

Henkel 2020⁺

Shaping Henkel towards 2020 and beyond

Hans Van Bylen / Carsten Knobel

Investor & Analyst Conference

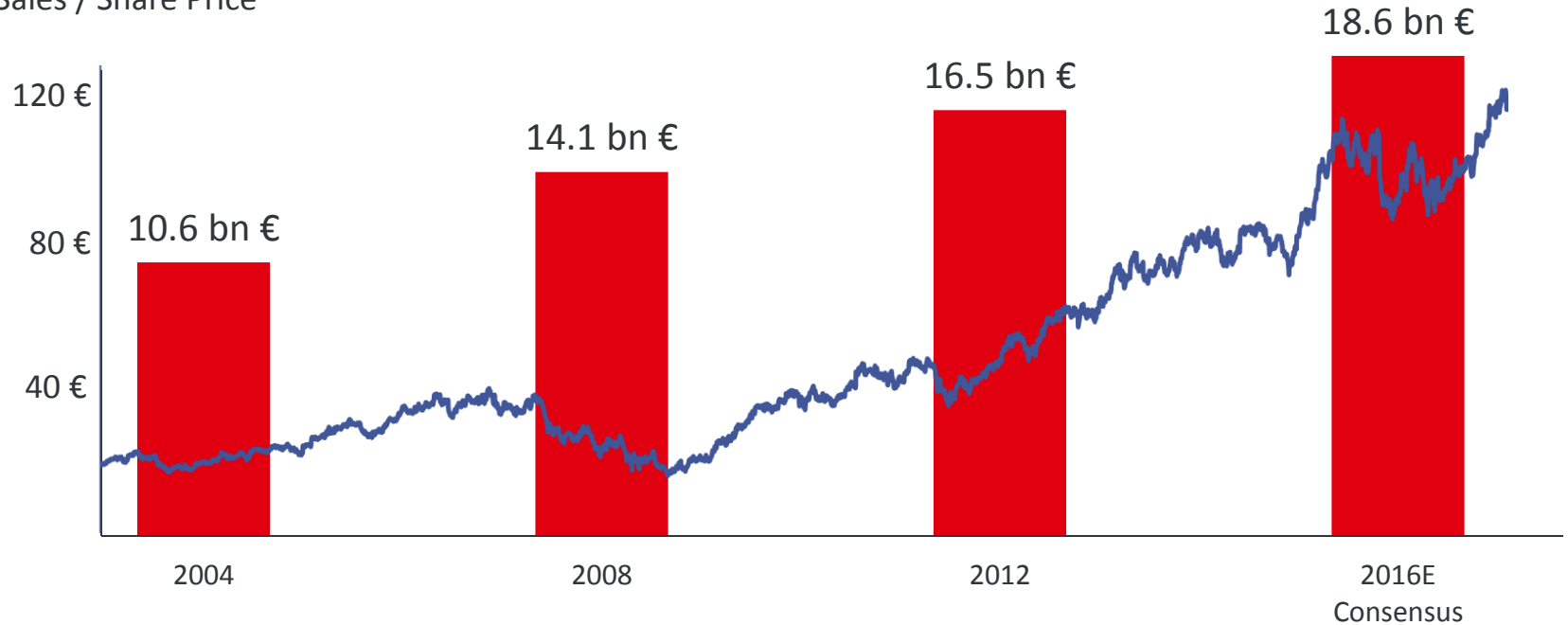
November 17, 2016

| Disclaimer

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Strong and Consistent Historic Performance...

Sales / Share Price

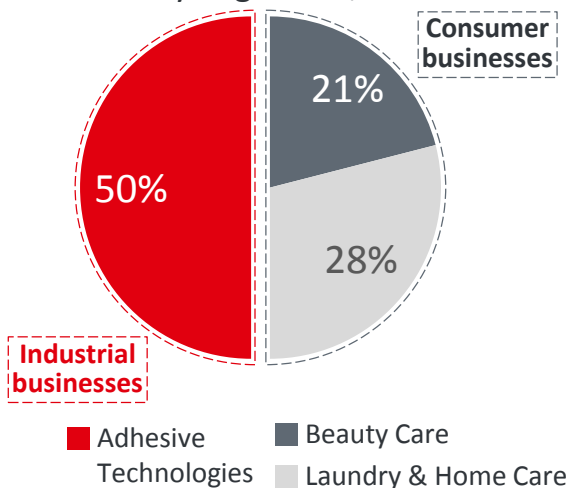


...Driven by Key Differentiators

Successfully navigating the challenging and volatile climate

Unparalleled Diversity

Sales by Segment*, 2015



Operational Excellence

- Innovation driven
- Superior execution
- Continuous cost focus
- Passionate team

Strong Returns

2015	Adj. EBIT Margin	Adj. ROCE
Adhesive Technologies	17.1%	19.3%
Beauty Care	15.9%	22.2%
Laundry & Home Care	17.1%	23.6%

* Corporate Sales Not Included (accounts for 1% of sales)

| We Have Clear Priorities for Relentless Execution...

- Clear strategy
- Culture built on continuous improvement, execution and discipline
- Focus on sustainable and consistent earnings growth

| ...Based on Our Purpose, Vision, Mission and Values

Creating sustainable value

Purpose

Leading with our innovations, brands and technologies

Vision

Serving our customers and consumers worldwide as the most trusted partner with leading positions in all relevant markets and categories – as a passionate team united by shared values

Mission

Customers and Consumers – People – Financial Performance – Sustainability – Family Business

Values

| Key Points You will hear from us Today

- Strong foundation based on a well-balanced portfolio
- Excellent and consistent financial performance
- Compelling ambition to deliver attractive returns
- Consistent capital allocation supporting our ambition
- A clear and exciting growth strategy going forward

| Agenda

————— | **Strong Foundation** —————

————— | Compelling Ambition —————

————— | Clear Strategy —————

————— | Attractive Returns —————

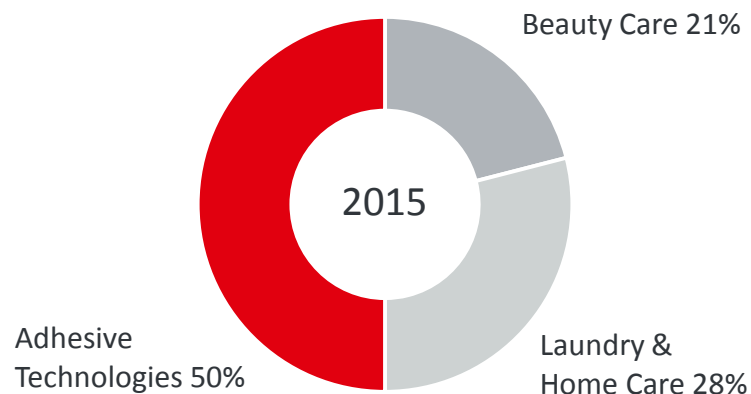
| Agenda

| Strong Foundation

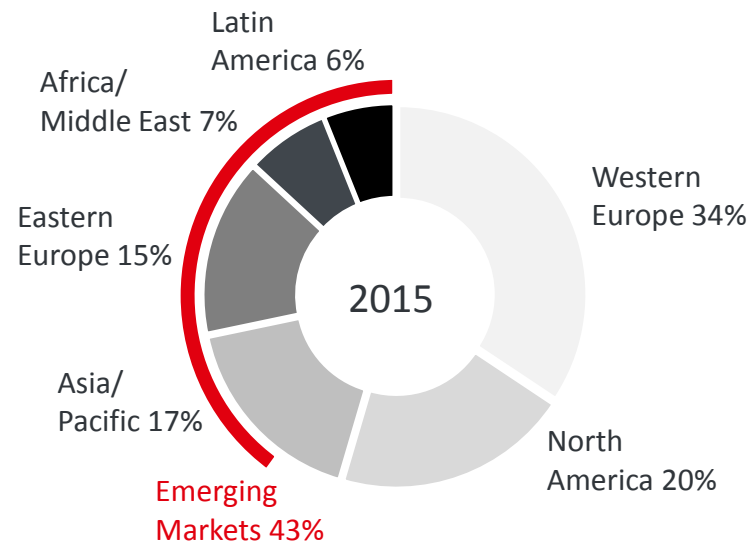
- Well-balanced Portfolio in attractive Markets
- Excellent and consistent Financial Performance
- High-performing Global Team

Well-diversified Portfolio of Three Business Units...

Sales by business unit*



Sales by region*



* Corporate Sales Not Included (accounts for 1% of sales)

| ... Successfully serving highly attractive Markets

Strong foundation to generate sustainable profitable organic growth

Market Attractiveness

- Attractive markets with sustainable growth potential
- Markets with robust profitability
- Macroeconomic trends supporting market development

Ability To Win

- Henkel continuously strengthening capabilities
- Focused and coherent portfolio
- Ongoing share expansion based on leading brands and technologies

| Portfolio of Strong and Leading Brands...

LOCTITE


Schwarzkopf

Persil

TECHNOMELT

Dial

all

TEROSON

syoss

Purex

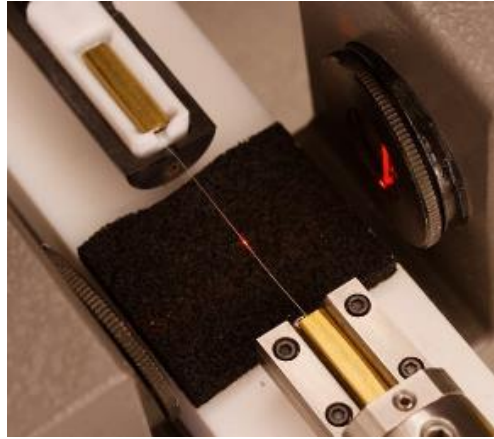
| ... and Leading Technologies ...

Adhesive Technologies



Leading solution provider
with comprehensive
technology portfolio

Beauty Care



Innovation leadership
as challenger in core
categories

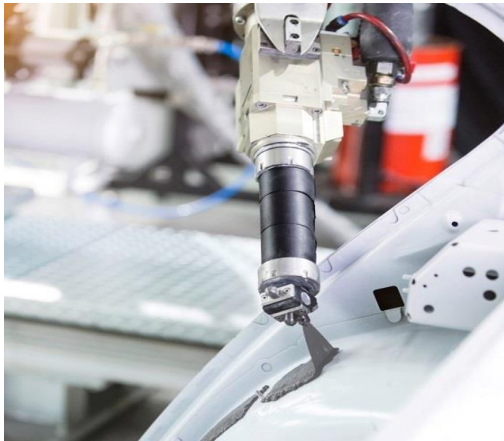
Laundry & Home Care



Superior products
with consumer insights
driven innovations

| ... enabling Top Positions across all Business Units

Adhesive Technologies



Global leading positions

#1 globally

Beauty Care



Leading category / country positions

#3 Hair Coloration
#3 Hair Professional

Laundry & Home Care



#1 Europe
#2 North America/ MEA

| Compelling and High Quality Acquisitions

Adhesive Technologies



Beauty Care



Laundry & Home Care

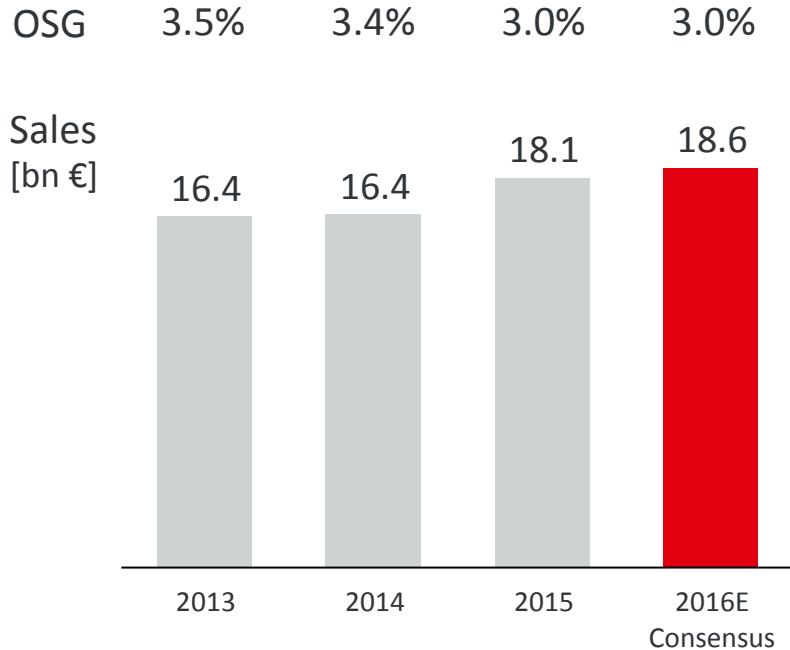


| Agenda

| Strong Foundation

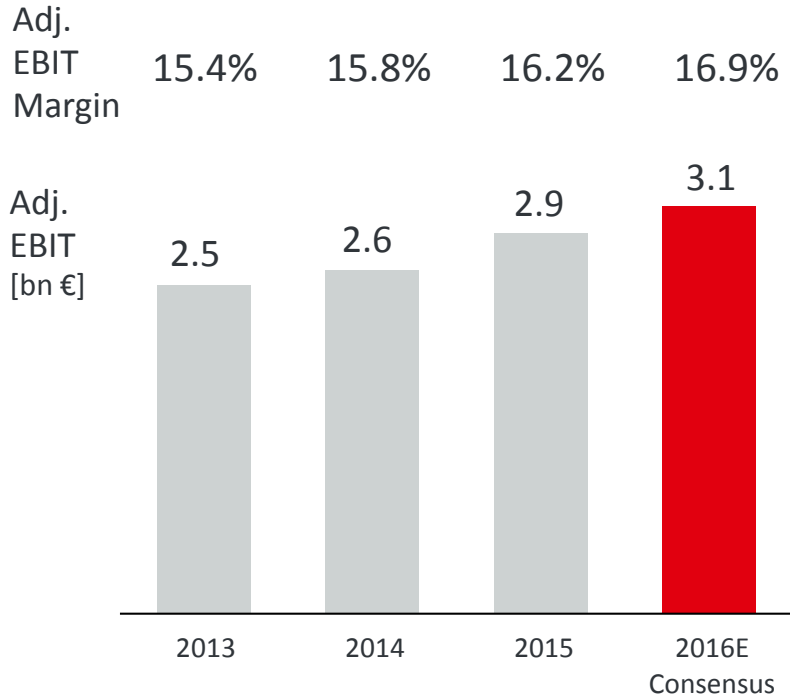
- Well-balanced Portfolio in Attractive Markets
- Excellent and consistent Financial Performance
- High-performing Global Team

Strong Sales Growth outperforming Markets



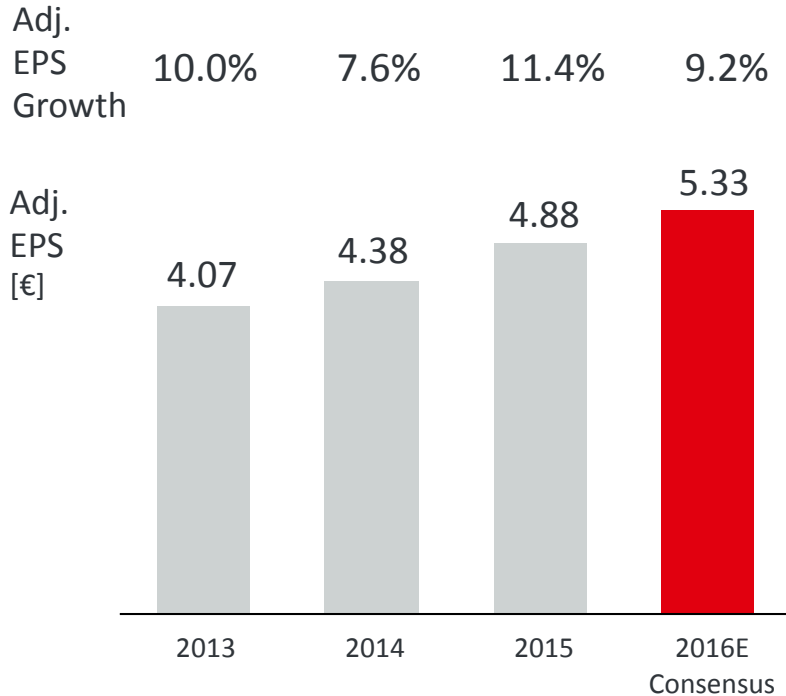
- Consistent organic growth
- Emerging markets with over-proportional contribution
- Nominal growth significantly impacted by FX-headwinds
- Add-on acquisitions across all Business Units

Significant Margin Increase leading to > 3 bn € Profit



- Consistent improvement in profitability
- All Business Units contributing
- Strong gross margin expansion
- SG&A contribution accelerating in 2016

Consistently high adjusted EPS Growth



- Best-in-class earnings profile
- Organic performance dominant EPS driver
- Driven by both sales and margin expansion
- Significantly impacted by FX headwinds

Significant Progress vs. Ambitious Targets 2016

FX headwinds affecting all Ambition Dimensions

Ambition 2016

Sales

20 bn €



EM Sales

10 bn €



**Adj. EPS
Growth***

10% CAGR



Achievement to Date

- Strong OSG (↗ 3.2%), outperforming markets
- Supported by small- and mid-sized acquisitions

- Over-proportional growth in EM (↗ 7.1%)
- Limited impact from acquisitions

- Superior performance with high EPS growth
- Foundation for high free cash flow generation

* per preferred share

| Agenda

| **Strong Foundation**

- Well-balanced Portfolio in Attractive Markets
- Excellent and consistent Financial Performance
- **High-performing Global Team**

High-performing Global Team

Passion and diversity of our people drive our business success

- High level of diversity in all dimensions
- People as top management priority
- Strong global talent base
- Performance-based compensation scheme
- Winning culture



| Agenda

—— | Strong Foundation

—— | **Compelling Ambition**

—— | Clear Strategy

—— | Attractive Returns

| In a Changing Market Environment...

Globalization

Multipolar and increasingly interdependent market environment

VUCA

Markets with high level of volatility, uncertainty, complexity & ambiguity

Digitalization

Accelerating digitalization with exponential evolution of technologies

Sustainability

Increasing awareness about resource scarcity and social responsibility

| ... we pursue a Compelling Ambition

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions

Generate Profitable Growth and Attractive Returns

Financial Ambition 2020

Organic Sales Growth

2 – 4%
(Average 2017 – 2020)

Adj. EPS Growth

7 – 9%
(CAGR 2016 – 2020, per preferred share)

Adj. EBIT Margin

Continued improvement in
adjusted EBIT margin

Free Cash Flow

Continued focus on
free cash flow expansion

| Agenda

——— | Strong Foundation —————

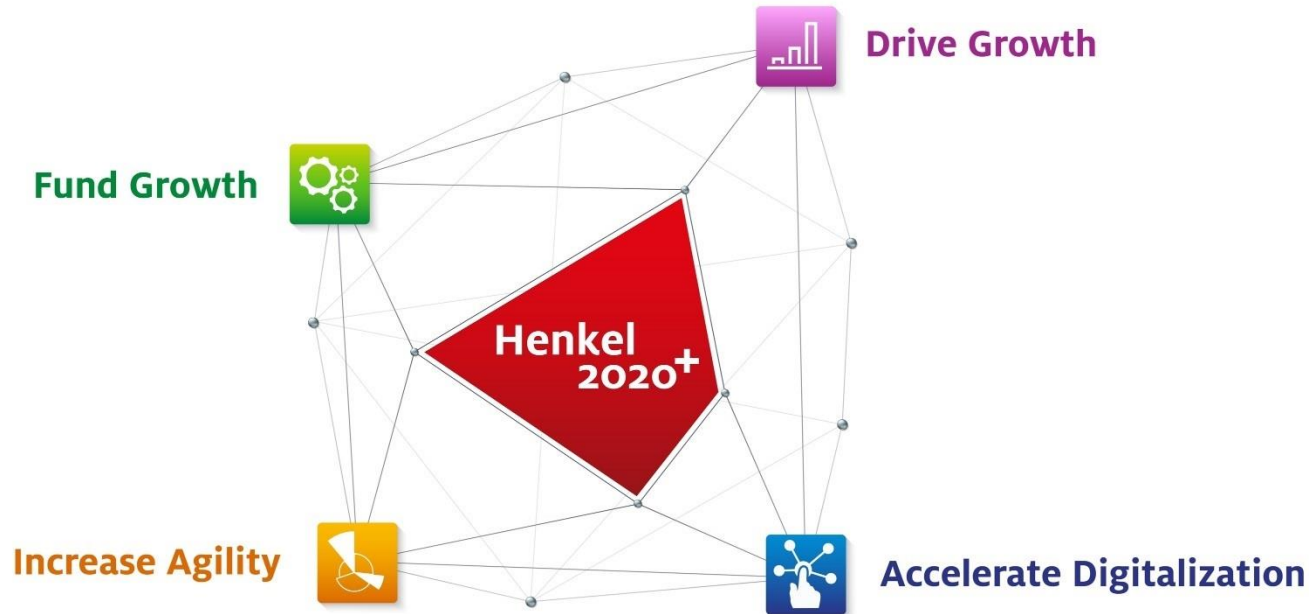
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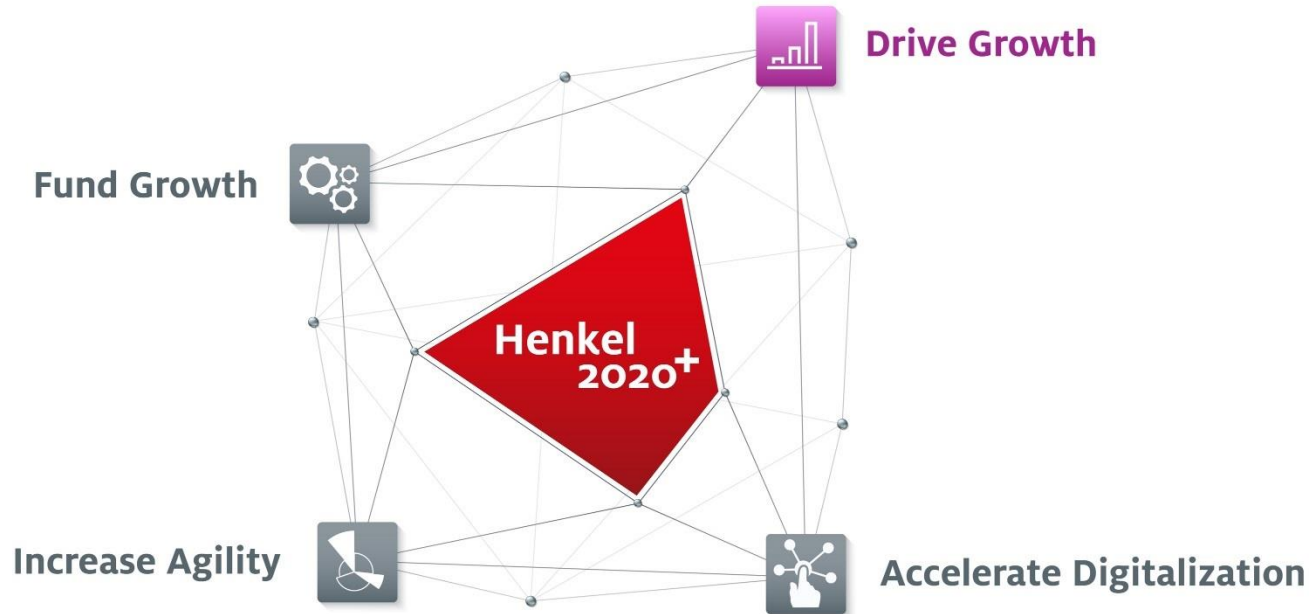
Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities



Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities





Drive Growth

- Superior Customer and Consumer Engagement
- Leading Brands and Technologies
- Exciting Innovations and Services
- New Sources of Growth



Superior Customer and Consumer Engagement

- Step-change customer centricity through multi-level engagement
- Accelerate growth with top customers through intensified partnerships
- Make consumer journey a unique experience
- Capture growth opportunities by addressing the needs of specific target groups



| Leading Brands and Technologies

- Targeted investments strengthening our top brands
- Increase share of Top 10 brands to 75%
- Create competitive advantage by capturing new technologies
- Leverage more customized products and solutions across various industry segments



Exciting Innovations and Services

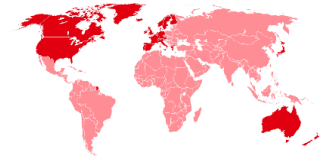
- Elevate impactful, more accretive innovations
- Increase sales share of top innovations
- Re-invent innovation setup including build-up of new centers in Düsseldorf and Shanghai
- Expand product offerings by value-adding services and solutions





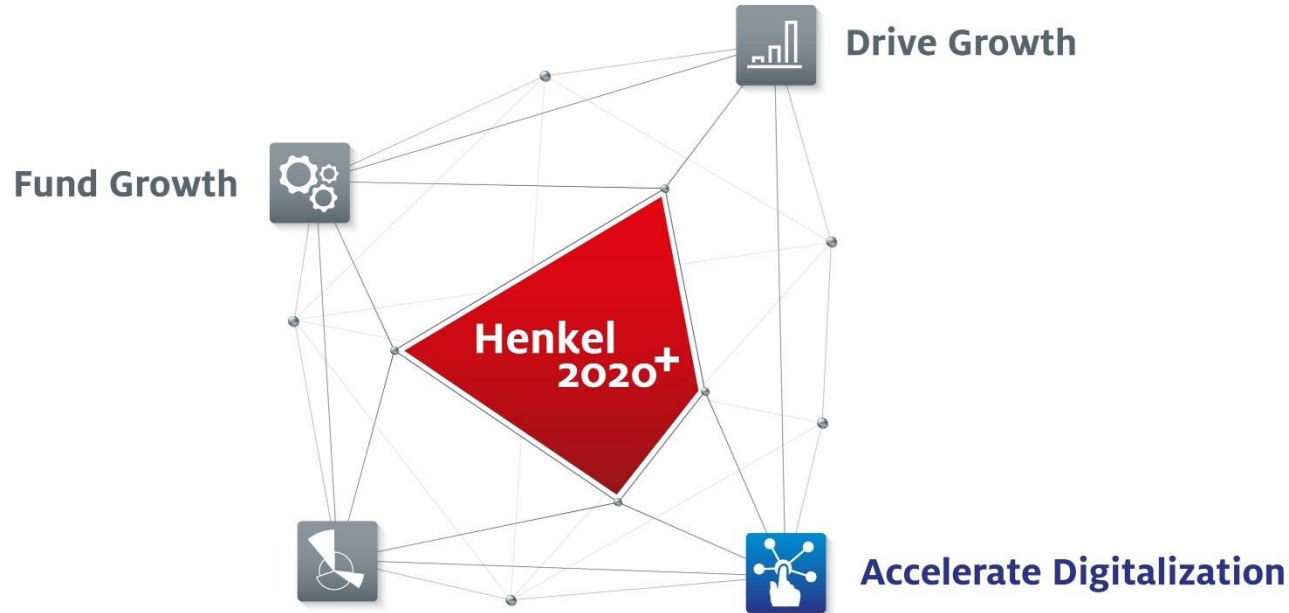
New Sources of Growth

- Drive expansion in mature markets and grow over-proportionally in emerging markets
- Conquer white spots in core markets and expand into adjacencies via targeted acquisitions
- Invest in start-ups with digital or technology know-how via Corporate VC fund of up to 150 M€



Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities





Accelerate Digitalization

- Drive Digital Business
- Leverage Industry 4.0
- eTransform Organization



Drive Digital Business

- Digitize interaction with customers and consumers, business partners and suppliers
- Grow digitally-driven sales to more than 4 bn €
- Step-up engagement through omni-channel offerings and e-commerce platforms
- Significantly expand use of digital media





Leverage Industry 4.0

- Digitize entire process of plan, source, make, deliver
- Increase service levels for customers
- Better utilize manufacturing plants by implementing predictive maintenance
- Improve production and logistic processes by rolling-out demand sensing





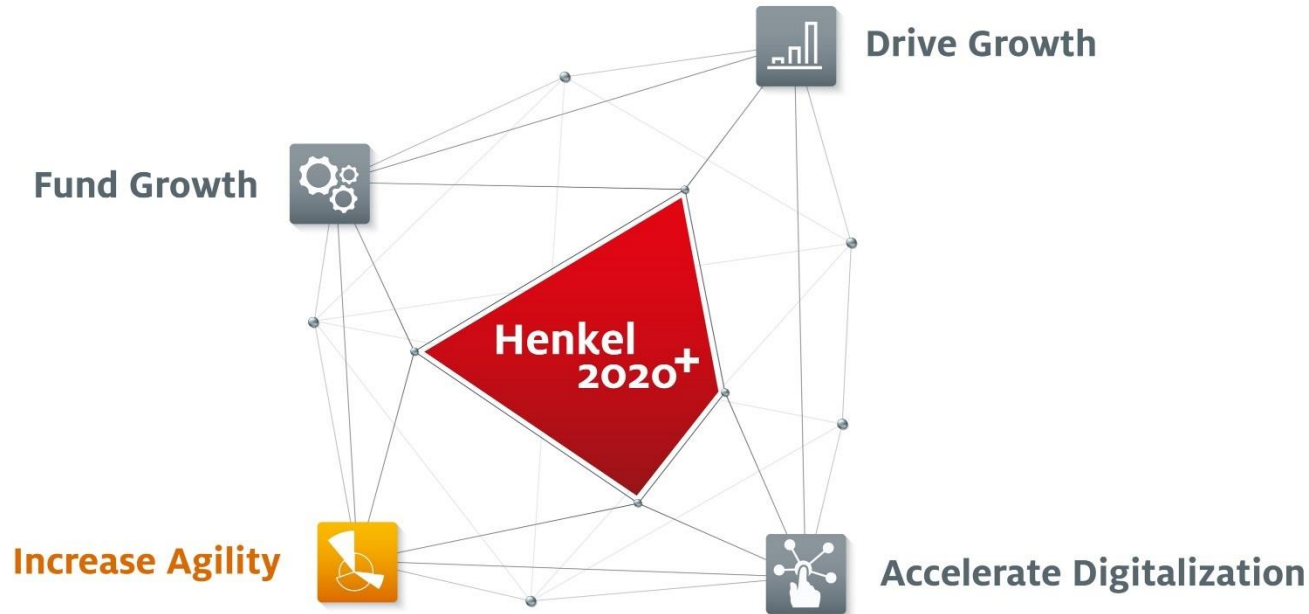
eTransform Organization

- Enhance capabilities of our employees
- Expand digital training and development programs
- Promote rapid “test and learn” mind-set
- Establish CDO with cross-business responsibility



Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities



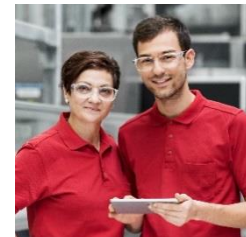


Increase Agility

- Energized and Empowered Teams
- Fastest Time-to-Market
- Smart Simplicity

Energized and Empowered Teams

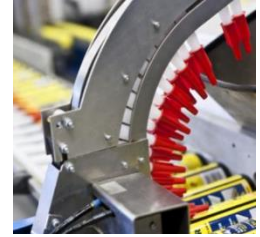
- Foster the entrepreneurial spirit of our employees
- Enlarge the decision power of our teams
- Promote openness to change, encourage adaptability
- Further drive outspoken performance culture





Fastest Time-to-Market

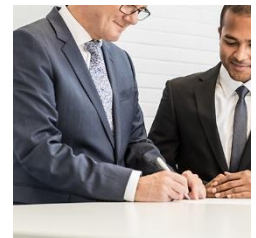
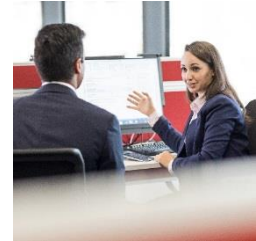
- Reduce innovation lead time
- Anticipate customer and consumer needs
- Expand “Minimum Viable Product” approach
- Speed up market penetration and accelerate entries into new markets





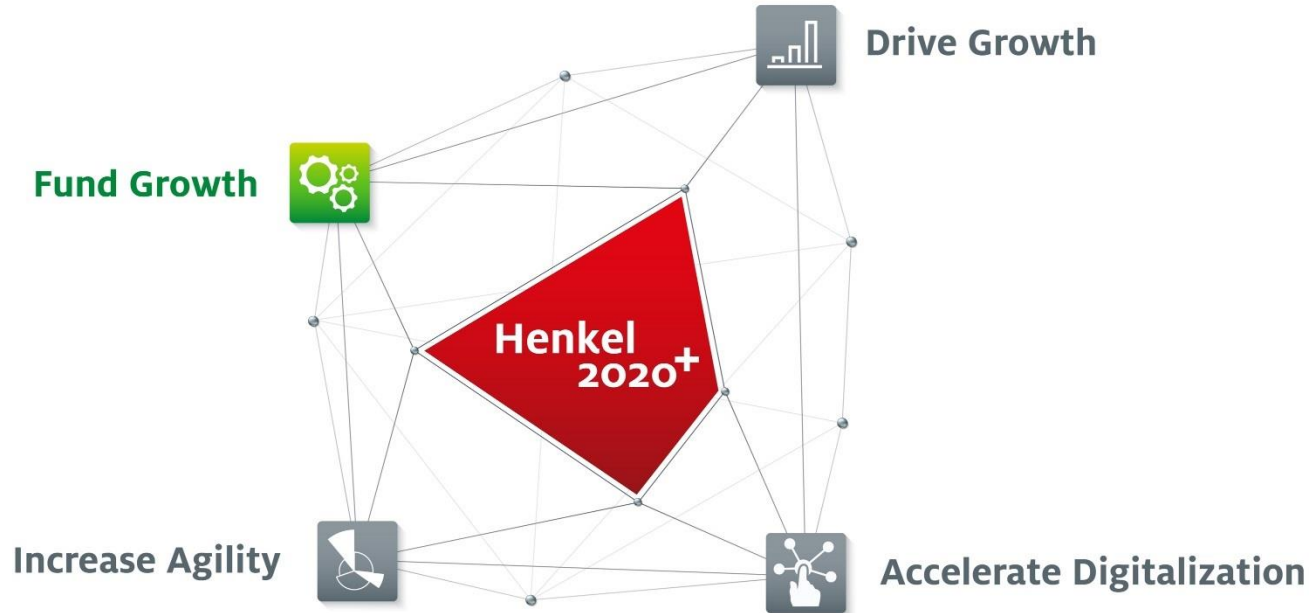
Smart Simplicity

- Adapt to dynamic markets with flexible business models
- Roll-out End-to-End processes and optimize workflows
- Drive integration of acquisitions and leverage synergies



Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities





Fund Growth

- Value-creating Resource Allocation
- Net Revenue Management
- Most Efficient Structures
- ONE! Global Supply Chain



Value-creating Resource Allocation

- New approach to further optimize cost management
- Improve budget allocation, focus on value-adding spend
- Re-invest funds to fuel growth ambition



Net Revenue Management

- Increased efficiency of our promotion activities
- Expand existing and develop new categories together with our trade partners
- Create win-win-situations by better differentiation





Most Efficient Structures

- Ongoing transformation of shared services
- Continue optimization and consolidation of global manufacturing and logistics footprint
- Leverage synergies from latest acquisitions



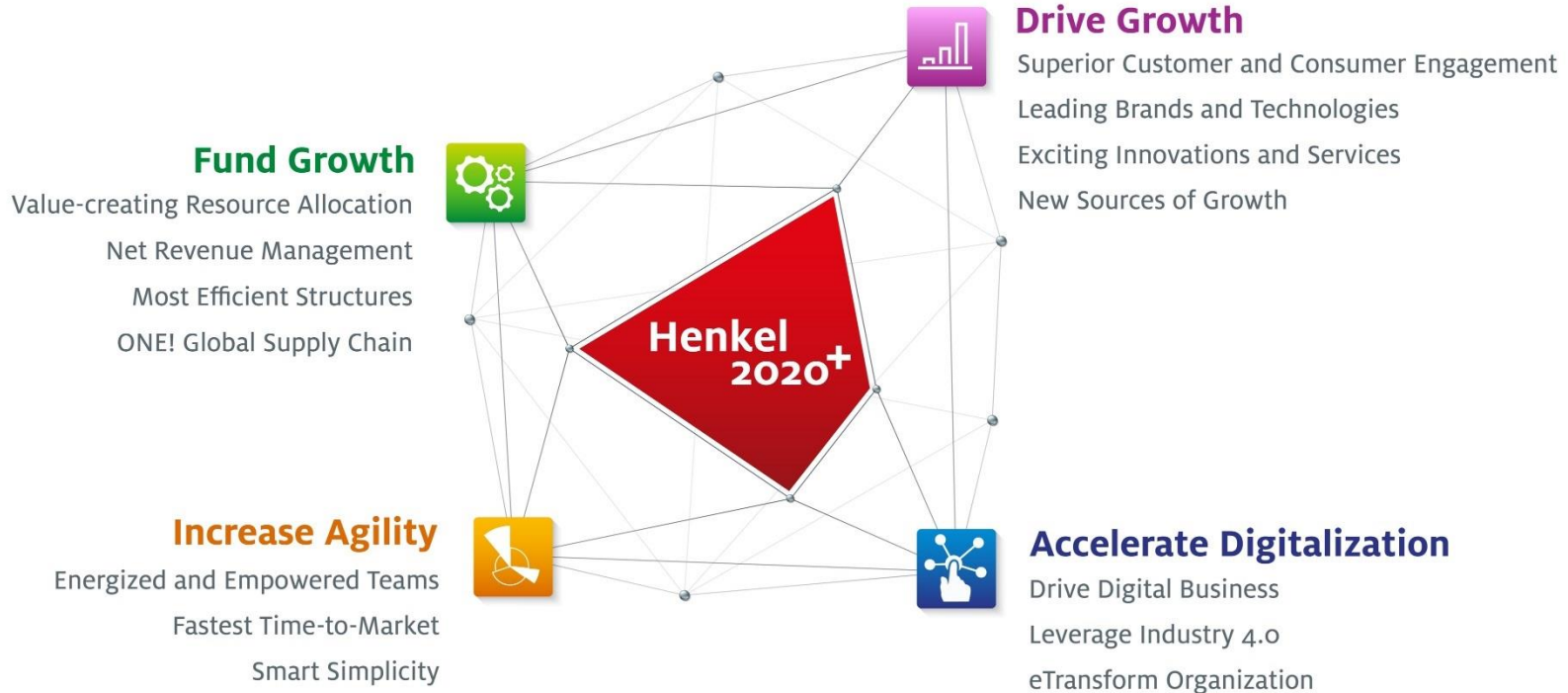
ONE! Global Supply Chain

- Continue and finalize roll-out across all regions
- Ongoing focus on best-in-class service levels
- Optimize total supply chain cost by fully capturing cross-business synergies



Clear and Exciting Growth Strategy

Henkel 2020+ Strategic Priorities



| Agenda

————— | Strong Foundation —————

————— | Compelling Ambition —————

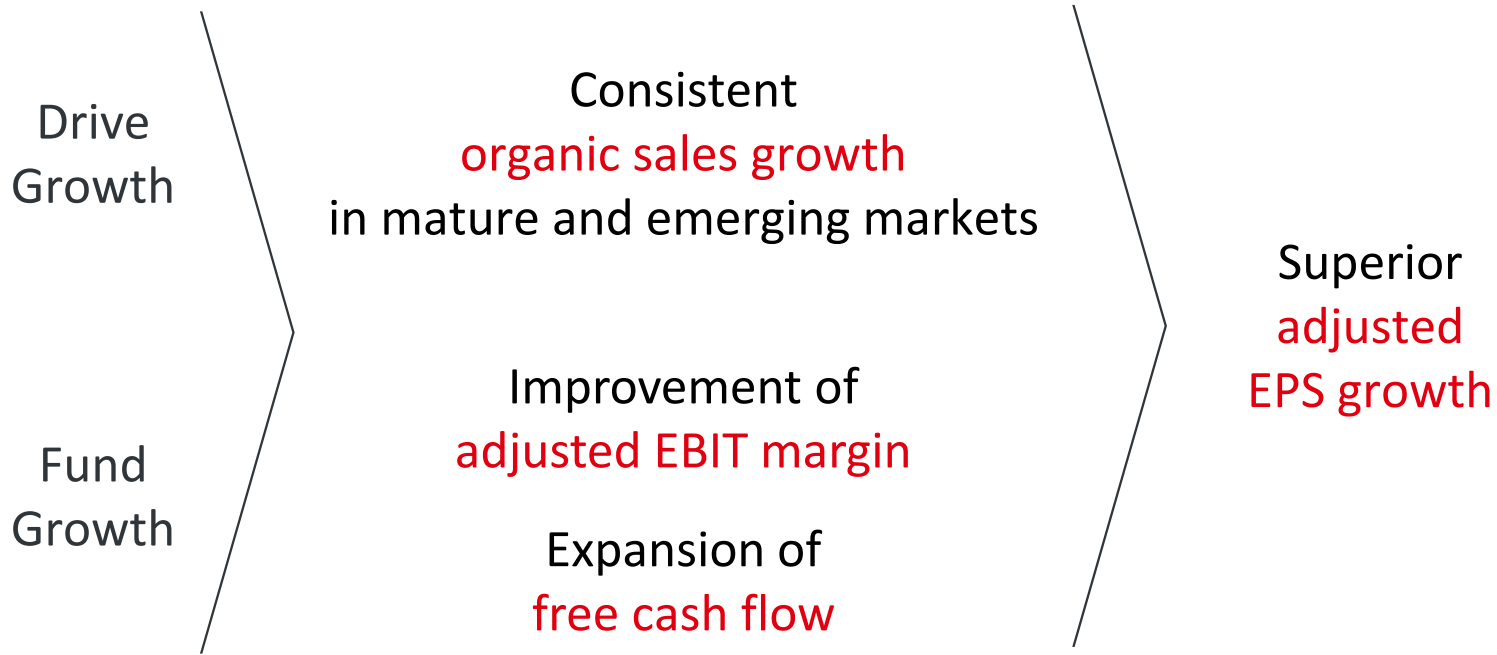
————— | Clear Strategy —————

————— | **Attractive Returns** —————

| Attractive Returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

| Continued Ambition to deliver Attractive Returns



| Continued Ambition to deliver Attractive Returns

Organic Sales Growth

2 – 4%
(Average 2017 – 2020)

- OSG to be driven by all Business Units
- Further expansion of market shares
- Sales in Emerging Markets to grow over-proportionately
- Growth also in Mature Markets

Continued Ambition to deliver Attractive Returns

Adj. EPS Growth

7 – 9%

(CAGR 2016 – 2020, per preferred share)

- Organic performance as key EPS driver
- Active portfolio management, incl. small- and mid-sized acquisitions
- Adaptation of our structures to the market to continue
- Foreign exchange impact included
- Share-buy-back not included

Continued Ambition to deliver Attractive Returns

Adj. EBIT Margin

Continued improvement in
adjusted EBIT margin

- Continuous improvement of Gross Margin
- Further optimization of SG&A expenses
- Realization of synergies from acquisitions

Continued Ambition to deliver Attractive Returns

Free Cash Flow

Continued focus on
free cash flow expansion

- Excellent track record of cash generation
- Fueled by significant operating profit
- Driven by further improvement of Net Working Capital
- Supported by “asset light” structure

Financial Ambition 2020

Organic Sales Growth

2 – 4%
(Average 2017 – 2020)

Adj. EPS Growth

7 – 9%
(CAGR 2016 – 2020, per preferred share)

Adj. EBIT Margin

Continued improvement in
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Free Cash Flow

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| Clear Initiatives to Fund Growth

Drive
Growth

Fund
Growth



Consistent
organic sales growth in both
mature and emerging markets

Improvement of
adjusted EBIT margin

Expansion of
free cash flow

Superior
adjusted
EPS growth



Value-creating Resource Allocation

- New cost management approach
- Enhance budget transparency
- Global coverage, across Business Units and Functions
- 15 – 18 months project, already kicked-off
- Benefits expected to start in the course of 2017



Net Revenue Management

- Optimize trade spend and leverage pricing power
- Global coverage, across Business Units
- Pilots finalized, gradual implementation during 2017
- Benefits expected to start from 2018





Most Efficient Structures

- Bring Shared Services to the next efficiency level
 - Master volume growth and optimize set-up
 - Leverage capabilities with automation and robotics
 - Accelerate synergies across Business Units
- Capture potential from acquisitions
- Optimize manufacturing and logistics footprint
- Benefits to be realized starting from 2017





ONE! Global Supply Chain

- Successful implementation in Europe
- Roll-out to North America in 2018
- Leverage synergies across Business Units and Functions
- Benefits to be realized starting from 2017



| Consistent Capital Allocation supporting our Ambition

Strong Sources of Cash

Excellent
Free Cash Flow
Generation

Significant
Balance Sheet
Optionality

Consistent Capital Allocation

Investments

Acquisitions

Dividends

Consistent Capital Allocation: Investments

- Increase CapEx by ~50% to ~3 bn € until 2020
- Significant investments to support growth initiatives, innovation, infrastructure and IT
- Step up investments in digitalization
- Launch Venture Capital Fund of up to 150 M€



| Consistent Capital Allocation: Acquisitions

- Integral part of our strategy
- Strengthen our portfolio both in core and adjacencies
- Disciplined approach in acquisitions
- Commitment to single-A rating



| Consistent Capital Allocation: Dividends

- Established dividend policy
- Consistent growth of dividend payment
- Based on strong earnings profile

| Attractive Returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

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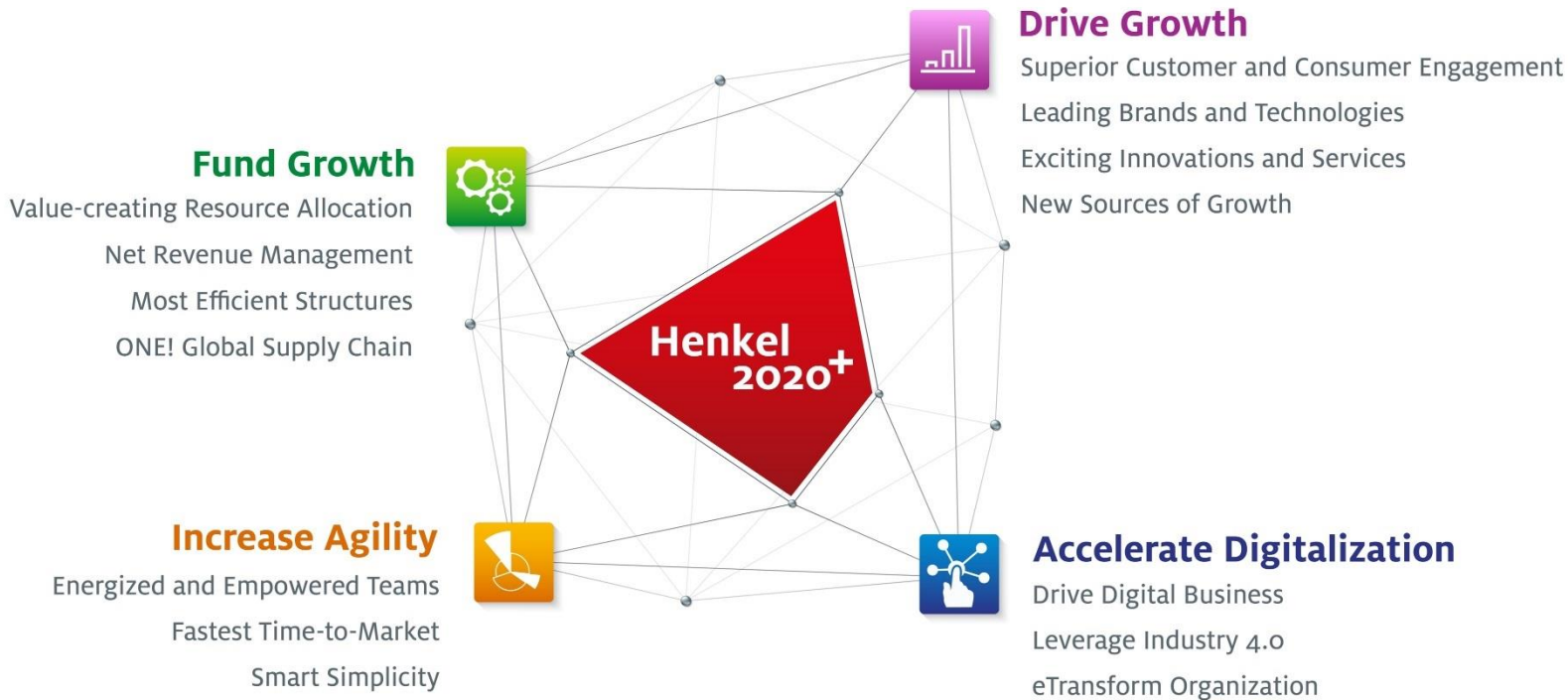
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| Compelling Ambition

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- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions

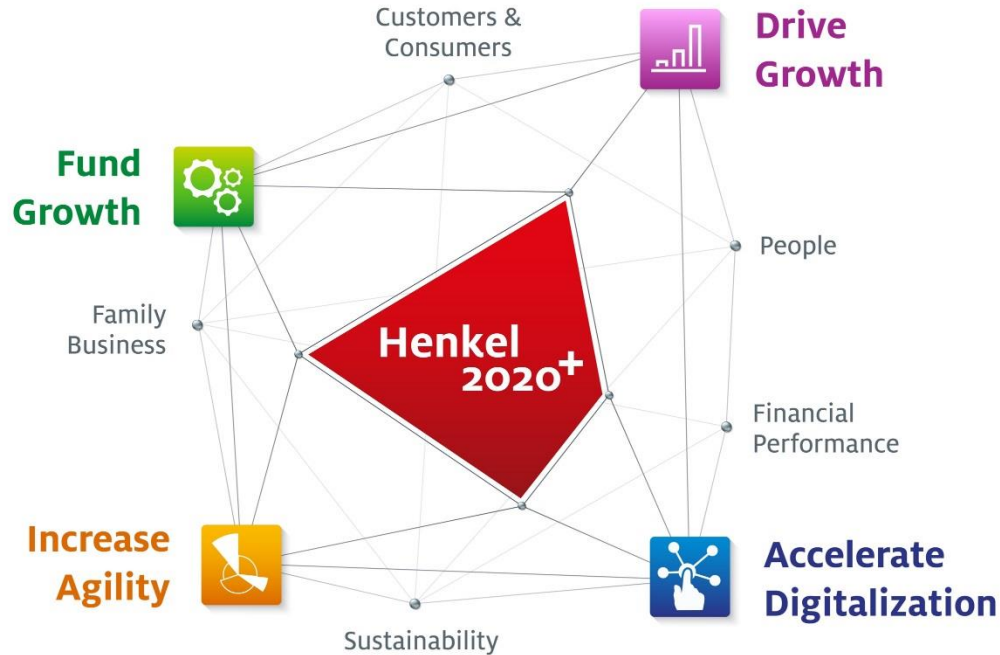
Clear and Exciting Growth Strategy...

Henkel 2020+ Strategic Priorities



Clear and Exciting Growth Strategy...

Henkel 2020+ Strategic Priorities and Values



| Key Points You heard from us Today

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| Thank You !