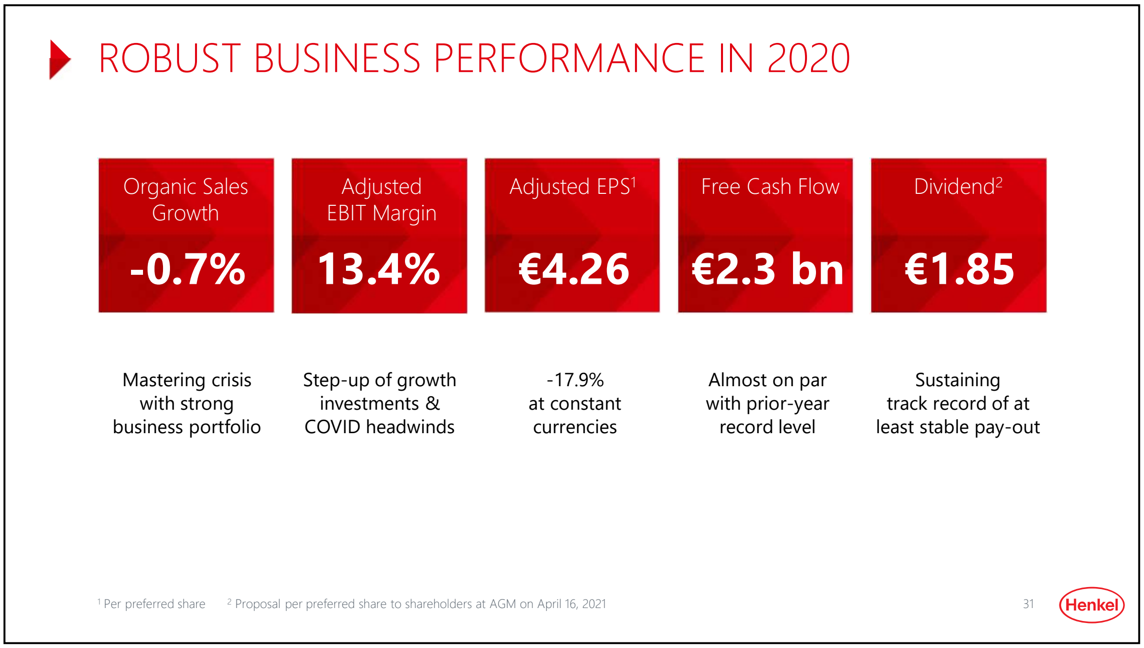
And finally, we accelerated our **cultural transformation** with our leadership commitments at the core.

We have just closed year one of executing our strategic growth agenda.

What is important to me is that we stop just doing more of the same. Instead, we started our work on winning the 20s.

And now, I would like to hand over to Marco, who will lead you through our financial performance in 2020 in detail and present also our outlook 2021.

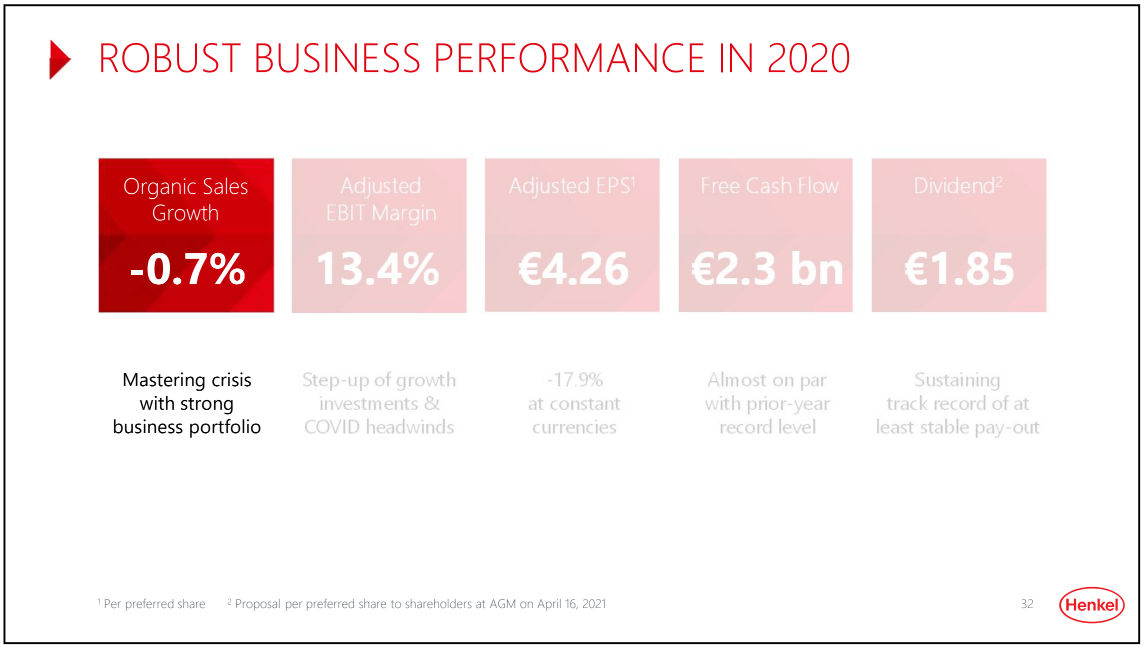
Marco?



Marco Swoboda, CFO:

Yeah. Thank you very much, Carsten, and good morning to everybody joining us today.

Let's dive deeper into our financial 2020 and the drivers of our overall robust business performance in this remarkable year.



Starting with our top line development and the performance of our business units.

SALES DEVELOPMENT

FY 2020

OSG	M&A	FX	Nominal
-0.7%	+0.3%	-3.9%	-4.3%
Price +0.1%, Volume -0.8%			

- Robust organic sales performance of business portfolio in highly challenging environment
- Currency headwinds affecting nominal sales development, especially in second half year

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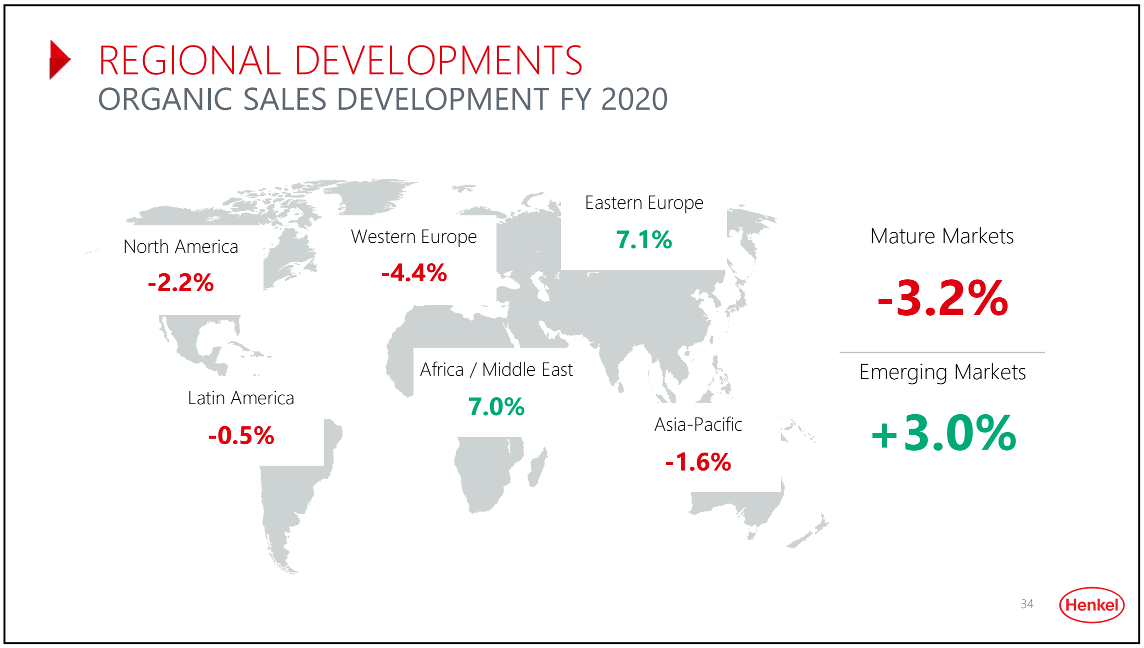
Organic sales development was slightly below the previous year at minus 0.7%, a very robust performance given the challenging environment and in light of the strong headwinds especially in the first half of the year.

It was entirely driven by volume of minus 0.8% due to the external environment negatively impacting, in particular our Adhesive Technologies and Beauty Care businesses.
Pricing overall was more or less flat at plus 0.1%.

The net effect of our acquisitions and divestments supported sales with plus 0.3%. Currencies were a headwind in the full year at minus 3.9%. This was in particular driven by adverse developments in the second half of the year due to the weaker US dollar and especially emerging market currencies.

In total, Henkel recorded a decline of minus 4.3% in nominal sales to €19.3 billion.



Moving on to our organic sales performance in the different regions.

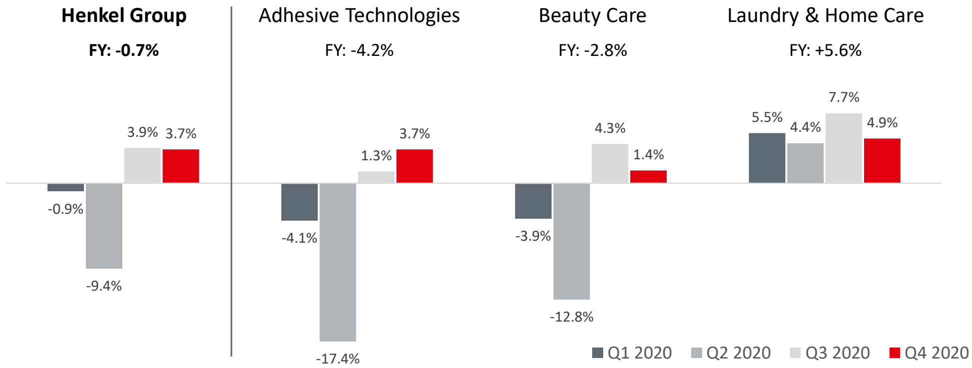
Overall, mature markets were negative with minus 3.2%. And in contrast, our businesses in emerging markets achieved a strong organic performance of plus 3.0%.

Both North America and especially Western Europe were below prior year. This was largely due to the negative development in our Adhesive Technologies business, driven by pandemic-related double-digit declines in the Automotive and General Industry business segments.
Beauty Care also recorded a negative organic development here, given the strong pandemic-related headwinds in the Professional business.
Laundry & Home Care in contrast, achieved a positive organic sales performance in North America and Western Europe.

Group performance in Asia-Pacific was negative at minus 1.6%. Our businesses in China achieved positive organic sales growth, however, this was overcompensated by partially strong headwinds in many other countries of the region in both our Industrial and Beauty Care businesses.

The decline in Asia-Pacific was more than offset by growth in the Middle East/Africa and Eastern Europe regions. This was predominantly driven by our Laundry & Home Care business.

ORGANIC SALES DEVELOPMENT BY BUSINESS UNIT



Continued recovery in Adhesive Technologies, Beauty Care held back by salon closures in Q4, sustained strong performance in Laundry & Home Care

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Before we move to the business unit performance, let's briefly recap on the organic sales development in the course of 2020.

The COVID-19 pandemic and its implications on economies and societies affected our businesses especially in the first half of 2020. In particular, our Industrial and Professional businesses were hit hard, with the greatest headwinds in the second quarter.

Both Adhesive Technologies and Beauty Care achieved a strong recovery in the third quarter, which continued in the fourth quarter.

Especially Adhesive Technologies improved quarter-after-quarter towards the end. In our Beauty Care business unit, however, the continued strong momentum in the retail business in the fourth quarter was partially offset by renewed pandemic-related restrictions and salon closures.

Laundry & Home Care sustained an overall very strong performance throughout the year driven by impactful innovations and stronger marketing support as well as benefiting from increased hygiene awareness and people staying more at home.

In both, the third and the fourth quarter, each of Henkel's business units managed to grow organically.

ADHESIVE TECHNOLOGIES

ORGANIC SALES GROWTH: -4.2%

- Overall robust performance in 2020 thanks to continued recovery across business divisions in H2
- Automotive & Metals low double-digit % below prior year due to significant decline in global car production
- Packaging & Consumer Goods achieved positive growth supported by strong packaging business
- Electronics & Industrials negative due to weak Industrial demand, significant growth in Electronics
- Craftsmen, Construction & Professional lower year-on-year, but strong pick-up in H2 2020

36 Henkel

Let me now provide more detail on the performance of our business units starting with Adhesive Technologies.

Overall, under challenging business conditions, the business unit recorded an organic sales development of minus 4.2% in the full year with a continued recovery in Q3 and Q4 across all business divisions and regions.

Developments in the different business areas varied significantly.

Automotive & Metals achieved very strong growth in the final quarter, however, closed the full year a low double-digit percent below prior-year level. This was mainly due to significant declines in car production volumes in mature markets. And in contrast, our business in China continued its strong recovery even reaching strong organic sales in the full year after a difficult start into the year.

Our **Packaging & Consumer Goods** business area showed a comparably resilient performance. Yet it was also affected by pandemic related headwinds especially in the second quarter of 2020, it returned to growth in both Q3 and Q4 and achieved positive organic sales growth in the full year.

Electronics & Industrials overall remained below the prior-year level impacted by weak demand in the Industrial business. Our Electronics business, in contrast, recorded significant sales growth.

And in **Craftsmen, Construction & Professional**, sales organically remained below the prior year despite a strong recovery in the second half of the year and achieving growth in each business segment in both Q3 and Q4.

ADHESIVE TECHNOLOGIES
FY 2020

Organic Sales Growth		Adjusted EBIT Margin	Net Working Capital
-4.2%		15.2%	9.2%
Price	Volume	Change y-o-y	Change y-o-y
+0.6%	-4.8%	-290 bps	-230 bps

- Adjusted EBIT margin impacted by lower sales volume and related operational leverage effects
- Net working capital improved strongly

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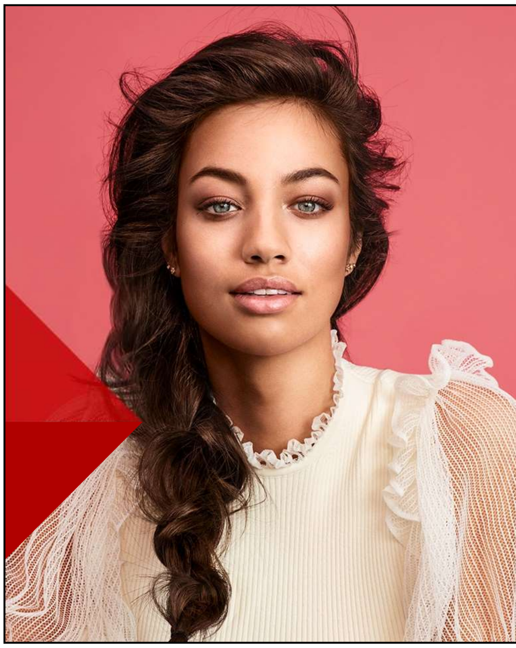
So, in total and as a consequence of the underlying demand trends, Adhesive Technologies recorded a volume decline of minus 4.8%. Pricing was slightly positive at 0.6% in the full year.

Gross margin of Adhesive Technologies was flat year-over-year, thanks to the slightly positive pricing and cost efficiency measures, combined with a roughly neutral direct materials impact, we were able to compensate headwinds from lower volumes and adverse currency movements.

The adjusted EBIT margin, nevertheless, came in to 290 basis points lower, closing the year at 15.2%. This was due to the lower sales volumes and a corresponding negative fixed cost absorption.

Net working capital improved strongly by 230 basis points to a very low level of 9.2%.



BEAUTY CARE

ORGANIC SALES GROWTH: -2.8%

- Retail business back to good growth thanks to very strong second half year
- Hair Retail stable despite pandemic due to double-digit increase of Coloration business
- Significant growth of Body Care, in particular fueled by Dial in North America
- Professional with significant pandemic-driven decline, recovery in H2 but increased pressure from COVID restrictions towards year-end
- Broad-based growth of digital sales by high double-digit percentage, boosted by D2C

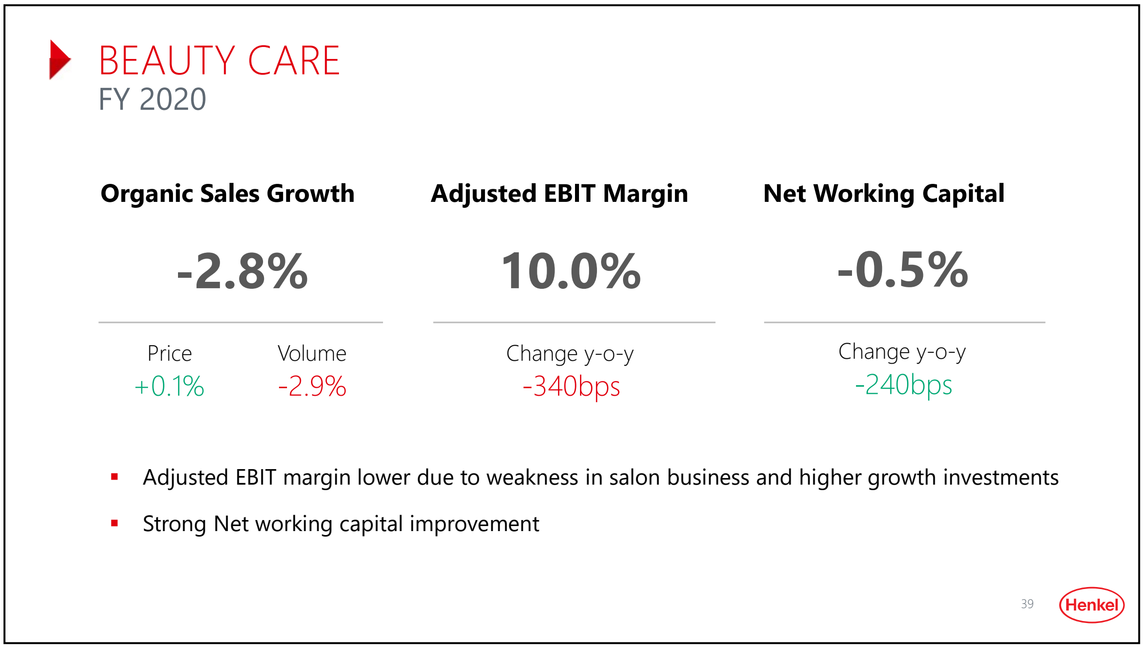
38 Henkel

Beauty Care recorded an organic sales development of minus 2.8%, driven by lower volumes. Average prices were roughly flat.

This development was driven by the **Hair Professional** business, which was significantly impacted by governmentally enforced salon closures. After difficult first quarter and the trough in April, we had recorded a strong recovery in the third quarter. However, the renewed surge in infection rates once more triggered salon closures in the course of the fourth quarter in many of our key markets.
And as a result, the Hair Professional business performance again turned more negative in Q4 and recorded an organic sales decline in the mid-teens percentage in the full year.

Our **Retail** business in contrast returned to good organic sales growth in the full year. Following an almost flattish first half, the business area recorded a very strong organic sales growth in the second half of the year.
Important parts of our business continued to be negatively affected by the pandemic and corresponding stay-home effects, especially styling, deodorants as well as skin care.
These headwinds were overcompensated by double-digit growth in hair coloration and significant growth in body care fueled by our US brand Dial that also benefitted from strong consumer demand for hygiene products.

The online and direct-to-consumer businesses remained a strong growth engine for Beauty Care, even accelerating in the course of the year. We achieved a strong increase in digital sales by more than 70%.



The adjusted EBIT margin came in at 10%, 340 basis points lower year-over-year.

A key driver of this development was the lower sales volume and related negative fixed cost absorption in Professional Hair.
In addition, Beauty Care increased its investments in marketing, advertising and digital to support strong retail product launches, especially in the second half of the year.

At the same time, the business units gross margin improved compared to previous year's level. Here, positive effects from savings and cost efficiency measures overcompensated headwinds from higher direct material prices and the negative sales mix from lower professional hair volumes.

Net working capital improved strongly by 240 basis points to a level of minus 0.5%.

Closing the business unit overview with Laundry & Home Care.

The business unit sustained an overall very strong performance throughout 2020, closing the year with an organic sales growth of 5.6%. Also, here the strongest increase since 2013.
Growth was predominantly driven by higher volumes.

We are glad to report that Laundry & Home Care achieved organic sales growth in each region with even double-digit growth rates in Asia-Pacific, Middle East/Africa and Eastern Europe. We were able to outgrow competition in these high growth markets. Performance in Europe overall was especially impressive with market shares climbing to new record levels in 2020.

These strong developments were contrasted by a still underperforming North American business. While we achieved good organic sales growth, the business nevertheless fell short of a much stronger market dynamic.

From a category point of view, **Home Care** achieved double-digit organic sales growth in 2020 and was the key driver of the business unit's very strong sales performance. Each of our core brands Pril, Bref and Somat recorded double-digit growth.

Laundry Care recorded good organic sales growth. This was in particular driven by very strong performance in heavy duty detergents and significant growth of our mega brand, Persil, strongly supported by the continued rollout of our innovative Persil 4in1 DISCS as well as launches of new variants and strong communication.

Also in Laundry & Home Care business, we have been successfully expanding the e-commerce channel benefitting from online trends triggered by the pandemic. The business unit increased digital sales by about 50% further advancing the online share in overall sales.

LAUNDRY & HOME CARE

FY 2020

Organic Sales Growth		Adjusted EBIT Margin	Net Working Capital
5.6%		15.0%	-9.3%
Price	Volume	Change y-o-y	Change y-o-y
-0.7%	+6.4%	-150bps	-400bps

- Step-up of marketing, advertising and digital investments affecting adjusted EBIT margin
- Net working capital significantly better year-over-year

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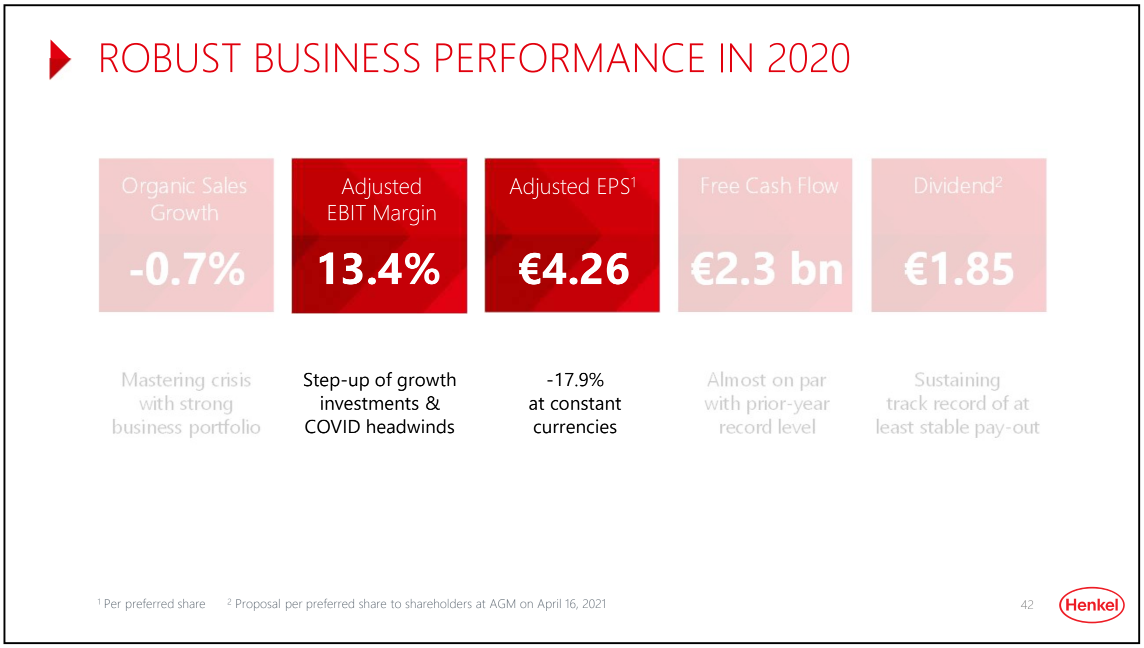
The business unit's adjusted EBIT margin came in at 15%, 150 basis points below prior year.

As announced in early 2020, we increased our investments in marketing advertising as well as digital and IT supporting the launches of our impactful innovations throughout the year.

The impact from higher marketing expenses was partially offset by an improvement of our gross margin.
Here, we were able to overcompensate headwinds from a high direct material prices and lower average pricing in part due to high promotional intensity with our continued focus on cost management.

Net working capital in percent of sales improved strongly by 400 basis points to a level of minus 9.3%.

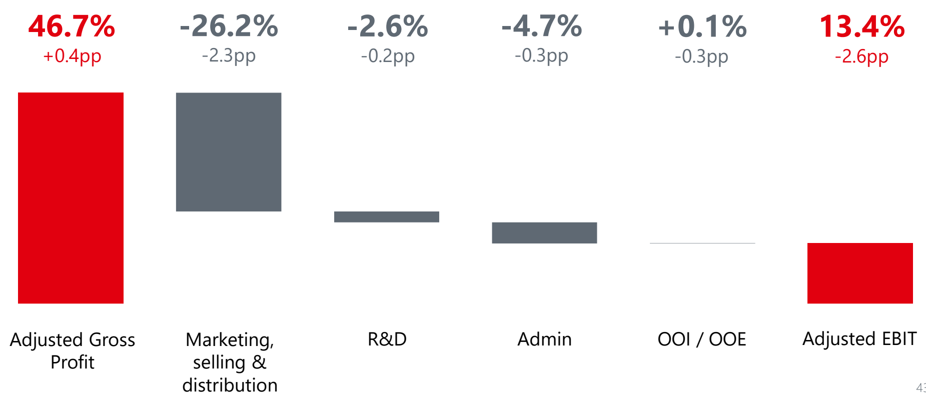


Back to the Henkel Group now, taking a closer look at the adjusted income statement.

ADJUSTED GROSS PROFIT TO ADJUSTED EBIT

FY 2020

Impact on Adjusted EBIT Margin in pp vs. PY, in % of sales



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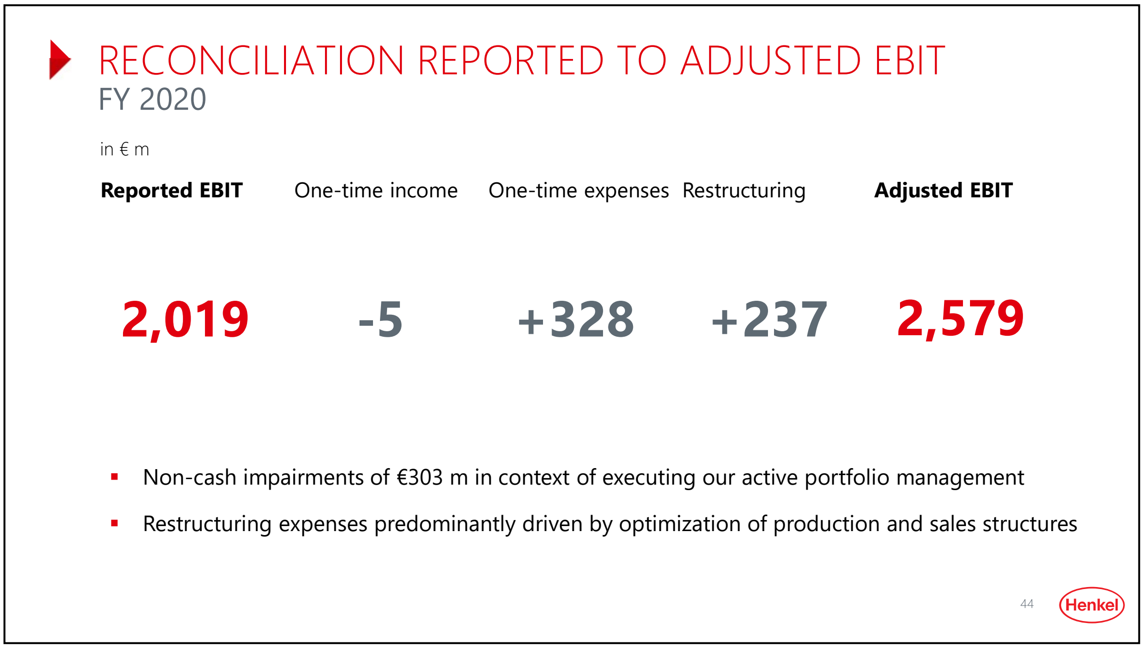
Note: Each figure commercially rounded. Addition may result in deviations from the totals indicated.

Henkel recorded an adjusted EBIT margin of 13.4% in the full year 2020, minus 260 basis points year-over-year.

While adjusted gross margin for the group improved by 40 basis points to a level of 46.7%, the key driver of the margin development were higher marketing selling and distribution expenses, which increased by 230 basis points to a level of 26.2%.
About half of this relative increase is due to the lower sales level.

The other drivers were our planned step-up of growth investments in marketing, digital and IT by about €200 million compared to 2019 as well as higher costs for logistics.

R&D expenses in percent of sales remained stable and administrative expenses increased by 30 basis points in relative terms as a result of the lower sales level.

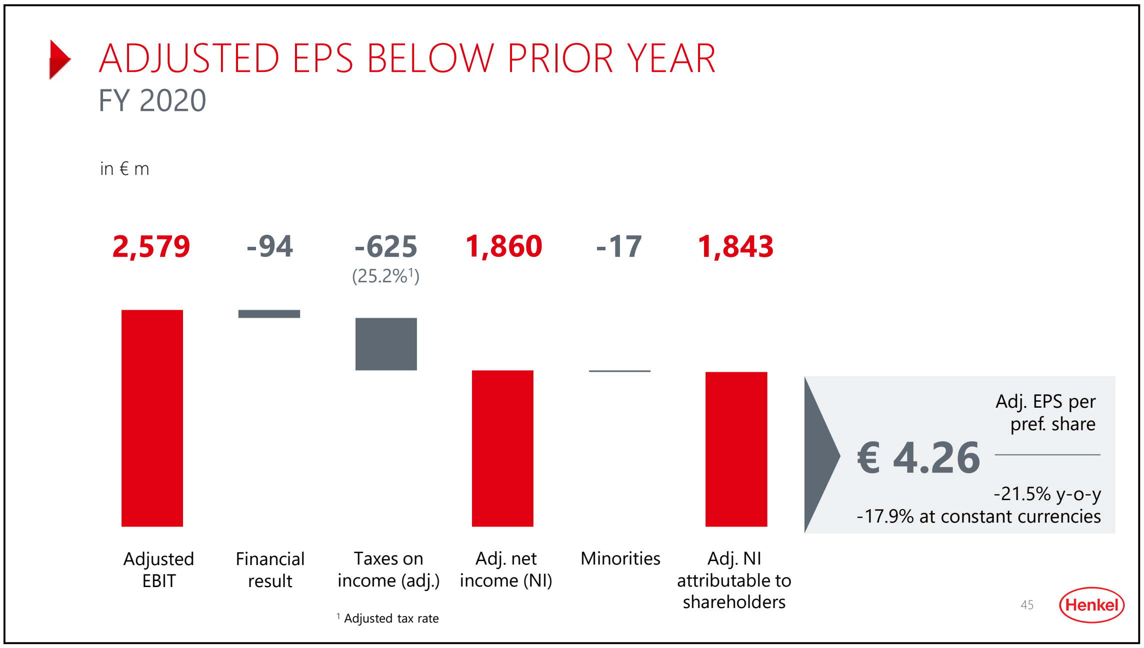


Looking at the detailed bridge from reported to adjusted EBIT.

One-time expenses of €328 million mainly relate to non-cash impairments of €303 million on businesses to be sold or discontinued, which we incurred in the context of the execution of our active portfolio management.

Restructuring charges amounted to €237 million, €57 million below the prior-year level. The main focus was on optimizing our structures in production and sales.

As a result, reported EBIT declined by 30.4% to a level of €2 billion.



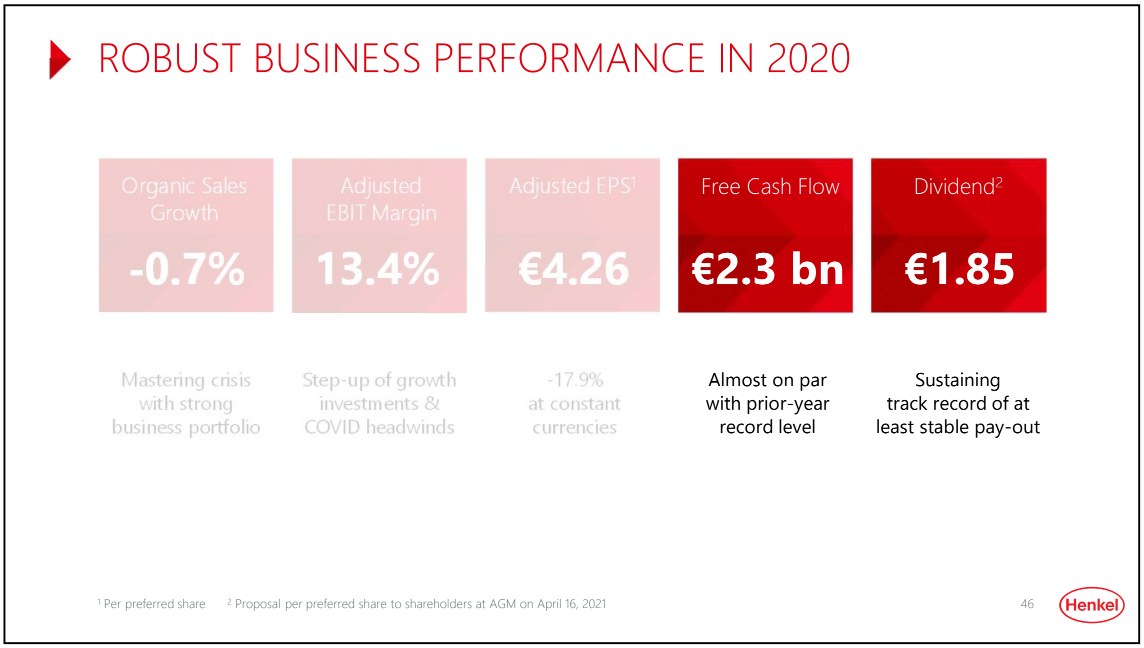
Adjusted EBIT totaled €2.6 billion, 20% below prior year.

The financial result did not materially change year-over-year and came in at minus €94 million in 2020.

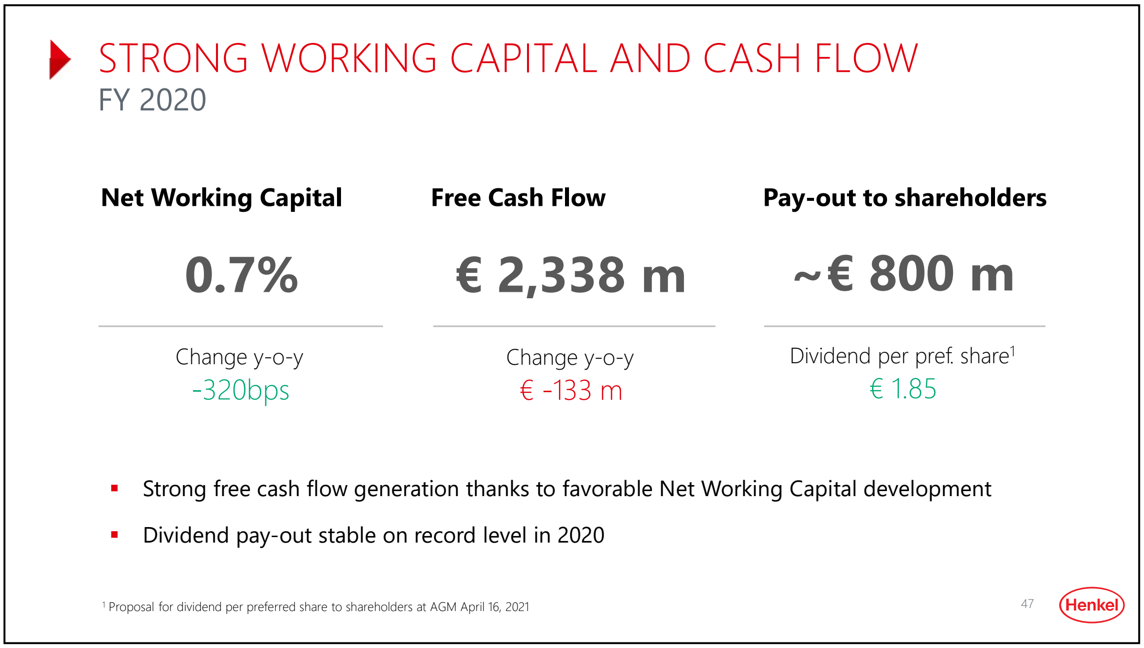
Adjusted taxes on income amounted to €625 million corresponding to an adjusted tax rate of 25.2%.

As a result, adjusted net income after minorities amounted to €1.8 billion.

This translates into adjusted earnings per preferred share of €4.26, which is 21.5% below the prior-year level or at constant exchange rates a minus of 17.9%.



Let me continue with our cash flow performance and balance sheet.



We recorded a free cash flow of €2.3 billion, almost on par with a record level achieved in 2019 and despite the strong earnings headwinds from the pandemic-related decline in volumes and higher growth investments.

This was to a large extent thanks to a favorable net working capital development. On group level, the ratio of net working capital to sales reached 0.7%, 320 basis points below the prior-year level.

While this is for sure a great result, let me provide also some more color.

The strong improvement is in part driven by an unusual net working capital pattern, an extraordinary quarterly business phasing throughout 2020 including elevated accounts payables at year end driven by higher seasonal spending levels in marketing, IT and CapEx, effects which to a certain extent will reverse in 2021.

In addition, the net working capital ratio was supported by currency effects of roughly 80 basis points impact.

Finally, we paid out a total dividend of around €800 million following our AGM in June last year corresponding to a stable dividend of €1.85 per preferred share.

SUSTAINED INVESTMENTS INTO BUSINESSES

€ 715 m CapEx investments, equivalent to 3.7% of sales

Focus on growth and capacity expansion

€ 470 m Consistent execution of M&A strategy

Acquisitions of Beauty D2C brands as well as consumer sealants business in NA

Despite the pandemic and the challenging market environment, we continue to invest into our businesses.

In 2020, we spent a total of €715 million on CapEx. At 3.7% of net sales, the CapEx ratio remained on a healthy level and even 40 basis points above prior year.
The majority of these expenditures were channeled into growth and capacity expansion projects.

Examples for key projects are the construction of our new Adhesive Technologies Innovation Center in our headquarters in Düsseldorf, and the new production facility built by Laundry & Home Care for a new generation of detergents and automatic dishwashing products in Serbia. The business unit also optimized their production in Bowling Green, USA.

In addition, we spent about €500 million in acquisitions, adding around €200 million of annual sales on a pro rata basis.

STRONG BALANCE SHEET & FINANCIAL FLEXIBILITY

FY 2020

Net Financial Position

€ -888 m

Change vs. year-end

€ +1,159 m

- Improved net debt level, undrawn credit lines and headroom in Debt Issuance Program offering sufficient room to maneuver
- Strong single A rating
- Successful bond placements at attractive conditions including innovative sustainable financing via plastic waste reduction bond

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As a result of our strong free cash flow, our net financial position improved by almost €1.2 billion and closed the year at minus €888 million.

With a low debt levels, our strong A rating, substantial flexibility in our short-term financing and strong cash generating capabilities, we have sufficient room to maneuver.

At the same time, we continue to have fast access to capital markets at attractive conditions as evidenced by the bonds successfully placed during 2020.

A strong financial foundation which we can build on going forward, and which enables us to pay out an attractive dividend to our shareholders also in the current environment.

STABLE DIVIDEND PROPOSED DESPITE COVID-HEADWINDS

€ 1.85[1]

Stable dividend supported by strong financial situation

Considering special nature of COVID effects on earnings

43.7%

Dividend above higher end of pay-out target ratio

Dividend policy unchanged going forward at 30-40%

[1] Proposal for dividend per preferred share to shareholders at AGM April 16, 2021

At our Annual General Meeting in April, we will propose a stable dividend of €1.85 per preferred share keeping the total payout amount on a record level despite the decline in net earnings.

This equals a payout ratio of 43.7% and is thus above previous year's level of 34.2% and above the higher end of our target payout range of 30% to 40%, considering the special nature of the earnings impact triggered by the COVID-19 pandemic.
And the stable dividend is possible not least thanks to our strong financial base and low net financial debt.

Going forward, our dividend policy of a target payout range of 30% to 40% of adjusted net income after non-controlling interest remains in place.

AGENDA

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On to the guidance for 2021.

BUSINESS ENVIRONMENT IN 2021
KEY ASSUMPTIONS

- Following sharp decline in 2020, industrial demand is expected to revive in 2021, however, demand in some of the areas and regions of importance to Henkel is not expected to regain pre-crisis levels in 2021
- Demand for consumer goods is expected to return to normal as year progresses, but uncertainty about further course of infection rates and related restrictions remains high

Henkel's 2021 guidance is based on the following assumptions

- Industrial demand and consumer goods business areas of relevance for Henkel, in particular the Hair Salon business, expected to recover, partially significantly
- Consumer goods areas which recorded increased demand as a result of the pandemic are expected to return to normal levels
- Current restrictions to be lifted during Q1, no widespread closures of retail and industrial businesses assumed as year progresses

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Following the sharp decline in global economic growth in 2020 resulting from the COVID-19 pandemic, it is assumed that industrial demand will revive in 2021 and the demand for consumer goods will return to normal as the year progresses.

At present, however, demand in some of the areas and regions of importance to Henkel is not expected to regain pre-crisis levels in 2021.
In addition, there is a high level of uncertainty about the further cause of infection rates as well as the progress of vaccination activities, and thus the development of pandemic related restrictions.

Taking this into account, our guidance is based on the assumption that industrial demand and areas of the consumer goods businesses of relevance to Henkel, in particular our Hair Professional business, will recover in some cases significantly.

In those consumer goods categories that were able to record increase demand throughout 2020 as a result of the pandemic, we do expect consumer demand to return to normal levels.

We assume that the restrictions currently in place to contain the pandemic in our core regions will be lifted as the first quarter progresses and that unlike the second quarter of 2020 in particular, there will be no widespread closures of retail, industrial businesses and production facilities as the year progresses.

GUIDANCE 2021

Organic Sales Growth		Adjusted EBIT Margin		Adjusted EPS[1]
+2.0 to 5.0%		**13.5 to 14.5%**		**+5 to 15%**
Adhesive Technologies	+2.0 to 6.0%	Adhesive Technologies	15.5 to 16.5%	at constant exchange rates
Beauty Care	+2.0 to 6.0%	Beauty Care	10.5 to 12.0%	
Laundry & Home Care	+1.0 to 3.0%	Laundry & Home Care	15.0 to 16.0%	

[1] Per preferred share

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The translation of sales in foreign currencies is expected to have a negative effect in the mid-single-digit percentage range.
And prices for direct materials are expected to increase by low to mid-single-digit percentage compared to the previous year.

It is important to note that our guidance does not reflect the effects of the intended divestments and discontinuation of business activities, brands and categories as part of our active portfolio management in 2021. It is not possible to reliably predict if and when these will actually occur.

Taking all this into account, we expect group organic sales growth in the range between 2 and 5%. The wider guidance range is reflecting the high level of uncertainty about the further development of the pandemic and corresponding restrictions, and the potential impact in particular on Adhesive Technologies and Beauty Care.

Adjusted EBIT margin is expected to advance to between 13.5 and 14.5% versus the level of 13.4% in 2020. Finally, we expect an increase in adjusted earnings per preferred share at constant exchange rates of 5 to 15%.

And with this, back to you, Carsten.

Thank you, Marco.

So, before we come to the Q&A, let me share how we will move ahead with our growth agenda in this year.

Our strategic agenda for purposeful growth will continue to guide us. We will further drive momentum and set focus.

We are committed to accelerating the transformation, delivering clear proof of progress and further improvement, focusing our efforts and initiatives, maintaining an honest and critical take on our own performance and taking full responsibility for our results.

So, let's take a closer look at our focused topics for 2021.

We are fully committed to complete the planned divestment and discontinuations of identified brands and categories by the end of 2021.

For those businesses in our turnaround cluster, we want to further accelerate their top line dynamics. At the same time, M&A remains an integral part of our strategy supported by our strong balance sheet, as Marco indicated.

We successfully implemented targeted operating model changes in 2020, at the same time this effort never stops. We will further aim to strengthen our proximity to our customers and consumers, addressing changing demand trends in a fast and in an agile way also building on our new digital set up.

For 2021, we will especially focus on two aspects of our purposeful growth agenda as they will be moving the needle.

Creating clear competitive edge - means accelerating performance through innovation, sustainability and digitalization.

And second, **driving a culture of collaboration** with empowered people, tangible for each and every employee at Henkel.

Let me give you some more color on these two topics.

ADHESIVE TECHNOLOGIES
ENHANCE COMPETITIVE EDGE 2021

- **Accelerate growth in attractive markets**
  - Leverage globally leading position and unique portfolio across all markets and industries
  - Capture high growth opportunities through customer proximity, application know-how & technology leadership
- **Expand leading position through sustainability**
  - Systematically develop portfolio and operations towards sustainability contribution
  - Enable customers to meet and exceed their sustainability targets through Henkel's innovative solutions
- **Create new opportunities through digitalization**
  - Digitize customer experience across all touchpoints
  - Further expand data integration & digital platforms

In Adhesive Technologies, we will **accelerate growth** in our attractive market leveraging our globally leading position across all markets and industries.
We will capture high growth opportunities through close collaboration with our 130,000 customers worldwide, our broad application knowhow and our technology leadership.

We will drive **sustainability** across the entire value chain. We are systematically developing our portfolio and operations footprint towards its sustainability contribution.
And at the same time, with our innovative solutions, we enable our customers to meet and even exceed their sustainability targets.

We will constantly create **new opportunities through digitalization** by further digitizing the customer experience across all touch points.

This goes along with a further expansion of data integration, and by that, leveraging the digital platforms.

Looking at Beauty Care. In Beauty Care, we want to win in Professional.

We will continue fully supporting our customers in those countries and regions where the challenging environment that persist, also in their comeback. And we will return to growth with strong premium innovations such as our Igora re-launch with a trusted formula and a step change in sustainable packaging. We will also further advance with building a digital ecosystem, which includes the continued strong roll out of our innovative IoT device, SalonLab.

In our **Retail** business, we came back to growth in 2020.

Going forward, it is crucial that we build on this path with a focus on our core brands, especially in our hair powerhouse accelerating the color expansion across regions, leveraging the momentum in care and re-igniting Styling as the category leader.

For our second leg in body care, strong innovation, capacity expansions and communication support will drive continued growth of Dial in North America.

Across all categories, we will continue to drive our **portfolio transformation towards sustainability**.

And last but not least, we will build on the step change in digital sales in 2020, **scaling up in D2C** leveraging our end-to-end ecosystem with international expansion, brand diversification and channel innovation. And we will further **expand e-commerce** through unique e-innovations and services as well as strategic partnerships.

In Laundry & Home Care, we want to **expand our innovation leadership**.

Here, we want to further win with Caps from detergent DISCS to automated dishwashing caps. We will also expand our hygiene portfolio through launches in the laundry and hard surface cleaner categories. And by strengthening regional excellence via 'glocal' innovations, we will address local trends.

We will further step up in **digitalization**, expanding e-commerce-only solutions, strengthening our pioneering role in Industry 4.0, and leveraging consumer engagement across touchpoints.

We also will further enhance **our product portfolio in terms of sustainability** with strong innovations based on the different sustainability profiles of consumers. This also means further advancing sustainable packaging solutions and strengthening our brand with purpose such as Perwoll with the no new campaign.

And of course, **North America**, let me be clear also here. We are fully committed to turning the corner and we are taking decisive action.

A cultural transformation is underway with an enhanced organizational structure and a new management team. Our clear set of action also includes a comprehensive portfolio management, which will enable sharpen growth opportunities and priorities. And we are launching impactful innovations supported by strong media including a re-launch of Persil ProClean with visible and invisible dirt removal as well as 'all with 99% allergens removal' to name just a few.

To deliver purposeful growth, driving our cultural transformation is not an option. It is imperative to win.

And I am convinced that empowering our people to drive accelerated business transformation is a key unlock.

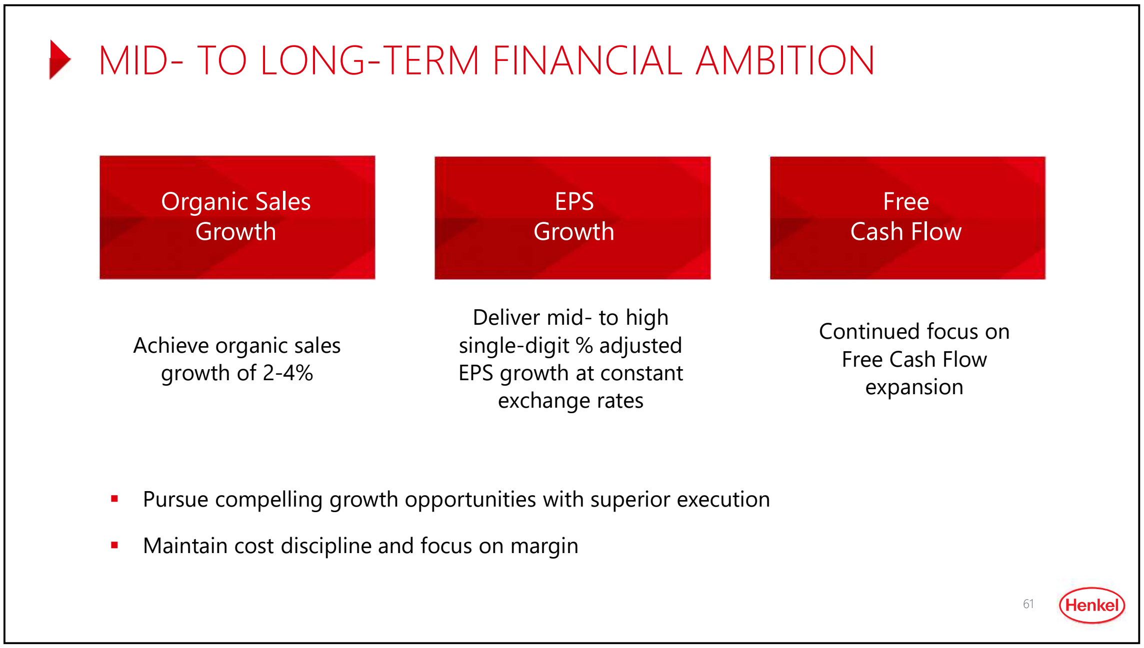
In 2021, our ambition is to fully live up to our leadership commitments in day-to-day work life. That means for us acting as entrepreneurs, collaborating as strong teams, developing people with passion and also owning our results.

This is also about creating a real and tangible shift in our ways of working with a focus on employee health and wellbeing, digital workplace and workspace design as well as sustainability.

Strengthening our identity with the power of diverse teams and an inclusive cultural across the entire organization we have strong diversity network linking our business unit and our functions.

And accelerating our up-skilling initiatives to shape the most competitive workforce catering to individual needs to equip our teams with those skills that make them successful for today and tomorrow.

This is our aspiration to accelerate momentum and drive the next level of performance.



The implementation of our growth agenda supports us in the achievement of our mid- to long-term financial ambition, which is unchanged:

We are aiming to achieve organic sales growth of 2 to 4% aspiring the upper end of this range.

For adjusted earnings per preferred share at constant exchange rate, we are targeting growth in the mid- to high-single-digit percentage range and we're aiming to further expand our free cash flow.

At the same time, we also want to pursue compelling growth opportunities while maintaining our focus on strict cost discipline and margin development.

Looking back at my first year as Chairman of the management board and my 25th year with Henkel, I am proud of the progress we have made with the implementation of our strategic agenda while addressing the global pandemic.

I am impressed by the resilience of our business, which has enabled us to achieve a robust business performance and to further strengthen our financial foundation.

But most important is the feeling of gratitude and heartfelt respect for our employees at Henkel. The performance, collaboration and positive attitude they showed over the past year has touched and inspired me. I would like to thank all of them for their invaluable and valuable contributions in this truly exceptional year.

Looking ahead, I am more confident than ever that our global team has what it takes to shape our successful future and to deliver on our purposeful growth agenda.

Let us now come to the Q&A.

Ladies and gentlemen, the floor is yours.

Question: Yeah. Good morning, everybody. Firstly, just on the digitization within Adhesives. Could you maybe just go through some of the benefits that's actually giving you at the moment in terms of planning inventories, maybe some efficiencies for you and particularly as some of the either supply base or distribution basis is beginning to digitize more quickly there?

And then, perhaps just coming on to the US market share, on North America market share which is the US market share. At what point or what signs can you give us, there are some signs of improvement there? And when do you think the innovations that you're talking about will have some real improvement or tangible benefits to market share there, please? And maybe if you could flesh out the comment that you made there on portfolio management as well, please.

Carsten Knobel, CEO: So, good morning. To your first question regarding Adhesives. So, I think, first of all, what I mentioned I think is an important step that we crossed the €2 billion sales with our e-commerce platform. So, we can see that roughly 25% of our total sales of Adhesives are already being in the kind of digital sales. And with this digital B2B sales platform, Adhesives in that part is really well positioned to offer an advanced digital customer experience with 24/7 availability.

In the fourth quarter and in the full year, digital sales as I said grew double-digit despite this environment in which we are in. And by that, I already mentioned that 25% is the part which we reached with that set up. So, I think a clear point that – and I said it also, the data-enabling parts and data points are important now going forward to capture that and to further drive also here the digitalization of our industrial business, specifically of our Adhesive Technologies business.

To your second question to Laundry & Home Care, in North America, the point is that, I think I was very clear in mentioning that we have not been satisfied in the year with the market share situation, means with losing market shares in North America Laundry. And what we are doing is a comprehensive set of measures. I said it under the term of cultural transformation that means we have enhanced our organizational structure. We have a new management team in place since the last quarter of last year. We have a new General Manager taking care of our Laundry & Home Care business in North America. And that is on top with priorities like looking at our portfolio setup, portfolio management change on that which will enable us to sharpen our growth opportunities.

Secondly, for sure also what you mentioned, yes, we have innovations at hand, impactful ones, which we will bring on our core brands. I just mentioned two of them in terms of the Persil ProClean but also 'all' with its 99% setup. So, I think we have enough innovations on that. We are supporting that also as I mentioned before with the relevant investments. And on top for sure we also need and will also strengthen our operational and our supply chain excellence. So, over the full year, as I said, not really a good development. In the last, I would say, periods we have seen a slight improvement. But I think we need some time – or you need to give us some time – in order to see that the things are really significantly changing. I think that's for now. Hope that clarifies.

Question: Yes, Sir. Thank you for taking my two questions, please. Good morning, Carsten. Good morning everybody else on the line. First question: is your Adhesives business affected by the current semi[conductor] shortage in the automotive industry. And is this fully compensated by higher sales into electronics for example?

And then, the second question would be, how do you see your hair salon business evolving during 2021? Would you agree that even post-lockdown social distancing could keep that activity below a pre-COVID normal level, i.e., comparing that to 2019 for example? Thank you.

Carsten Knobel, CEO: Good morning. Yeah. Two interesting questions starting with the Adhesives one. So, I think the point is – let me start differently. For sure there are always different dynamics which we can see. But what I see currently is that we had really a good or very good start into the year. Adhesives overall, which is at the end answering your question, yes, we have always compensating effects, things which are not so good or better. But overall, the situation in Adhesives is really a good one, a really good start into the year 2021.
To your hair salon question, yeah, not an easy question to answer because we are all confronted with the current changes in terms of how the pandemic is developing, but also measures which are governments are setting up. I would say in the course of the end of the year and beginning of the year, for example, roughly 40% of our professional business was impacted because of lockdowns stated by or initiated by governments. And this has been now in the last couple of weeks been improving, significantly improving. And therefore, I think we are confident that we are also, as I mentioned it before, will see good growth rates in the hair salon business in the year 2021. And by that, catching up in terms of that.

On a full year basis, a significant increase in demand in the hair salon business should take effect. That's our assumption. Continued growth is expected in our branded consumer business overall. So, I hope this gives you more clarity on that. Marco, anything to add?

Marco Swoboda, CFO: I mean, maybe just one last point for sure. I mean, the recovery, like Carsten said, will come. But it is hard to say that we can already now achieve the 2019 level. If you see the beginning of the year from that point of view rather unlikely. So, the full catch up to the 2019 level we don't see at the moment. But of course, that will be reached over time again.

Carsten Knobel, CEO: So, overall, we're very confident in that business. We're talking about the long-term situation and very difficult to predict when we reach which level. Most probably not completely in 2021.

Question: Thank you. Good morning also. Two for me. The first one just on – sorry if I missed this. But just on plans for investment levels versus the €200 million that you've talked about for 2020, just wonder what that number looks like in 2021. And then, offsetting that, obviously costs savings and I guess costs, higher costs, which I heard a lot of companies talk about ESG investments being accelerated. Just wonder whether you can talk about whether there's additional costs coming through in 2021 as you continue to push forward with the sustainability elements that you've mentioned.

And then the second question, you referred to I think a normalized level, that was the word you used in the hygiene categories in 2021 being an offset or slowing the Laundry & Home Care sales grade this year. Just want to understand whether you think that there is not a sustained demand due to COVID in hygiene obsession by the consumer. A lot of other companies saying that this is going to be something that's prolonged for a long time whereas your indication is that it's slowing back to more normalized levels as of 2019. So, just wondering whether you can define what you mean by normalized. Thank you.

Carsten Knobel, CEO: Good. Thank you. Also, good morning, thanks for your question and good especially the second one in terms of to clarify specific things. But let me start with the first one in terms of investments. So, with the launch of our purposeful growth agenda, which we did in March 2020, we announced the increased spend in marketing advertising and digital and IT by €200 million versus 2019 or €350 million more in comparison to 2018.

And we clearly said that at this point this is a consistent support on our innovations, achieving our purposeful goals not a one-time shot. So it will continue also in the other years. And as I mentioned it before, we have exactly spent on that level overall on the company with roughly one-third more in digitalization and IT and two-thirds in the area investing into marketing and media and advertising. So, I think that is on that part.

Maybe Marco, you can – because the other part, David, on your part was more cost related. How we are doing on cost? Marco, you would like to allude to that?

Marco Swoboda, CFO: Yeah. I think, your particular point was the example on ESG investments maybe done by many other companies and for sure ESG is a very important theme. And obviously we have integrated sustainability also in our strategic framework and putting more focus and attention on ESG for sure also means that we have cost increases in some of the areas that is clear when you look at the high use of social plastic or recycled plastic. That for sure has a price tag. But on the other hand, I think it is the responsibility and task of the management to see to make it fit to the overall pricing of the product to integrate it into our strategic plans. And that's what we have to manage at the end of the day. All that is baked into our guidance and outlook for 2021.

Carsten Knobel, CEO: Thank you, Marco. And to your other question. It was related to the normalized, what we described as the normalized level. I think to be very clear at the beginning on that and therefore no different opinion what you have heard from other companies. It's definitely clear we anticipate a high focus on hygiene-related product categories also to stay for longer.

And the only thing what we have said is for sure we have high comparables because you have definitely seen in 2020 some peaks in that part which was the result of the pandemic and that is what we meant returning to normal levels. But for sure as I mentioned before, a very clear hygiene-related focus of consumers will be there, and this will be there for the long-term. That's our assumption. So, nothing different than what you hear from others. Hope that clarifies.

Question: Hi. Good morning. I got two questions. Just first of all a follow-up on the Beauty Care business. So, I just wanted to know hair salon obviously are still closing some markets like the UK. So, could you perhaps give us an update on your key markets? Essentially, what's the percentage of hair salon closed as we speak?

And second question on the cash flow, you have obviously a very strong cash flow in 2020. You're likely to be net cash in 2021. How should we think about capital allocation? And aside from perhaps M&A, what's your view on share buyback? Thank you.

Carsten Knobel, CEO: So, good morning. Marco will take your second question regarding the cash flow. I come back to your Beauty Care question especially to the hair salon. I just mentioned it before. So, the magnitude of the restrictions implemented varies really significantly from country to country, really ranging from full lockdowns affecting all areas of life which also means hair salons are closed, but we also have other countries where hair salons remain open.

So, I think if you look at regional parts, the key regions such as Asia Pacific really don't experience at this point major lockdown situations. And so far, we have been experiencing significant headwinds in that part with up to 40% of our hair salon footprint being in lockdown. And as I mentioned, this has been going down to the levels of around 30% in these days, that we are talking or in the mid-20s. But really, that's something which is depending week by week. We are following for sure up on a week-by-week basis, but that's how we see it today. Marco?

Marco Swoboda, CFO: Good. So, to your second question, I think you commented on the good free cash flow and we had also capital allocation will look like going forward. So, first of all, M&A remains an integral part of our strategy and we talked about it also in the context of our active portfolio management. And here, at the end of the day, the approach doesn't change very much. Now, we look for targets that are available that have a good strategic fit and at the end of the day also are financially attractive.

And when you look in 2020, we closed – we think two very compelling acquisitions with a clear strategic fit and also that helped our competitive edge. In Beauty Care, we have increased our direct-to-consumer business and digital capabilities, and we have been broadening our position in North America, North American consumer sealants market with the acquisition that we did in Adhesive Technologies. So, for sure M&A will remain on our agenda.

When it comes to share buyback, at the end of the day, we think we do adequately reflect our shareholders' interests. So, when you look at the dividend proposal of €1.85 that is on the same level. So, we basically kept the dividend on the prior level despite the earnings impact in particular the COVID-19 pandemic. So, with this, we keep a very strong track record over the long-term that we keep our dividend at least stable over the years. So, at the moment, against that background, we do not see a need for a fundamental change of our position regarding share buyback which so far is not a firm plan for 2021.

Question: Good morning, everyone. My first question is on your portfolio changes. You said that you have divested about €100 million of sales in 2020. Could you give us a bit more color on brands as well as divisions? And as far as the €400 million that remained, equally where should we expect this to come from? I wonder whether the US is going as well to see some thoughts for your changes because I do understand your point about innovation and new management. It's just that it seems like a prolonged turnaround that does not yet shown any indication of taking hold.

My second question is on your guide on margin. And related to that, the raw materials guide. I see that there is not much improvement in margin expected or let's say at the bottom end of the range for Adhesive Technologies, which is a bit quite surprising given how strong the margin has been in the second half. So, if that's related to raw material and can you give us the outlook for raw materials for Adhesive Technologies as well as the pricing that you can get? Thank you.

Carsten Knobel, CEO: So, good morning. Let me start shortly with your portfolio question overall. But Marco goes then more into the details. And also then the second part, the margin question, especially with the focus on raw materials, Marco will take that. So, let me start again with the point. Despite the market uncertainties what we had, we signed agreements and completed the sale or discontinued businesses with a total amount of more than €100 million. And with this, we continued preparing the structured divestment processes as you can imagine at the time in which we are in is not the optimal one in order to execute it.

Nevertheless, what I said we are committed to execute the announced portfolio measures within the timeframe that means until end of 2021. And I think which is also important is that also out of the part, which is not currently foreseen for divestment or discontinuation, we have made good progress in the so-called turnaround cluster where we recorded a good progress means around 60% of the revenue base of these brands and businesses have delivered an improved top line momentum.

And before I hand over to Marco, yes, your assumption is right that also North America is included in that or the consumer business of North America is also included in this active portfolio management. So, Marco, would you take it from there?

Marco Swoboda, CFO: Yeah, for sure. I mean, first part on the portfolio effects, so the €100 million that we referred to for 2020 that mostly resides in the Adhesive Technologies simply due to the fact that the processes or some of the projects were already in a more advanced stage than for the other parts of our initiatives. And the remainder of the €400 million as we said before and that should come predominantly out of the consumer product group, so Beauty Care and Laundry & Home Care. And part of that, of course, will also then affect North America.

Then, on your margin and the raw material guidance, basically you referred to margin at the bottom end not so much up in particular for Adhesives. I mean yes, if you look at the margin guidance, we basically guide 15.5 to 16.5%. That is above 2020. And you also see that we give a quite wide range of our guidance also in respect of the top line. So, also here, we have to see how the year progresses and how in particular the pandemic will progress, but the upper end of the 16.5% is significantly above the level we had in 2020. The headwind we do expect from the raw materials that is pretty much like the average we also communicated for the group. So, we don’t expect a completely different trend here in Adhesives and for sure pricing action will be taken so the assumption is also that at least a good share of that is also passed on.

Question: Good morning, Carsten and Marco. Thanks for squeezing me in. So, two questions for me please. The first one is on e-commerce, particularly for your consumer product division which was 60% organic sales growth. But I'm calculating it's around 8.5% maybe 9% of your sales for your consumer products business. So, that's still looks below your peer group average which I think was around low-teens in 2020. So, do you think there is still a lot of catch-up to be done there as being underweight in e-com probably puts you at a competitive disadvantage or do you look at this number and you think it's simply reflective of your category country exposure?

And then, my second question is on the adhesives market. I was wondering whether you think the medium-term prospects for the adhesive market had improved recently. Because we consistently hearing that the COVID-19 pandemic has not only accelerated the digitalization trend but also made sustainability even more top of the agenda for corporation and consumer. So, I would assume that should provide a significant tailwind for the overall adhesive market. So, too early days or are you feeling more optimistic about the category and then your own organic sales growth for Adhesives. So, maybe the 2 to 4% which was your multiyear organic sales growth target for Adhesives could become a 3 to 5%. Thank you.

Carsten Knobel, CEO: So, good morning. And I think you are already in the morning a good mathematician person because your calculation is, I would come to the same result. So, that's first thing. And, yeah, you know that I've clearly pointed out that we see significant improvement potential in the digitalization part which also related also then to growing our business in that area.

I think we have made good progress in 2020 in both divisions in Laundry and in Beauty when it comes to the topic of digitalization and e-commerce business, with the acquisitions of eSalon but also with our set up with Invincible Brands in the Beauty Care business. And also delivering and preparing products like our new Persil ones which we would like to cater to that part also reflecting a sustainability effect. So, all of that I think they are on the right way. Nevertheless, I think we have a way to go.

When you compare our shares with the ones of competitors, I think we are on a fair development. For sure, there are ones which have higher numbers but here I think it comes to your point which you made by yourself, that's regional footprint also related and also category related. And these both items for sure impacting them. We are analyzing that in detail. So therefore, I think we are on a fair share when it comes to our, what you've calculated, around this 10% rates in Beauty and 5% rates plus in Laundry. But I think this is overall good. And we made, as you said it with the plus 60% a significant good step in 2020, definitely more to come. That's for the first one.

And the second one points to Adhesives. With our four divisions within Adhesives, we have a strong portfolio that is covering really more than 800 industries globally. And the megatrends what we see and what everybody else sees, mobility, connectivity and sustainability, definitely have an impact on the vast majority of our customers. And we are here actively managing our portfolio. And by that, continuously adapting our tailor-made solutions in order to serve the customers in the best way possible to addressing these trends. And this will enable us and has also enabled us already to grow our business above the relevant market, introducing also margin accretive innovations.

So, therefore I think that's what I would like to answer on your two questions. Hope that clarifies.

AGENDA

01 Key developments 2020

02 Purposeful Growth Agenda – Progress in Year One

03 Results 2020

04 Outlook 2021

05 Purposeful Growth Agenda – Way Forward in 2021

06 **Closing**

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Dear investors and analysts, thanks very much for your questions.

Let me close today's presentation with a summary of our key takeaways.

Yeah. So, dear investors and dear analysts, thank you very much for your questions. And let me close today's presentation really with a summary on our key takeaways.

So, in a highly challenging business environment, I think Henkel delivered an overall robust performance in 2020 with growth across all business units in the second half of the year.

Our priority at any time during the pandemic was and remains on ensuring our employees' safety, supplying our customers and consumers, and supporting the communities we live and we operate in.

Due to our strong financial foundation and low debt levels, we will propose a dividend on prior-year level sustaining Henkel's long-term track record on always paying out an increasing or stable dividend since the IPO.

We started the implementation of our purposeful growth agenda in 2020 with clear and tangible progress while we are continuing our journey with a clear aspiration and clear actions for 2021.

And this will support delivering on our positive outlook for the fiscal year 2021.

Therefore, thank you for joining us today. And stay safe and also stay healthy. Thank you.

THANK YOU

UPCOMING EVENTS

April 16, 2021	Annual General Meeting
May 6, 2021	Q1 2021 Release
August 12, 2021	Q2 & H1 2021 Release
November 8, 2021	Q3 2021 Release
February 23, 2022	Q4 & FY 2021 Release

FY 2021: ADDITIONAL INPUT FOR SELECTED KPIS

Currency Impact on Sales	Mid-single-digit % negative[1]
Prices for Direct Materials	Low to mid-single-digit % increase[1]
Restructuring Charges	€ 250 - 300m
CapEx	€ 600 - 700m

[1] versus the prior year

Henkel