

Statement

**Kasper Rorsted**

Chairman of the Management Board

Annual General Meeting – April 11, 2011

- Check against delivery -

**Statement by Kasper Rorsted  
Chairman of the Management Board  
Annual General Meeting on April 11, 2011**

Esteemed shareholders,  
Respected guests,  
Friends of the company,

On behalf of the Management Board and all Henkel employees, welcome to our Annual General Meeting.

As you can see in this auditorium, and also if you cast a glance at our Annual Report, there have been some changes compared to last year. We have a new corporate design and a new claim for our company:

Henkel - Excellence is our Passion.

Both are an expression of an evolving corporate culture that, last year especially, underwent significant further development. We also used 2010 in order to extensively discuss our Vision and our Values. I will be coming back to this later on.

First, please allow me to review our performance over the past financial year.

Our results in 2010 were excellent:

- Henkel recorded the best year in its company history.
- We also made significant progress overall in the pursuit of our strategic priorities.
- Despite a difficult market environment, we gained market shares in all our business segments and further strengthened our top brands.
- We further expanded our position in the emerging markets.
- We were able to successfully complete the integration of the National Starch Businesses earlier than previously announced.
- By the end of 2010, we had already achieved the sustainability targets formulated in 2008 for 2012 – so two years ahead of schedule.

- There has been a generation change in our Management Board with the arrival of two new colleagues, both of whom bring more than 20 years of international experience with Henkel.
- We have driven forward numerous structural changes and strengthened and further developed our corporate culture.

Ladies and gentlemen,

Henkel is a strong company and it fills me every day with pride to work for this company.

- I'm proud of the 48,000 employees around the world who embody Henkel;
- proud of our innovative strengths that help secure our future;
- proud of our ability to respond to change flexibly, decisively and quickly;
- yes, and proud of the way in which we have met the challenges of recent years.

In order to properly appreciate our results achieved in 2010, we need to once again take a look at 2009, and particularly the peaks and troughs experienced by the world economy in those two years! First we had the deepest recession since the 1930s with world trade volumes declining by more than 10 percent and a loss of more than 30 million jobs. Then, just a year later, a rapid and strong recovery – driven particularly by the industrial sector. World trade volumes increased again by over 12 percent, with global gross domestic product rising by 4 percent.

Economic output has almost returned to, and in some markets actually exceeded, the pre-crisis level of 2007. While private consumption remained somewhat sluggish, industrial production grew substantially in 2010. At the same time, however, we were confronted by rapidly increasing raw material prices, especially from the middle of 2010.

Fluctuating macro-economic conditions with ever more frequent and unexpected changes are becoming the norm. And all this has an impact on Henkel. So we must be prepared.

Consequently, even though the economic situation in most markets has re-stabilized, we cannot let up in our efforts to make Henkel even better. In order to ensure that we remain ahead of our peers in the internationally competitive marketplace, we must and will further develop existing structures and work processes, drive forward innovations and generally become even more efficient.

To stand still means to go backward. But Henkel stands for progress. And this is something that we will continue to strive for – consistently and with sustained effort.

Ladies and gentlemen,

You know how close to Henkel's heart the issue of sustainability has been, not just recently but over many decades in the past.

Not least the recent weeks with the catastrophes in Japan have shown how vulnerable our highly modern social and economic systems are. Some 28,000 people fell victim to the massive earthquake and the subsequent tsunami, cities and infrastructure were utterly devastated. The sheer magnitude of this natural disaster and the further development of the severely damaged nuclear power plant in Fukushima are difficult to assess. This news has had a deep and lasting effect on us all.

I would like to let you know, at this juncture, how things are going with the around 800 Henkel employees that we have in Japan and what we have done in order to support them in these difficult times:

The most important news for us was: All Henkel staff and their families have been confirmed safe. More than half of the staff from the greater Tokyo area have accepted the offer to move with their families on a temporary basis to Osaka, around 600 kilometers south of Tokyo, where Henkel has provided hotel accommodation and immediate financial support. The majority of staff will however now relocate to Tokyo both to resume work and because children have to return to school. Our offices are still closed, while maintenance of our production is still difficult. We are in close contact with our partners and customers in Japan so as to

find common solutions. The crisis management is run by those responsible in Japan and the Asia-Pacific region with great personal commitment and a strong sense of responsibility for the staff entrusted to their care.

However, beyond mastering such a catastrophe in a concrete manner, we must also address other long-term questions, if we want to meet our responsibility toward future generations.

Do we have a sustainably structured economic and growth model?

Are our healthcare systems sustainably structured? Is our pension system sustainably financed?

Are our educational systems and, with them, the opportunities available to future generations, sustainably structured in a globalized economy?

The way I see it, there is still plenty to do.

A year ago, standing on this spot, I already talked to you about the high level of indebtedness that exists in numerous industrial countries, particularly in Europe. I do not want to repeat myself here. Let me just say this, however: The mortgage that future generations will have to pay off certainly did not become any smaller last year. All you have to do is think about the discussions surrounding Greece, Spain, Portugal, Ireland and the Euro.

We are convinced that a long-term approach and sustainable development need to be regarded as permanent aspects of our responsibility as a company. It is our clearly formulated objective to assume and maintain a leading role in the field of sustainable development. Because the global challenges that we face are great indeed.

We need to decouple economic growth and a rising quality of life from resource consumption and emission generation. Innovative products and solutions have an

important role to play. And it is in this field that we see great potential for our business.

What specifically are we doing at Henkel?

Well, we have formulated the requirement that all new products from Henkel must make a contribution to sustainable development, for example by conserving resources or helping to reduce emissions – in other words, protecting the climate.

By consistently applying the precept that every new product needs to combine high quality with responsibility toward people and the environment, we are constrained to develop more efficient products – with more performance for our customers and/or less consumption of energy, water or other resources. We are committed to sustainable development since we feel responsible for people and the environment. This generates innovations, and with these we support the achievement of our full business potential.

Overall, we have made progress in this respect more quickly than we anticipated. Our 2012 sustainability targets, which we set for ourselves in 2008, were already achieved last year – a year in which we also realized our best business results ever. This proves that economic success and progress in sustainable development go hand in hand.

Measured on a per-ton output basis, we have succeeded since 2007 in

- reducing energy consumption by 21 percent,
- decreasing water usage by 26 percent, and
- cutting the amount of waste generated by 24 percent;
- and we also reduced the number of occupational accidents related to hours worked by 29 percent.

As in previous years, we have published both our Annual Report and our Sustainability Report simultaneously as one compendium. And this year, both have appeared for the first time as complete online versions, because we would like in the future to reduce the number of printed reports, for environmental reasons.

The extent to which a company is committed to sustainable development is also becoming an increasingly important selection criterion for investors around the world. And for the fourth time in a row, Henkel has been declared the consumer goods sector leader in the Dow Jones Sustainability Index.

We are also listed in a number of other recognized international indexes and are regularly awarded for our engagement in the sustainability field.

However, we can never be satisfied with what we have achieved to date. During this current financial year, we intend to further develop and launch our long-term sustainability strategy. And we see cooperations along the value chain and the promotion of sustainable consumption as the primary challenges of the coming years.

We are committed to further expanding our leading role in the field of sustainability. And I look forward to reporting to you on our progress in the future.

Ladies and gentlemen,

Let us now come to the key financials of fiscal 2010.

Our **sales** increased substantially, by 11.2 percent to 15.1 billion euros. In organic terms, i.e. adjusted for foreign exchange, acquisitions and divestments, the increase was 7 percent.

All three of our business sectors underwent development in the same direction: upward. And all three grew stronger than their relevant markets, resulting in further market share gains.

There was a substantial increase in **adjusted operating profit**. After allowing for one-time charges and gains and restructuring charges, EBIT rose by 36.5 percent to 1.86 billion euros, an excellent result to which all three business sectors contributed.

Our continuing good performance in the emerging markets, increasing sales volumes, innovative products and careful and consistent focus on the wishes and desires of our customers were key success factors in the past financial year. Combined with ongoing adaptation of our structures, the standardization of work processes and strict cost control, they enabled us to post an **adjusted return on sales** – our EBIT margin – of 12.3 percent, the first time that we have exceeded the 12 percent mark. Compared to the previous year, this represents an improvement of 2.3 percentage points.

**Net income for the year** improved by 82 percent to 1.14 billion euros.

**Earnings per share** adjusted for exceptional items grew to 2.82 euros compared to 1.91 euros in the previous year – an increase of over 47 percent.

You, our shareholders, must of course participate directly and immediately in this positive business performance. The Management Board, Supervisory Board and Shareholders' Committee therefore propose a **significant increase in the dividend payout** from 53 cents to 72 cents per preferred share and from 51 cents to 70 cents per ordinary share, giving a total distribution of 310 million euros and a payout ratio of 25 percent.

It is our declared objective to continue to strengthen the **net assets** of our company. And last year, we succeeded in reducing **net debt** by a further amount of around 450 million euros to 2.3 billion euros. The equity ratio has risen by 4 percentage points to 45.4 percent, proving our increased financial strength.

We are striving to improve our ratings with the leading agencies Standard & Poor's and Moody's by one notch.

Allow me at this juncture to once again highlight three primary contributors to our success:

First: early in 2008 – before the full extent of the crisis had become apparent – we took decisive measures in order to improve our competitiveness. And even during the



crisis, we kept our eyes firmly fixed on our road map, our strategic priorities and our financial targets. The positive effect of this early action became clearly apparent in 2010. Now we need to ensure that we continue steadfastly along this road with further improvements to our cost structures and work processes and thus our competitiveness.

Second: we have strengthened our future viability in our growth markets by investing in innovative products. I should, within this context, highlight in particular the significance of the emerging markets that are becoming ever more important for Henkel. Henkel is clearly benefiting from the ongoing globalization of the world economy. For us, this very much represents an opportunity rather than a threat.

For example, in Eastern Europe, we were able to gain market shares with our consumer business. In our adhesives business we succeeded in further expanding our market positions particularly in Asia.

And finally, I would like to underscore the importance of the excellent performance of our employees throughout the world. Through their work, their commitment and their willingness to embrace change, they have made a decisive contribution to the success of our company. And for this I would like – in the name of Henkel, and I am sure on behalf of you all here – to express my gratitude for their efforts.

Now I would like to talk to you in detail about the **performance of our business sectors**.

**Laundry & Home Care** posted growth of 4.6 percent; in organic terms, growth was 1.5 percent in fiscal 2010. Business developments were particularly gratifying in the Africa/Middle East region where we saw a double-digit increase in sales. And in Western Europe, we achieved our strongest increase in sales since 2007.

The market was characterized overall by aggressive pricing and high advertising expenditures. However, we were able to more than offset the decrease in prices through volume growth.

Despite continuing high advertising investments, both adjusted operating profit and the EBIT margin climbed to new record levels. Adjusted EBIT came in at 562 million euros, and the business sector's adjusted EBIT margin hit a new high of 13 percent.

Such success would be inconceivable without our **innovations**. In Eastern Europe, for example, we launched Persil Gold Plus Cold Active, which develops its full laundry power at the beginning of the wash cycle while the water is still cold.

Last year, we generated around 40 percent of the Laundry & Home Care business sector's sales with products that have been in the market for less than three years. At the same time, we have further strengthened our top brands. The top 10 brand clusters account for 81 percent of its sales.

Now we move on to the **Cosmetics/Toiletries** business sector, where we were able to further underpin our strong organic sales growth and substantially increase market share.

Although the global cosmetics market declined, this business sector posted growth of 8.6 percent; in organic terms, growth was 4.8 percent.

With double-digit growth rates, the emerging markets made a substantial contribution to this achievement. However, we also extended our leading position in Western Europe, with a substantial improvement in sales in Germany particularly.

Adjusted operating profit rose to 436 million euros and adjusted return on sales increased by 0.4 percentage points to 13.3 percent – both new records.

Once again, the major growth drivers were our Hair Care and Colorants businesses. For example, Schauma benefited from a number of successful product innovations. The Syoss brand, newly launched in 2009, likewise contributed to the expansion in market share.

In the Colorants segment, we launched our first foam-based product in the form of Schwarzkopf Perfect Mousse, which works without ammonia and is therefore as easy

to use as a shampoo. In addition, we have now launched the Right Guard brand, which is already well established in the USA, successfully in Germany and Eastern Europe.

At 40 percent, the innovation rate in this business sector remained at a high level.

And our top 10 brands in the Cosmetics/Toiletries business increased their share of sales to 89 percent.

And now I would like to come to **Adhesive Technologies**, our biggest business sector, where the developments were particularly positive.

After significant declines in important customer segments in 2009, we again experienced substantial increases in fiscal 2010, with the electronics and automotive industries making a particularly important contribution. Besides the substantial increase in demand for our products, the measures aligned to cost reduction initiated in 2009 also contributed to the outstanding results achieved.

Overall, the Adhesive Technologies business sector increased sales substantially, by 17.4 percent to 7.3 billion euros – a new record. Organic growth amounted to 11.8 percent.

While the mature markets of Western Europe and North America exhibited growth in the high single-digit percentage range, we achieved double-digit rates of expansion in the emerging markets.

In this business sector, too, the key to our growth achieved lies in innovations and strong brands. One successful example is our halogen-free Loctite adhesives used for the manufacture of portable electronic devices. With these products, we are able to offer manufacturers a reliable, fast and environmentally compatible joining technology that is unique in the marketplace.

The operating profit of this business sector tripled, reaching a new high of 878 million euros. Adjusted EBIT doubled to 938 million euros and adjusted return on sales increased by 4.7 percentage points to 12.8 percent.

We completed the integration of the National Starch Businesses – our large acquisition from 2008 – by the end of 2010, and therefore one year faster than originally envisaged. The organizational and strategic realignment of the business sector which accompanied the integration constitutes an important prerequisite for further profitable growth.

We have also optimized our production activities, our supply chain and our product portfolio and are convinced that we will exceed the savings of 250 million euros earmarked for 2011 and the years following. Today, we are by far the world market leader in adhesives and are superbly positioned for further success.

Ladies and gentlemen,

Now I would like to come back to the company as a whole.

We emerged strengthened from the economic and financial crisis in 2010 because we succeeded in pre-empting the changing macro-economic climate. Consequently, we have been able – with more efficient structures and processes – to benefit from the recovery of the world economy.

Our generally good business performance combined with our efforts on the cost side was also reflected in the development of our share price. The price of our preferred shares rose in the course of the year by 27.7 percent, outperforming the DAX which, over the same period, increased by 16.1 percent.

For long-term investors too, Henkel's shares remain an attractive investment. Since our initial public offering in October 1985, some 25 years ago, Henkel preferred shares have risen in value by, on average, more than 3.5 percentage points more than the DAX.

So let me just offer you a quick arithmetic example of what that means: Shareholders who invested 1,000 euros in Henkel preferred shares in 1985, and then re-invested the dividends received in the same stock, would have had a portfolio value of more than 14,300 euros by the end of 2010.

In 2008, we set ourselves some clear financial targets for 2012:

- Annual organic growth averaging three to five percent.
- An adjusted return on sales of 14 percent.
- And annual growth in adjusted earnings per preferred share averaging more than ten percent.

Many analysts, investors and journalists regarded these targets as rather ambitious at the beginning. And indeed they are. However, our results in fiscal 2010 show that we have made enormous progress on the road to achieving them and we are very confident that we will indeed reach these financial targets.

Our confidence is based not solely on the excellent results of fiscal 2010. We see ourselves strengthened in particular by the fact that we have made further major progress in the pursuit of our three strategic priorities.

Those strategic priorities read as follows:

First, to achieve our full business potential,

second, to focus more on our customers,

and third, to strengthen our global team.

First I would like to detail the progress we have made in achieving our full business potential.

Let us begin with the optimization of our portfolio. Particular significance is attached to the growth markets in this regard – the emerging economies in Eastern Europe, Africa/Middle East, Latin America and also Asia, but excluding the mature markets

such as Japan and Australia. We now employ more than half of our people in these growth regions. Last year, we generated growth in these markets of around 20 percent, increasing sales to 6.1 billion euros or 41 percent of our consolidated sales. And we want to increase this share to around 45 percent by the end of 2012.

In order to achieve our full business potential, we also intend to make our strong brands even stronger. The top 3 brands in the Group – Schwarzkopf, Persil and Loctite – account for around one quarter of our sales. Our objective is to significantly expand their share of total sales. We earn a high return with these top brands, and our focus on them reduces complexity in our company.

Consequently, we are simultaneously reducing the total number of individual brands. Last year alone, we eliminated more than 50 brands, merging them under other umbrella brands, disposing of them to third parties or closing them down.

A further major driver increasing our profitability is innovations capable of providing our customers with clear added value.

Last year, in the Laundry & Home Care business sector for example, we enjoyed particular success in this regard with Persil Hygiene Rinse. This removes bacteria and germs from the wash – even at low temperatures starting at just 15 degrees. Hence, this product makes an important contribution to the energy savings available to our end customers.

A further example from the Body Care segment is that of our new deo-active capsules that remain effective over a period of 48 hours. And on the industrial business side of Adhesive Technologies, we have developed Terophon HDF, a new generation of damping materials for the automotive sector.

We are continually working on simplifying our structures and standardizing and accelerating our work processes. This applies to our product and brands portfolio as much as it does to our internal procedures.

Henkel manufactures at 188 sites in 57 countries. In order to reduce complexity and better utilize the available capacities, we intend to further adapt the number of production sites to requirements, particularly in the mature markets. One of the decisive factors in this regard is geographic proximity to our customers. And we intend to further expand our production facilities where our customers and markets are located. Last year, for example, we decided to construct in China what will be our largest adhesives plant worldwide.

On the purchasing side, we are focusing on fewer but particularly efficient suppliers.

We also expect to achieve cost savings through the activities of our shared service centers in Slovakia, the Philippines and Mexico. Here, we are pooling together standardized processes from our central and corporate functions of Finance, Purchasing and Human Resources and, in the course of this year, these will be joined by certain processes from the individual business sectors as well.

Aside from achieving our full business potential, we have also recognized the need to focus more on our customers.

For example, last year we again further expanded our customer contacts at the top management level, enabling us to identify joint projects capable of opening up new growth potential for us over the long term.

We also use our many and varied customer contacts to position ourselves as a leading partner in the field of sustainable development. Our visible progress and our high competence in the sustainability domain provide compelling reasons for our customers to pursue cooperative partnerships with Henkel.

It goes without saying that our employees play an important role in the success of the company. Consequently, we dedicated even more of our effort focusing on our team in 2010, for which we adopted the slogan "A global team – winning together."

Henkel has some 48,000 employees around the world. About 80 percent of them work outside Germany. Globally, people from more than 110 different nations work

for Henkel. And the internationality and experience of this global team constitute important competitive advantages for us.

This is why we attach great importance to mixed teams with diverse experiences and different nationalities.

In terms of promoting diversity, it is worth noting that we have substantially increased the share of women in managerial positions within our company over the last few years, increasing it from 22 percent in 2003 to a current 29 percent worldwide. This means that the proportion of women in management has risen by 1 percentage point per year on average.

This is no coincidence. Since 2005, Henkel has maintained an independent diversity management function. We facilitate flexible employment models with part-time working and opportunities to also work from home; we also provide childcare services near to the place of work. For each appointment to a managerial position, we attach great importance to the diversity of the candidates on the shortlist. After that, however, qualification and capability alone count.

We are convinced that, in particular, the combination of an effective diversity management and targeted support make a tangible contribution to encouraging more women into top managerial positions. However, we reject any notion of a legally imposed quota.

Last year we were again able to position ourselves in many countries as an attractive employer, both for university graduates and for candidates with professional experience.

And for the second year running, the CRF Institute, one of the leading research organizations in the field of employer certification and employer branding, declared Henkel to be “Germany’s Top Employer”.

Henkel also attracted an international award as one of the most respected companies in Germany. This was the result arrived at by the US magazine Fortune in



its current, internationally renowned company ranking of the “World’s Most Admired Companies.”

This is something that we can be proud of, but we have no intention of resting on our laurels.

Hence, in 2010, we introduced a comprehensive process embracing the entire company, designed to further develop our corporate culture into a Winning Culture – a culture clearly aligned to top performance in the highly competitive markets in which we operate. It is a culture characterized by people with entrepreneurial spirit – in the best traditions of our company founder Fritz Henkel. A culture that demands and promotes independent action, rewards excellent performance at the personal level and is built on fairness and team spirit.

Why have we done this and why was 2010 the right time?

Henkel is proud of its 135-year tradition. Solid values have always been at the foundation of successful entrepreneurship at the company. And we feel bound to maintain this tradition and to remain true to these values.

However, the increasing internationality and diversity of the company required a clear understanding of what unites us and what we at Henkel – as „One Henkel“– truly stand for.

This requires a clearly formulated vision and actively lived values offering all our employees guidance and identification.

It started with the formulation of our new vision:

A global leader in brands and technologies.

That is our claim to excellence – and it applies to every employee in the company.

Our vision provides us with a direction and goal - something you can gauge us by.

In order for us to achieve this goal, we need every employee to align their every-day working activities to our five clearly defined values:

- We put our **customers** 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 build our future on our **family** business foundation.

It is important that we all adopt these values as a framework for our day-to-day duties, actions and activities. And because this can only happen if people really know and understand these values, all Henkel employees had an opportunity during the second half of 2010 to actively analyze and discuss the new vision and values.

Rather than just sending brochures and PowerPoint presentations to all corners of the world, we involved our people at every hierarchical level in an active dialogue within a team setting. In around 5,000 workshops, our employees discussed together how they can better implement the vision and values in their working environment, and as a result developed a number of specific action plans.

I must confess that I am impressed by the engagement and teamwork of our employees, the like of which has never before been seen at Henkel.

In order to communicate all of this to the outside world, we introduced at the beginning of this year a new corporate design and a new claim:

### **„Henkel – Excellence is our Passion“**

This claim captures what Henkel stands for: top performance and quality in all areas of endeavor, including the products and technologies that we develop for our customers, our internal processes and our individual duties. It is our passion to be the best in everything we do. We are committed to this and it is something that unites us all within Henkel – irrespective of country or business sector, from trainee to top management.

Ladies and gentlemen, esteemed shareholders,

To conclude, I would like to provide you with an outlook for the current financial year. As I already said, rising raw material prices represented a real challenge last year. And they will be no less so this year. In addition, both the political situation in the Middle East and North Africa and the further impact of the development in Japan remain uncertain. Nevertheless, we expect 2011 to bring further growth in the world economy.

Following a significant degree of expansion in many customer industries, particularly at the beginning of the previous year, we expect growth to normalize going forward with private consumption also undergoing moderate expansion.

We expect to achieve organic growth of between 3 and 5 percent in 2011. We expect our adjusted return on sales to increase to around 13 percent. Adjusted earnings per preferred share should, as things look at the moment, improve by around 10 percent.

We will be publishing the figures relating to our performance in the first quarter on May 4.

Ladies and gentlemen,

We continue to focus on our strategic priorities and are confident of being able to achieve our targets for 2012.

And in this, I am counting in the first instance on our employees and their ability to muster all their strength and team spirit as they approach the tasks in hand.

Ladies and gentlemen,

Allow me to once again summarize what I said before:

- 2010 was an excellent year for us with records in both sales and earnings.
- We have gained market share in all three of our business sectors.
- This year we will – despite all the challenges – further expand our positions in the emerging markets and see another improvement in our profitability.
- We intend to continue to embrace change and adapt to the dynamic environment in which we operate – there will be no standing still.
- We are well on our way to achieving our 2012 targets and our strategic priorities.

To you, our esteemed shareholders, I would like – also in the name of my Management Board colleagues – to extend my deepest thanks for your continuing trust and confidence in us.

And with that, I thank you for your attention!

This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update forward-looking statements.