



Statement

**Hans Van Bylen**

Chairman of the Management Board

Annual General Meeting – April 6, 2017

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**Statement by Henkel CEO Hans Van Bylen  
at the Annual General Meeting on April 6, 2017**

Ladies and Gentlemen,  
Valued Shareholders,  
Guests and Friends of the Henkel Group,

Welcome to our Annual General Meeting! On behalf of the Management Board and our employees, thank you for being here.

I was appointed Chairman of the Management Board of Henkel in May last year. I am very proud and grateful to have been given the responsibility of taking Henkel forward to further successes in the future.

As I am speaking today for the first time in my new role at our Annual General Meeting, I would like to just say a few words to briefly introduce myself. I have been with Henkel for 32 years, 12 of which as a member of the Management Board. My career began with the Laundry business in Belgium. There, opportunities followed offering more responsibility for various countries, regions and businesses. In 2005, I was appointed to the Henkel Management Board, being responsible for the Beauty Care business unit.

Naturally, our company with its extraordinary corporate culture and its values has left a lasting impression on me over these years – and, simultaneously, I feel that I have, in the course of my career, also helped shape the company. It means a lot to me personally to be able to look back

on such a long career at Henkel, and I am delighted to have been able to lead Henkel as its CEO for almost a year now.

Today, I would like to talk to you about our results and the most important developments at Henkel in the course of the last fiscal year. I would then like to elaborate on the ambition and strategic priorities that we will be pursuing as we move forward.

Despite a persistently challenging environment, 2016 was a very successful year for Henkel, and we are very proud of what we have achieved together:

- Fiscal 2016 saw us once again achieve new highs in sales and earnings.
- With the acquisition of The Sun Products Corporation, we made the second largest transaction in our corporate history.
- We have defined our ambition and strategic priorities through to 2020 and beyond.
- And finally, 2016 was the 140<sup>th</sup> anniversary of our company's foundation by Fritz Henkel.

Our successful performance in the last fiscal year is primarily due to the enormous efforts and commitment of our employees.

All around the world, they dedicate themselves each day to fulfill the needs and wishes of our customers and consumers even better, doing this with a great deal of passion and with pride in their company.

In honor of their outstanding achievement, I would like to take this opportunity to express my heartfelt thanks to our more than 50,000 employees – and I am sure that you as Henkel’s shareholders agree.

At this point, please allow me also to express my gratitude to my colleagues on the Management Board. Without their team spirit, their competence and their leadership qualities, Henkel would not be in the outstanding position of which we can be so proud today.

Ladies and Gentlemen,

Looking at the economic environment in the past fiscal year, it once again becomes apparent just how successful we were in developing the company and in achieving those solid results in 2016. Because the underlying economic and political conditions remained difficult.

- Geopolitical instability and economic volatility in some countries continued.
- The world economy experienced no more than moderate growth: The situation in emerging markets was particularly challenging while growth in mature markets remained sluggish.
- Negative foreign exchange effects accompanied us throughout the year, especially in relation to important emerging market currencies. The currencies relevant to Henkel in these markets lost value overall. The high volatility of our commodity markets likewise continued.
- We also experienced increased promotional and price pressure, particularly in the consumer businesses.

Despite these difficult underlying conditions, Henkel was able to continue its successful development in 2016, once again posting new highs in sales and earnings:

- Sales reached a new record figure of 18.7 billion euros, corresponding to a nominal rise of 3.5 percent.
- Organically, that is to say without the influence of acquisitions and foreign exchange, we generated very good sales growth of 3.1 percent.
- Adjusted EBIT exceeded the 3 billion euro mark for the first time.
- The adjusted EBIT margin showed a very strong improvement with a rise to 16.9 percent, reaching a new high.
- Adjusted earnings per preferred share rose by 9.8 percent to 5 euros and 36 cents. This also represents a new record level.
- Free cash flow rose by 30.5 percent to more than 2.2 billion euros.

With these strong results we also achieved our most important financial targets for fiscal 2016:

- For organic sales growth, we had forecasted a bandwidth of 2 to 4 percent and achieved 3.1 percent.
- The adjusted EBIT margin was expected to exceed 16.5 percent and we delivered 16.9 percent.
- For adjusted earnings per preferred share we had predicted a range of 8 to 11 percent and we posted an increase of 9.8 percent.

Now I want to explain our business performance in the regions in more detail.

We continued to grow in mature markets. In North America, sales grew organically by 1.7 percent. Nominally, growth amounted to 15.2 percent. This strong rise is primarily due to the acquisition of The Sun Products Corporation. In Western Europe, sales remained roughly at the level of the previous year.

Our business in emerging markets increased organically by 6.8 percent. Latin America was on top with an increase in sales of 13.8 percent. Eastern Europe also generated a significant plus of 7 percent. And despite political and social tensions, the Africa/Middle East region contributed an above-average 5.6 percent to total sales growth. In the Asia-Pacific region, sales grew by 3.2 percent.

Now I would like to give you some detailed insights of the major developments and results of our three business units. Particularly gratifying is the fact that each business unit contributed to the excellent results recorded in fiscal 2016.

Let us start with Adhesive Technologies:

- At 2.8 percent, the business unit generated solid organic sales growth. Sales rose to almost 9 billion euros.
- All business areas contributed to this solid performance: The Transport & Metal, Packaging Adhesives, Adhesives for Consumers, Craftsmen and Building, the Electronics as well as the General Industry business area all posted very good organic sales growth.
- The adjusted operating profit of Adhesive Technologies rose by 6.2 percent to more than 1.6 billion euros.

- We saw a significant rise in adjusted EBIT margin, increasing by more than one percentage point and thus, reaching a new record level of 18.2 percent.

Now I would like to outline the business development at Adhesive Technologies based on a few examples:

We generated very strong growth in the automotive sector. Here we offer our customers innovative and tailor-made solutions supporting industrial trends such as lightweight construction and e-mobility – for example with our top brand Loctite, which generated global sales of around 3 billion euros last year.

In the food packaging sector, we were able to strengthen our leading position worldwide with our brands Technomelt and Loctite, gaining market shares – for example for flexible packaging or metal cans. We offer innovative solutions that also satisfy the increasing demands on food safety.

We were likewise able to generate further successful growth in 2016 with our solutions for the electronics industry. The contributing factors here included innovations designed to increase the performance of consumer devices and automotive electronics through improved thermal management. Our portfolio in this field was significantly strengthened through the acquisition of Bergquist.

Moving on to our Beauty Care business unit:

- Last year, this business unit generated solid organic sales growth of 2.1 percent. Sales came in at more than 3.8 billion euros.
- Both business areas – Branded Consumer Goods and Hair Salon – contributed to this success.
- Adjusted operating profit at Beauty Care rose by 6.1 percent to around 650 million euros.
- Adjusted EBIT margin increased by a full percentage point, reaching a new high of 16.9 percent.

Regarding the Beauty Care business unit, I would like to highlight in particular the following important developments:

Thanks to our Hair and Body Care businesses, we enjoyed very strong growth in the North American retail sector. The successful development of our top brand Schwarzkopf, especially in relation to hair colorants, made a particularly important contribution in this regard.

With Schwarzkopf, we now generate total global sales of more than 2 billion euros per year.

We also continued to experience very good growth in the Body Care business. Here, we leveraged our strong innovations across all our brands and regions. As a result, specifically the brands Fa and Dial were able to further increase their market shares.



It was also very gratifying to note the continued positive development of our Hair Salon business. Its positive performance is owed to innovations in various categories under the Schwarzkopf brand and the successful integration of our US brands.

This brings me to our business unit Laundry & Home Care.

- The business unit generated very good organic sales growth with a rise of 4.7 percent. Overall, sales came in at around 5.8 billion euros.
- Contributions came from both business areas – Laundry Care and Home Care.
- The adjusted operating profit of the Laundry & Home Care business unit rose by 13.7 percent to precisely 1 billion euros. This is an outstanding result to which the acquisition of The Sun Products Corporation, concluded in September, made a positive contribution. At the same time, the profitability ratio of earnings to sales at Sun still lies below the very good EBIT margin of Henkel.
- Nevertheless, we were able to achieve a new record high in adjusted EBIT margin at Laundry & Home Care of 17.3 percent in 2016.

I would like to illustrate the strong performance of Laundry & Home Care on the basis of a few examples:

Our automatic dishwashing product Somat achieved very strong growth, particularly as a result of the market launch of Somat Phosphate-Free. Its patented formula combines sustainability with 100 percent performance. This innovation is already being marketed in 30 countries in Western and Eastern Europe.

We generated very strong growth in the Africa/Middle East region. Thanks to the market launch of an innovative variant, we were able to generate double-digit growth for our hand dishwashing product Pril among other things.

And finally, in North America we were able to continue driving strong organic growth through the outstanding performance of our Laundry Care products. This result is also due to the further successful expansion of Persil ProClean. Globally, our top brand Persil generated total sales of around 1.3 billion euros.

At this point I would like to elaborate in a little more detail on the acquisition of The Sun Products Corporation, the second-largest transaction in the company's history: This acquisition brought a very important change for our company. It significantly strengthens our Laundry & Home Care business in North America.

With this purchase, we have significantly expanded our position in the USA, the world's biggest laundry care market. We are now a strong number 2 in North America.

Our portfolio has benefited significantly from the acquisition with the inclusion of established and successful brands such as all, Sun and Snuggle. We now cover all the segments in the laundry care market with attractive brands – from the value-for-money entry segment to high-end premium products. With Snuggle, we have also acquired one of the leading fabric softener brands in North America.

The acquisition has also been a gain for us in terms of our significance and influence as a retail partner. In the last few months, I was able to confirm this for myself through talks that I had with various CEOs of major retail chains in the USA.

We are also very proud of the fact that we were able to execute the acquisition of Sun with such swift efficiency last year: just about two months were between the signing announcement and the closing of the transaction at the beginning of September.

For an acquisition of this magnitude, this is a record time – and evidence of excellence in both the preparation for and the implementation of this major deal.

Moreover, we were able to secure the financing of this acquisition at very attractive conditions, while maintaining our very good credit rating. This reflects the great trust of the capital market in us.

We are also delighted that we have been able to welcome around 2,000 new colleagues to Henkel with the acquisition of Sun Products. The excellent and experienced management team of Sun Products enriches our consumer goods business in North America. At the moment, we are combining both businesses in a new shared site on the American east coast. And we are making very good progress with the integration process. With the acquisition, we have significantly strengthened the overall position of Henkel in the USA.

Ladies and Gentlemen,

With that said, I get to the most important part of any Annual General Meeting: your dividends.

2016 was a very successful financial year for Henkel. Consequently, we propose to you today a distribution of a dividend per preferred share of 1 euro and 62 cents. This corresponds to an increase of 10.2 percent versus the previous year. We propose a distribution of a dividend per ordinary share of 1 euro and 60 cents. This corresponds to an increase of 10.3 percent versus the previous year.

This is the highest dividend that we have ever proposed, with the payout ratio again amounting to a good 30 percent. With this we are able to ensure the solid finances of our company so that we can continue to fund growth and create further sustainable value in the future.

As you will have seen in the past fiscal year, we are quite prepared to allocate funds for investment in our businesses and also to further strengthen our company through acquisitions. Capital investments last year amounted to more than 500 million euros in total, and we spent around 3.8 billion euros on acquisitions.

The very good business performance of our company last year was also reflected in the positive development of Henkel's shares:

- The price of our preferred share increased by 9.7 percent to 113 euros and 25 cents.

- Our ordinary share rose even more, closing 2016 at 98 euros and 98 cents with growth of 11.7 percent compared to the previous year.
- By contrast, the DAX rose by just 6.9 percent year-on-year. And the shares from the consumer goods sector – listed in the EURO STOXX Consumer Goods Index – actually slightly declined in value over the same period.

As you can see, in 2016, Henkel shares once again proved to be an attractive and consistently successful investment.

Ladies and Gentlemen,

Creating sustainable value is our common purpose. Our aim is not just to generate value in the financial sense but also to act upon our responsibility toward the environment and society – in other words, committing to sustainability in the broadest sense.

A major component of our sustainability strategy is to create more value with less resources. Specifically, we have set ourselves the goal of tripling our resource efficiency by 2030.

We have already made good progress in this regard: Since 2010, we have reduced the environmental footprint of our production by 42 percent compared to the value we create with our products.

Our products need to convince and excite our consumers not only in terms of their performance and quality but also by contributing to more sustainability. And there were numerous examples of how this was achieved during the last fiscal year.

For example, since the beginning of 2016, our automatic dishwashing product Somat has been manufactured entirely without phosphates, relying on the power of citric acid instead. With this, we offer our consumers the same high level of cleaning performance, but now with enhanced sustainability.

We are pursuing continuous improvement along the entire value chain. For example, our business unit Adhesive Technologies has entered into a partnership with TerraCycle in the USA.

This company offers recycling solutions for materials for which no further use can usually be found. This means our consumers in the USA can now recycle their used Loctite bottles for certain adhesives where this was previously not possible. We are the first adhesives manufacturer to offer an innovative recycling solution of this kind.

For Henkel, sustainable development is not limited to using less resources or protecting the environment. We also want to live up to our social responsibility. We do this, for example, with the “Shaping Futures” initiative of our Schwarzkopf brand. Together with SOS Children’s Villages, we are offering young people around the world basic training as hairdressers. In

this way, we are able to support the next generation in establishing an independent future for themselves.

A prerequisite in creating a sustainable enterprise is to ensure that its employees act in a sustainable manner. Consequently, we are training our people as sustainability ambassadors. Since 2012, more than 10,000 employees have already qualified themselves as ambassadors across 79 countries.

Through this program, our employees are taught to encourage responsible attitudes in the use of natural resources when talking to customers, suppliers and business partners, and also in the wider social domain – for example in schools. By the end of 2016, we had already reached more than 84,000 children.

Our great commitment to sustainability is also recognized in various ratings and rankings. For example, we are listed in the renowned Dow Jones Sustainability Index and have been included in the ethical index “FTSE4Good” for the last 16 years.

At the beginning of this year, Henkel was ranked very high in the “Global 100 Index,” confirming its position as one of the top 100 most sustainable companies worldwide.

Ladies and Gentlemen,

So much for the key developments and events of 2016.

We had also set ourselves ambitious targets for the preceding four years, that is to say for the period from 2013 to the end of 2016.

By the end of 2016, we wanted to generate total annual sales of 20 billion euros with 10 billion euros coming from emerging markets. Over the last four years, we achieved solid organic growth in all our important markets, gaining market shares in the process.

Organic growth during this period averaged around 3.3 percent per year. In the emerging markets it was significantly higher at 7.2 percent. However, about a year ago we announced at the 2016 Annual General Meeting that, due to negative foreign exchange effects, we would not achieve the set sales target: Transferring into euro reduced sales by more than 1 billion euros overall.

For adjusted earnings per preferred share, we wanted to achieve a compound annual growth rate of 10 percent. Despite negative foreign exchange impacts, we were able to increase earnings per preferred share over the last four years by an annual average of 9.7 percent. This is a very good result – not just in terms of the numerous challenges that we faced over the last few years but also compared to our competitors and other international corporations.

I would now like to cast our eyes forward to our financial ambition and strategic priorities through to 2020 and beyond.



We are convinced that Henkel is well equipped for the future. We have a strong foundation with a balanced portfolio in our consumer goods and industrial businesses.

In our consumer goods businesses, we hold leading positions in relevant markets and categories around the world. In the adhesives business, we are the world's market leader by far. We see further potential for profitable growth in all our business units.

We are also committed to excellent and sustainable financial performance and we have the ambition to continue generating above-average, attractive returns.

We are shaping our future on the basis of a strong corporate culture expressed in our common purpose, our vision, our mission and our values. These form the foundation for our entrepreneurial business approach.

At the center, we have our common purpose: We want to create sustainable value, and we want to do this for our customers and consumers around the world through our products, technologies and innovations.

We offer our employees attractive training and development opportunities. Moreover, we enable work-life flexibility through various working time models.

For you, our esteemed shareholders, we want to achieve sustainable value growth in respect of your investment in Henkel shares. And finally, we also

engage in various programs and activities aligned to society and the environment.

This ambition to create sustainable value unites us at Henkel, as do our five corporate values:

- We put our customers and consumers at the center of what we do.
- We value, challenge and reward our people.
- We drive excellent sustainable financial performance.
- We are committed to leadership in sustainability.
- We shape our future with a strong entrepreneurial spirit based on our family business tradition.

These are the five values that guide us.

In the course of last year, we developed a number of specific ambitions and strategic priorities to generate further success, which will guide us through to 2020 and beyond – summarized as “Henkel 2020+.”

We want to generate more profitable growth in the coming years. To achieve this, we intend to focus even more strongly on the needs of our customers and consumers as well as becoming more innovative, more agile and more digital.

At the same time, we aim to promote sustainability throughout the value chain and to further extend our long-standing, internationally recognized leading role in this field.

Given our strong finances, we are in a position to further strengthen our portfolio through targeted acquisitions.

With “Henkel 2020+,” we are pursuing a financial ambition based on these performance indicators:

- We intend to generate average organic sales growth of 2 to 4 percent per year through to 2020.
- For adjusted earnings per preferred share, we target a compound annual growth rate of 7 to 9 percent.
- We want to improve our adjusted EBIT margin.
- And we want to increase our free cash flow.

In order to achieve this ambition, we have defined four strategic priorities.

We want to

- drive growth,
- accelerate digitalization in all areas,
- increase our agility
- and fund growth.

Let me explain these priorities individually and in more detail to you.

In the coming years, our attention will be on driving growth. In particular, we will be focusing specifically on our customers and consumers. We want to strengthen our strategic partnerships with key customers in order to collaborate with them in developing or expanding categories and markets.

We also want to ensure that as many employees as possible have direct contact with customers and consumers.

We are likewise aiming to further increase the significance of our strong brands and technologies. The share of total sales accounted for by our ten top brands is to increase to 75 percent by 2020.

By 2020, we are also aiming to develop more value-adding innovations and to further increase the sales share from our top innovations.

To achieve this, for example, new, integrated innovation centers for the Adhesive Technologies business unit are being planned in Düsseldorf, Germany and in Shanghai, China.

In order to support our growth ambitions, we intend to significantly increase our capital investments to 3 billion euros until 2020.

We also aim to supplement our portfolio and strengthen our position in attractive markets and categories with targeted acquisitions.

In order to generate further growth momentum, we have also created our own Corporate Venture Capital unit. This will invest funds of up to 150 million euros in companies offering special expertise in the fields of digital or other technologies.

The second strategic priority that we have defined is that of digitalization. Because we are convinced that digitalization will be essential for both

increasing efficiency in our processes and generating additional growth in our markets. Hence, we intend to accelerate digitalization across all areas of our company.

We will rely more than ever on digitalization in the marketing and sales of our innovations and services and will be significantly expanding our use of digital media.

Within our consumer businesses, we want to develop offerings that link e-commerce platforms with traditional retail. We are also planning to further develop or establish our own digital platforms.

By 2020, we want to double our “digitally-driven” sales to more than 4 billion euros.

Aside from the digital activities aligned to our sales markets and customers, we also see great potential in “industry 4.0” – meaning digitalization along the entire value chain from planning and purchasing through to production and delivery.

By accurately forecasting demand, we will be able to improve our production and logistics processes and utilize our sites more efficiently. We will be able to serve our customers more reliably and also improve Henkel’s sustainability performance.

For this, we will of course be actively engaging our employees in the digital transformation process, and supporting them in successfully utilizing new technologies and work processes.

For example, special digital training and development programs will thus be made available.

In order to accelerate digitalization across all Henkel's activities, we have appointed a Chief Digital Officer. He will be taking up his duties at Henkel in the course of the second quarter and will report to me directly as Chairman of the Management Board.

Our economic environment remains highly dynamic. If we are to remain successful, we have to become ever more agile, that is to say more flexible and faster in response than our competitors. So this brings me to our third strategic priority, namely that of increasing our agility.

To achieve this, we will be relying on our energized and empowered teams, encouraging entrepreneurial spirit, independently pursued initiatives, fast decision-making and flexible adaptability to new market conditions – all aspects that we want to further strengthen.

At the same time, we want to significantly accelerate our speed of execution – for example in relation to launching new products onto the market. And finally, we want to further simplify and optimize our business models, processes and procedures.

That brings me to our fourth priority: our aim to directly fund growth.

We want to invest our funds more specifically in those fields offering the greatest potential for growth and profitability for the future.

With our focus on what we call net revenue management, we intend to strengthen the efficiency and success of our marketing activities. By further improving our structures and pooling processes, we want to release further funds to finance our investments in growth. The integration of our purchasing, production and logistics processes within an integrated global supply chain was successfully concluded across Europe in 2016. And this concept will be rolled out to all regions worldwide in the next few years.

Driving growth, accelerating digitalization, increasing agility and funding growth – these are the strategic priorities on which we will be focusing in the coming years. Combined with our five corporate values, these priorities will guide us to making our company even more competitive and successful through to 2020 and beyond.

Ladies and Gentlemen,

Before I come to our outlook for the current fiscal year, allow me to say a few words on the current economic and political situation – especially in Europe.

Here, discussions on the effects of advancing globalization and of the free movement of goods, services, capital and labor are becoming increasingly

polarized. It appears that decades of peace and growing affluence in Europe are now being regarded as something that can be taken for granted.

For all the justified criticism and the need for reforms in individual areas, the rise in populism and polemics should not distract from our focus on the huge advantages that arise from a united Europe.

That is why we commit ourselves to a united Europe, guaranteeing freedom, democracy and economic stability. This implies mutual respect as well as openness for diverse perspectives and opinions.

At Henkel, more than 50,000 people from various nations and cultures live and work well and successfully together on a daily basis – united by shared values and mutual respect for the diversity that they represent.

Turning to our outlook for the current fiscal year.

We continue to expect to be confronted by a volatile and uncertain market environment. Currencies will likely continue to exhibit severe fluctuations. And the prices for our commodity markets are expected to trend upwards. We also anticipate persistently high promotional and price pressure – particularly in the consumer businesses.

For fiscal 2017, we anticipate organic sales growth of 2 to 4 percent. For our adjusted EBIT margin, we expect to achieve an increase to more than



17.0 percent. And adjusted earnings per preferred share should lie between 7 and 9 percent above the level for 2016.

We will be publishing the figures for our first quarter of 2017 on May 11, reporting on our business performance in the first three months of the current fiscal year.

Ladies and Gentlemen,

The success of Henkel in the previous year would not have been possible without excellent collaboration between all the management bodies serving the company. On behalf of Henkel's Management Board, I would like to thank in particular our members of the Supervisory Board, the members of the Shareholders' Committee and the employee-representative bodies for their valuable support and significant contributions.

I would also like to express my special thanks to you, dear Mrs. Bagel-Trah, esteemed Chairwoman of both the Supervisory Board and the Shareholders' Committee, for your trust and for the exceptional cooperation we have enjoyed.

Naturally, I also want to thank you, our shareholders, with all sincerity for your continuous confidence in us throughout 2016. With Henkel, you have committed to a long-term investment characterized by a sustainable successful development and attractive returns. And I can assure you that we at Henkel will continue to do everything in our power to maintain the success of your company.

So that we continue to create sustainable value in the future.

For our customers and consumers.

For our people.

For society.

And for you, our shareholders.

Thank you very much for your attention!

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