Henkel 2020+
Shaping Henkel towards 2020 and beyond

Hans Van Bylen / Carsten Knobel
Investor & Analyst Conference
November 17, 2016
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Strong and Consistent Historic Performance...

Sales / Share Price

- 2004: 10.6 bn €
- 2008: 14.1 bn €
- 2012: 16.5 bn €
- 2016E Consensus: 18.6 bn €
Driven by Key Differentiators
Successfully navigating the challenging and volatile climate

Unparalleled Diversity

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

Strong Returns

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015 Adj. EBIT Margin</th>
<th>2015 Adj. ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adhesive Technologies</td>
<td>17.1%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Beauty Care</td>
<td>15.9%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Laundry &amp; Home Care</td>
<td>17.1%</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

* 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
Creating sustainable value  

Leading with our innovations, brands and technologies  

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  

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

Purpose  

Vision  

Mission  

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
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*

- Adhesive Technologies: 50%
- Beauty Care: 21%
- Laundry & Home Care: 28%

Sales by region*

- Latin America: 6%
- Western Europe: 34%
- North America: 20%
- Emerging Markets: 43%
- Asia/Pacific: 17%
- Eastern Europe: 15%
- Africa/Middle East: 7%

* 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...
... 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

- NOVAMELT
- PERT
- spotless Group
- THE BERGQUIST COMPANY
- sexyhair
- Sun Products Corporation
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

<table>
<thead>
<tr>
<th>Adj. EBIT Margin</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E Consensus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBIT [bn €]</td>
<td>2.5</td>
<td>2.6</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>15.4%</td>
<td>15.8%</td>
<td>16.2%</td>
<td>16.9%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. EPS [€]</th>
<th>Adj. EPS Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4.07</td>
<td>10.0%</td>
</tr>
<tr>
<td>2014</td>
<td>4.38</td>
<td>7.6%</td>
</tr>
<tr>
<td>2015</td>
<td>4.88</td>
<td>11.4%</td>
</tr>
<tr>
<td>2016E Consensus</td>
<td>5.33</td>
<td>9.2%</td>
</tr>
</tbody>
</table>
### Significant Progress vs. Ambitious Targets 2016

**FX headwinds affecting all Ambition Dimensions**

<table>
<thead>
<tr>
<th>Ambition 2016</th>
<th>Achievement to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>20 bn €</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>EM Sales</td>
<td>10 bn €</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. EPS Growth*</td>
<td>10% CAGR</td>
</tr>
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<td></td>
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</table>

* 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...

<table>
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<tr>
<th>Globalization</th>
<th>Digitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multipolar and increasingly interdependent market environment</td>
<td>Accelerating digitalization with exponential evolution of technologies</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>VUCA</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets with high level of volatility, uncertainty, complexity &amp; ambiguity</td>
<td>Increasing awareness about resource scarcity and social responsibility</td>
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</tbody>
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... 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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
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<tbody>
<tr>
<td>Organic Sales Growth</td>
<td>2 – 4%</td>
</tr>
<tr>
<td></td>
<td>(Average 2017 – 2020)</td>
</tr>
<tr>
<td>Adj. EPS Growth</td>
<td>7 – 9%</td>
</tr>
<tr>
<td></td>
<td>(CAGR 2016 – 2020, per preferred share)</td>
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<tr>
<td>Adj. EBIT Margin</td>
<td>Continued improvement in adjusted EBIT margin</td>
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<tr>
<td>Free Cash Flow</td>
<td>Continued focus on free cash flow expansion</td>
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Agenda

- Strong Foundation
- Compelling Ambition
- Clear Strategy
- Attractive Returns
Clear and Exciting Growth Strategy
Henkel 2020\(^+\) Strategic Priorities

- Fund Growth
- Increase Agility
- Drive Growth
- Accelerate Digitalization
Clear and Exciting Growth Strategy
Henkel 2020+ Strategic Priorities

Fund Growth

Increase Agility

Accelerate Digitalization

Drive Growth

Henkel 2020+
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
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

- Drive Growth
- Fund Growth
- Increase Agility
- Accelerate Digitalization

Henkel 2020+
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

Drive Growth

Henkel 2020+

Increase Agility

Accelerate Digitalization
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

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

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

**Increase Agility**
- Energized and Empowered Teams
- Fastest Time-to-Market
- Smart Simplicity

**Accelerate Digitalization**
- Drive Digital Business
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- eTransform Organization
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

- Drive Growth
  - Consistent organic sales growth in mature and emerging markets
- Fund Growth
  - Improvement of adjusted EBIT margin
  - Expansion of free cash flow
- Superior adjusted EPS growth
Continued Ambition to deliver Attractive Returns

Organic Sales Growth

- 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

2 – 4% (Average 2017 – 2020)
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

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

Continued improvement in adjusted EBIT margin
Continued Ambition to deliver Attractive Returns

Free Cash Flow

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

Continued focus on free cash flow expansion
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(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 |
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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Compelling Ambition

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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

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

**Increase Agility**
Energized and Empowered Teams
Fastest Time-to-Market
Smart Simplicity

**Accelerate Digitalization**
Drive Digital Business
Leverage Industry 4.0
eTransform Organization
Clear and Exciting Growth Strategy...
Henkel 2020+ Strategic Priorities and Values
Key Points You heard from us Today

- Strong foundation based on a well-balanced portfolio
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- A clear and exciting growth strategy going forward
Thank You!