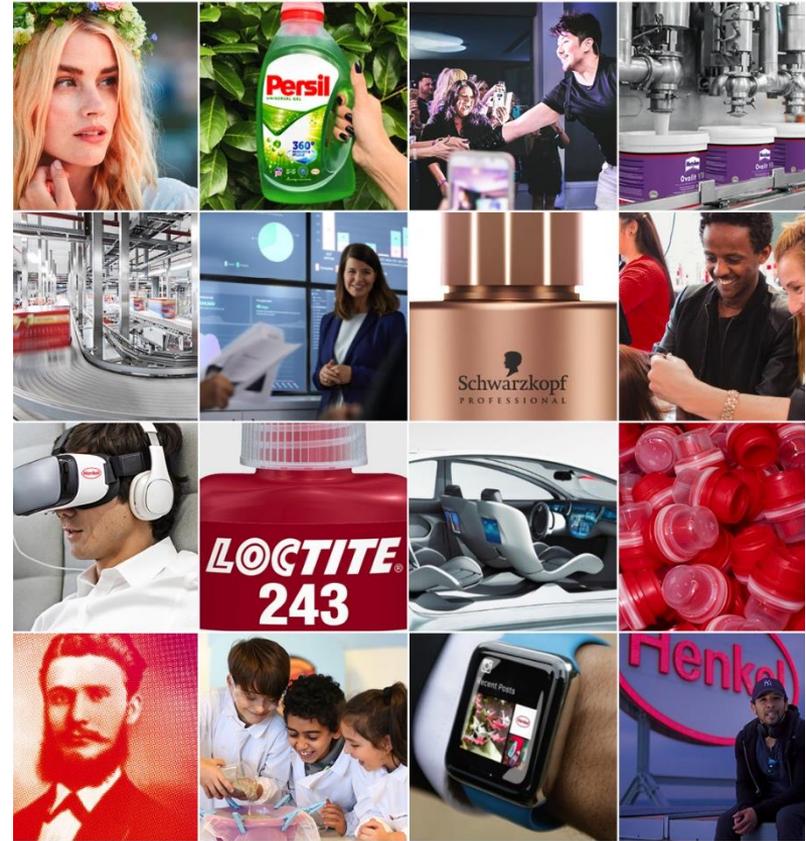


# Henkel FY 2017

Hans Van Bylen, Carsten Knobel  
Düsseldorf, February 22, 2018



# Disclaimer

This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and 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 any forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.

# Agenda

1. Key Developments 2017
2. Henkel 2020+ Progress in 2017
3. Financials FY 2017
4. Summary & Outlook FY 2018

# FY 2017: Strong profitable growth

**Sales**

---

€ 20.0 bn

**Organic Growth**

---

+3.1%

**Adjusted EBIT**

---

€ 3.5 bn

**Adjusted EBIT Margin**

---

17.3%

**Adjusted EPS Growth**

---

+9.1%

**Dividend increase<sup>1</sup>**

---

+10.5%

<sup>1</sup> Proposal to shareholders for the Annual General Meeting on April 9, 2018 (per pref. share)

# Delivering on our ambitions

---



- New highs for sales, profitability and earnings
- All business units contributing to profitable growth
- Strong organic sales growth driven by Emerging Markets and Mature Markets
- Profitability and earnings driven by intensified cost management focus
- Successful closing of compelling acquisitions, integration well on track
- Substantial progress in implementation of strategic initiatives

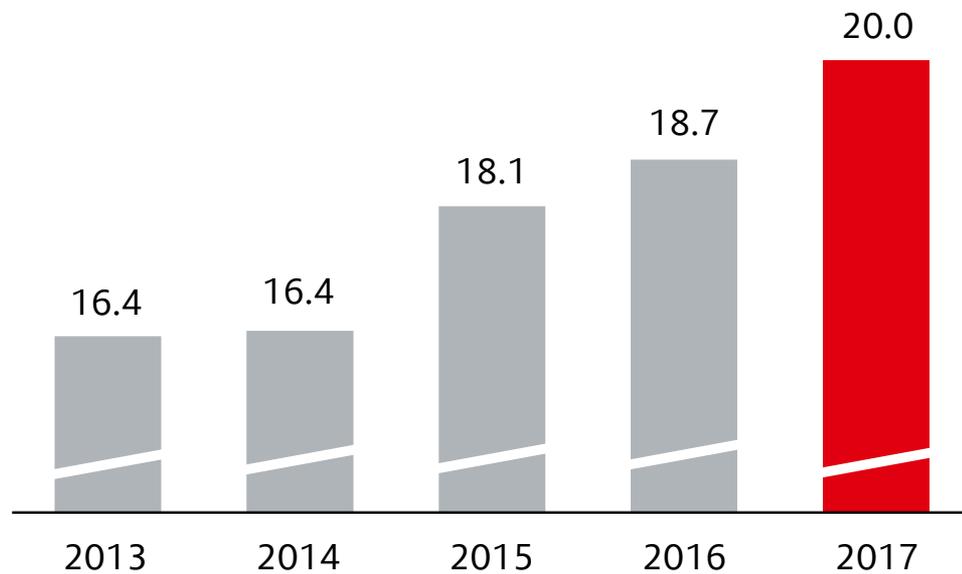
# Continued challenging environment

---

- Persisting geo-political tensions, political and macro-economic uncertainties
- Difficult conditions in consumer goods markets; positive momentum in industrial production
- Headwinds from key currencies, especially in the second half
- Increasing raw material prices impacting Gross Margin
- Organic sales growth in Beauty Care Retail below our expectations

# Continued sales expansion to above € 20 bn

Sales in € bn



## Sales share 2017<sup>1</sup>

Adhesive Technologies 47%

Beauty Care 19%

Laundry & Home Care 33%

<sup>1</sup> Corporate accounting for 1% of sales

# Adhesive Technologies

Driving profitable growth

Sales

€ 9.4 bn

Adjusted EBIT

€ 1.7 bn

Organic Growth

+5.0%

Adjusted EBIT Margin

18.5%

**LOCTITE**

**TECHNOMELT**

**TEROSON**

# Adhesive Technologies

Highlights FY 2017

## ■ Consumer Electronics

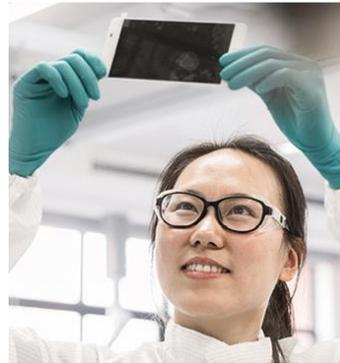
Double-digit growth driven by applications for mobile devices enabling new designs and functionalities

## ■ General Industry

Significant growth in Manufacturing and Assembly with high-performance Loctite products

## ■ Automotive Industry

Very strong growth driven by comprehensive portfolio of more than 300 innovative solutions



# Beauty Care

Driving profitable growth

Sales

€ 3.9 bn

Adjusted EBIT

€ 665 m

Organic Growth

+0.5%

Adjusted EBIT Margin

17.2%



# Beauty Care

Highlights FY 2017

## ■ Professional

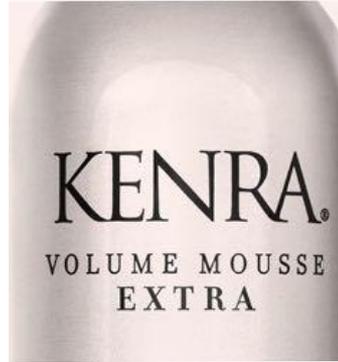
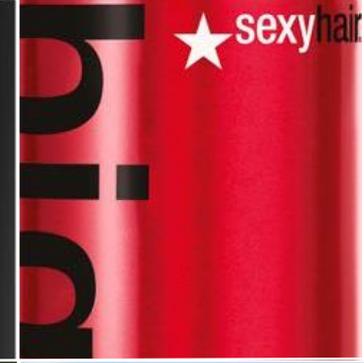
Strong performance of Schwarzkopf innovations and acquired businesses enhance market position

## ■ Coloration & Styling

Strong sales growth and market share gains across regions thanks to successful innovations

## ■ USA Retail

Ongoing strong momentum driven by Body Care and further expansion of mega-brand Schwarzkopf



# Laundry & Home Care

Driving profitable growth

Sales

€ 6.7 bn

Organic Growth

+2.0%

Adjusted EBIT

€ 1.2 bn

Adjusted EBIT Margin

17.6%

**Persil**



**Purex**

# Laundry & Home Care

## Highlights FY 2017

### ■ Special Detergents

Double-digit growth of Perwoll thanks to successful expansion of portfolio with international innovations

### ■ Toilet Care

Significant growth driven by Power-Activ innovations launched in more than 60 countries

### ■ Eastern Europe

Strong growth especially driven by launch of successful innovations



# Delivering on Guidance 2017

	<b>Guidance</b> (Feb 2017)	<b>Guidance</b> (Nov 2017*)	<b>Actual</b>	
OSG	<b>2 - 4%</b>	<b>2 - 4%</b>	<b>3.1%</b>	✓
Adj. EBIT Margin	<b>&gt;17.0%</b>	<b>&gt;17.0%</b>	<b>17.3%</b>	✓
Adj. EPS Growth	<b>7-9%</b>	<b>~ 9%</b>	<b>9.1%</b>	✓

\*Updated on November 14, 2017

FY 2017 - Henkel Investor & Analyst Call

February 22, 2018

14



# Agenda

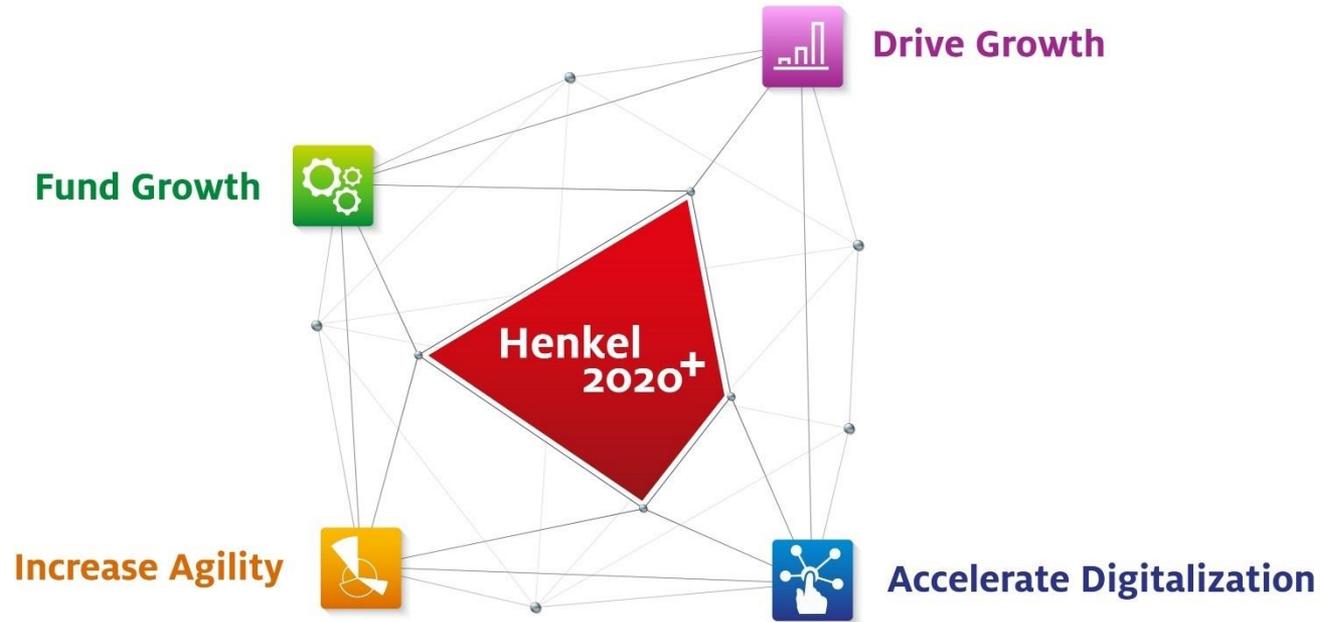
1. Key Developments 2017

2. Henkel 2020+ Progress in 2017

3. Financials FY 2017

4. Summary & Outlook FY 2018

# Henkel 2020+ Strategic Priorities



# Drive Growth

## ■ Customer & Consumer Engagement

Roadmaps for top 100 industrial customers  
Digital Connect2Consumer program

## ■ Leading Brands & Technologies

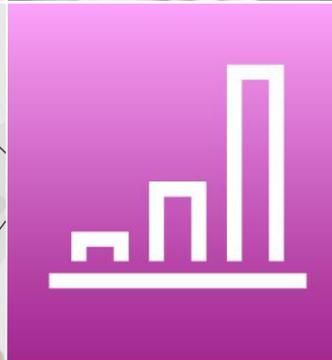
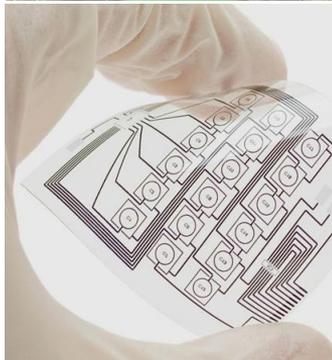
Sales of top 3 brands increased to € 6.4 bn  
Focus on successful development of local brands

## ■ Exciting Innovations & Services

Superior tailor-made solutions in growth segments  
First influencer brands established in Hair Professional

## ■ New Sources of Growth

Compelling acquisitions complementing our portfolio  
VC investments in digital services & technologies





# Increase Agility

## ■ Energized and Empowered Teams

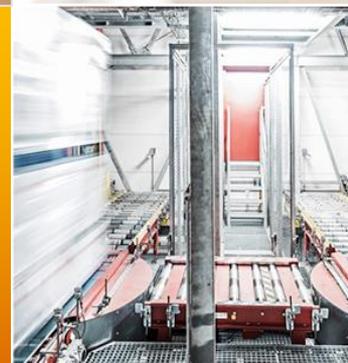
“Henkel 2020+ Talks” – powerful global dialogs between leaders and employees

## ■ Fastest Time-to-Market

Adhesive Technologies’ 28 customer-facing steering units enable closer customer collaboration, acceleration of time-to-market of consumer goods innovations

## ■ Smart Simplicity

Implementation of flexible business models to adapt to fast-changing markets



# Fund Growth

## ■ ONE!VIEW

New approach to further optimize cost management

## ■ Net Revenue Management

Increased efficiency of our promotion activities

## ■ Most efficient structures

Continue optimization and consolidation of structures

## ■ ONE! Global Supply Chain

Optimize cost, fully capturing cross-business synergies



# Henkel 2020<sup>+</sup>

Fully committed to deliver on our financial ambition 2020

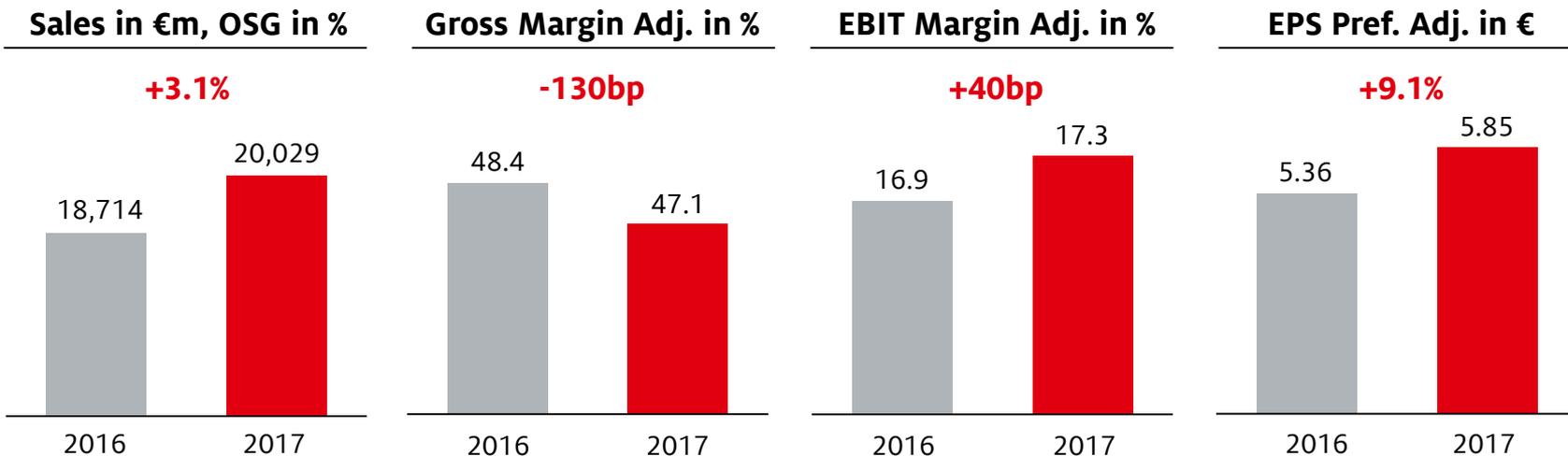
	<b>Henkel 2020 ambition</b>	<b>Status 2017</b>
OSG	<b>2 – 4%</b> (Average 2017 – 2020)	<b>3.1%</b>
Adj. EPS Growth	<b>7 – 9%</b> (CAGR 2016 – 2020, pref. share)	<b>9.1%</b>
Adj. EBIT Margin	Continued improvement in adjusted EBIT margin	<b>+40bp (17.3%)</b>
Free Cash Flow	Continued focus on free cash flow expansion	<b>€ 1,701 m</b>

# Agenda

1. Key Developments 2017
2. Henkel 2020+ Progress in 2017
- 3. Financials FY 2017**
4. Summary & Outlook FY 2018

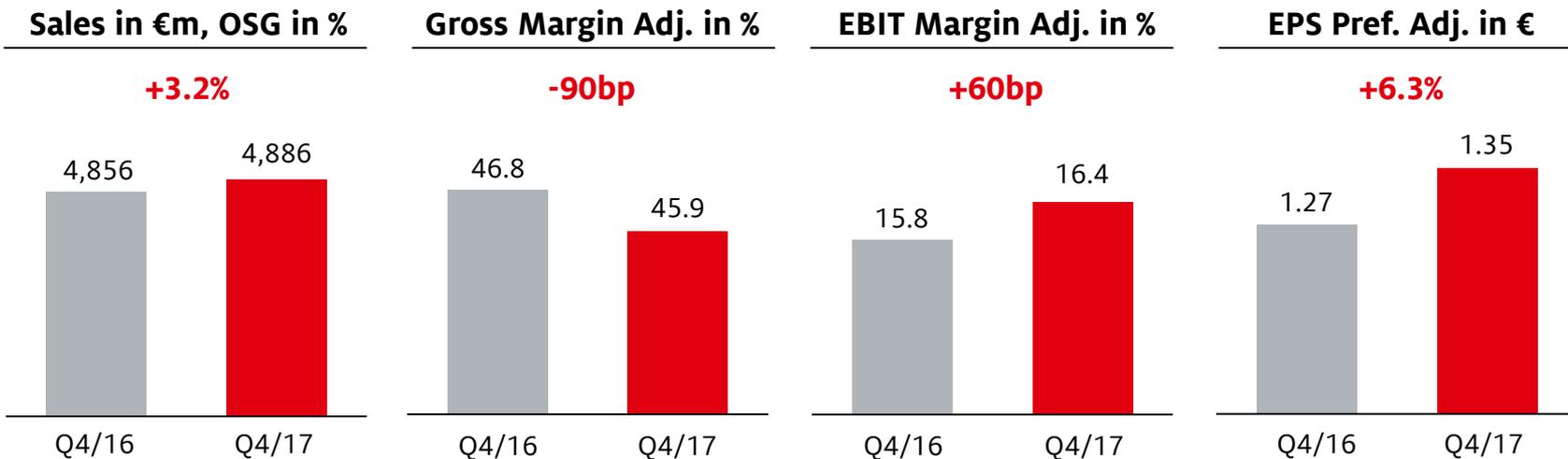
# Commitment to sustainable profitable growth

## Key financials FY 2017

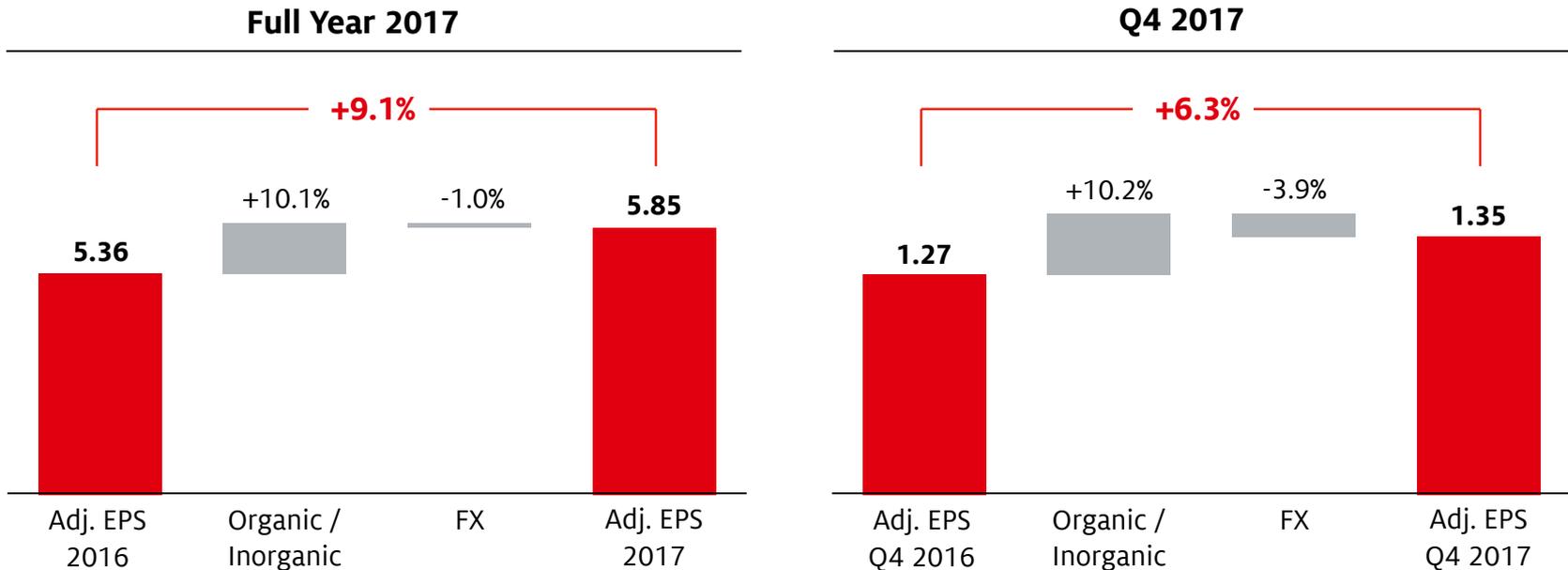


# Commitment to sustainable profitable growth

## Key financials Q4 2017



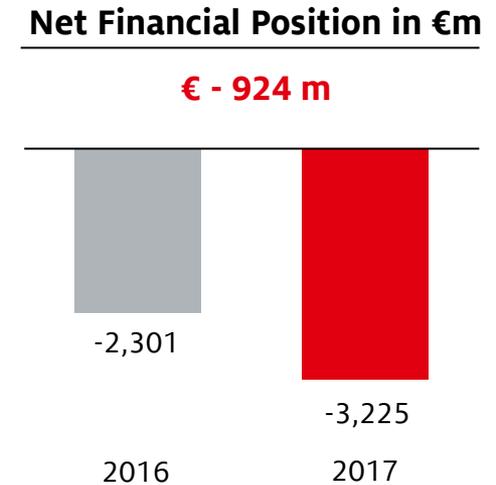
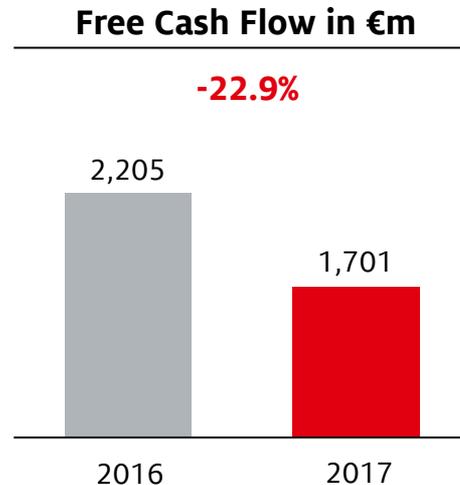
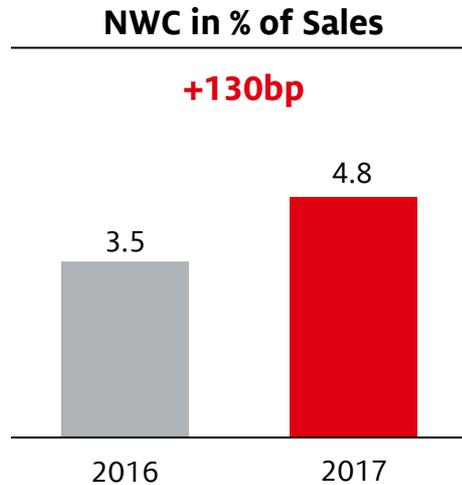
# Adjusted EPS growth – FX impacts



**Currency headwinds increasingly impacting adjusted EPS in fiscal year 2017**

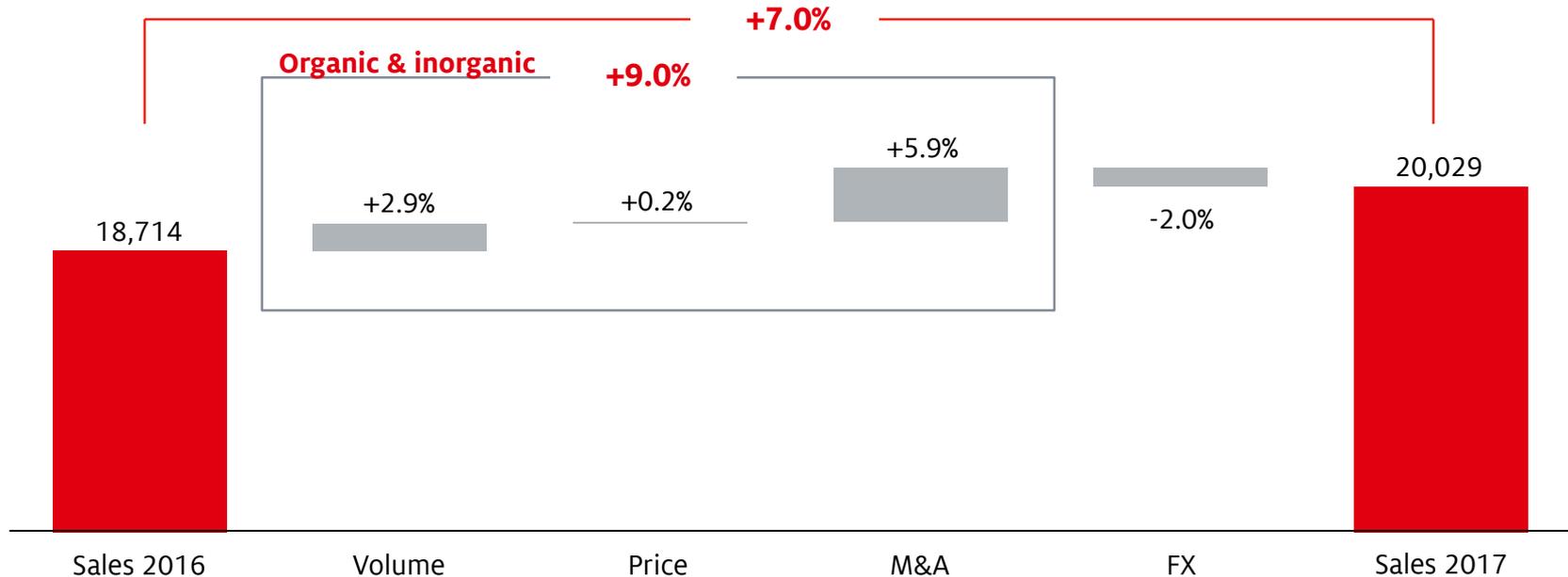
# Focus on disciplined cash management

## Key financials FY 2017



# Significant organic & inorganic sales growth

in €m, changes in %



# Organic growth supported by all regions

## North America

**+3.0%**

€ 5,162 m (26%)

## Western Europe

**+0.5%**

€ 6,033 m (30%)

## Eastern Europe

**+6.0%**

€ 2,897 m (14%)

## Latin America

**+4.4%**

€ 1,142 m (6%)

## Africa/Middle East

**+1.7%**

€ 1,302 m (6%)

## Asia-Pacific

**+5.9%**

€ 3,371 m (17%)

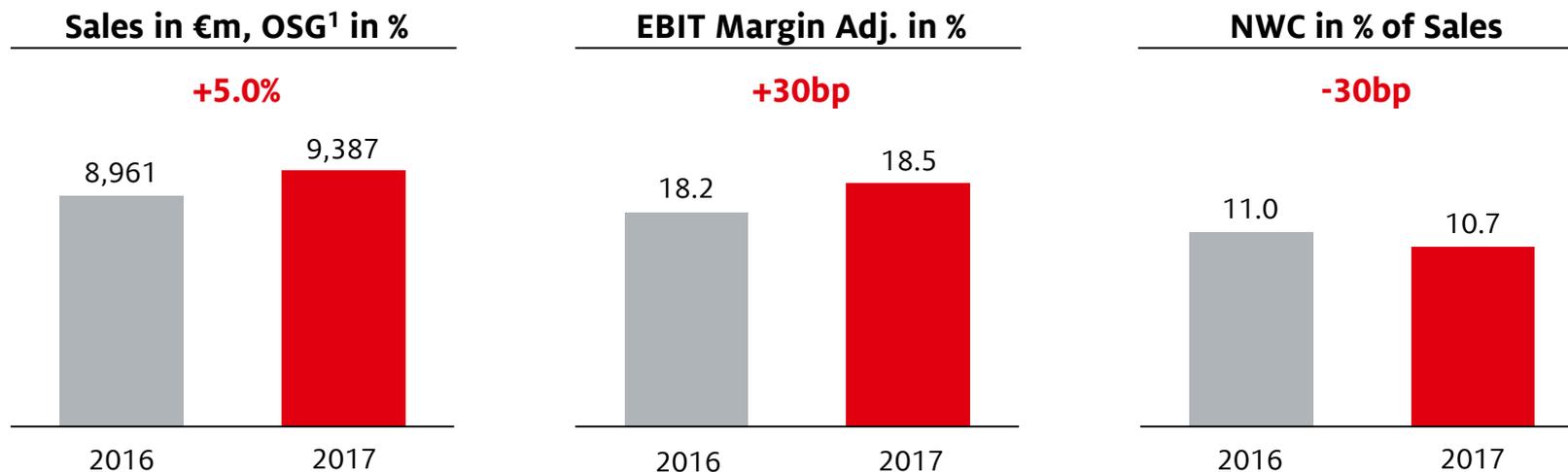
**Emerging Markets: +5.3% to € 8,130 m, 40% of Group Sales**

**Mature Markets: +1.5% to € 11,776 m**

**OSG in %**  
abs. in €m  
(share of total)

# Adhesive Technologies

## Key Financials FY 2017

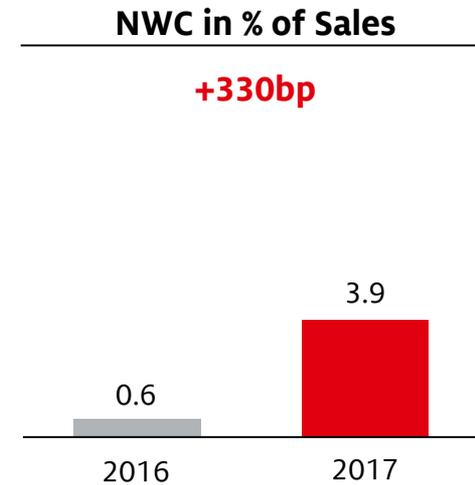
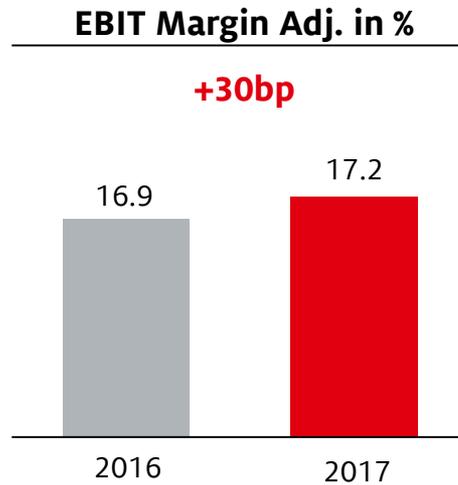
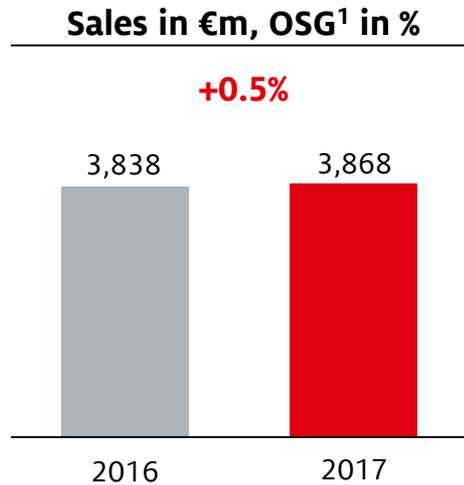


**Very strong growth driven by all regions and business areas**  
**Acceleration of pricing throughout 2017**

<sup>1</sup>Volume: 4.6% Price: 0.4%

# Beauty Care

## Key Financials FY 2017

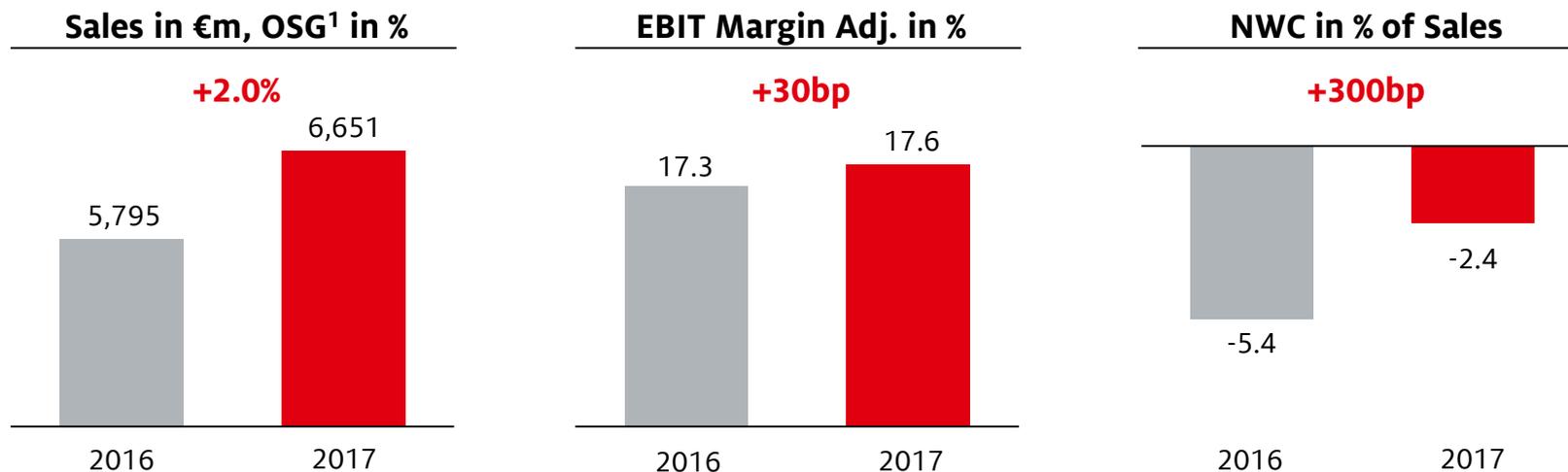


**Retail below expectations, Professional continuing good growth momentum**  
**Despite challenges in topline, further increase in adjusted EBIT margin**

<sup>1</sup>Volume: 0.4% Price: 0.1%

# Laundry & Home Care

## Key Financials FY 2017



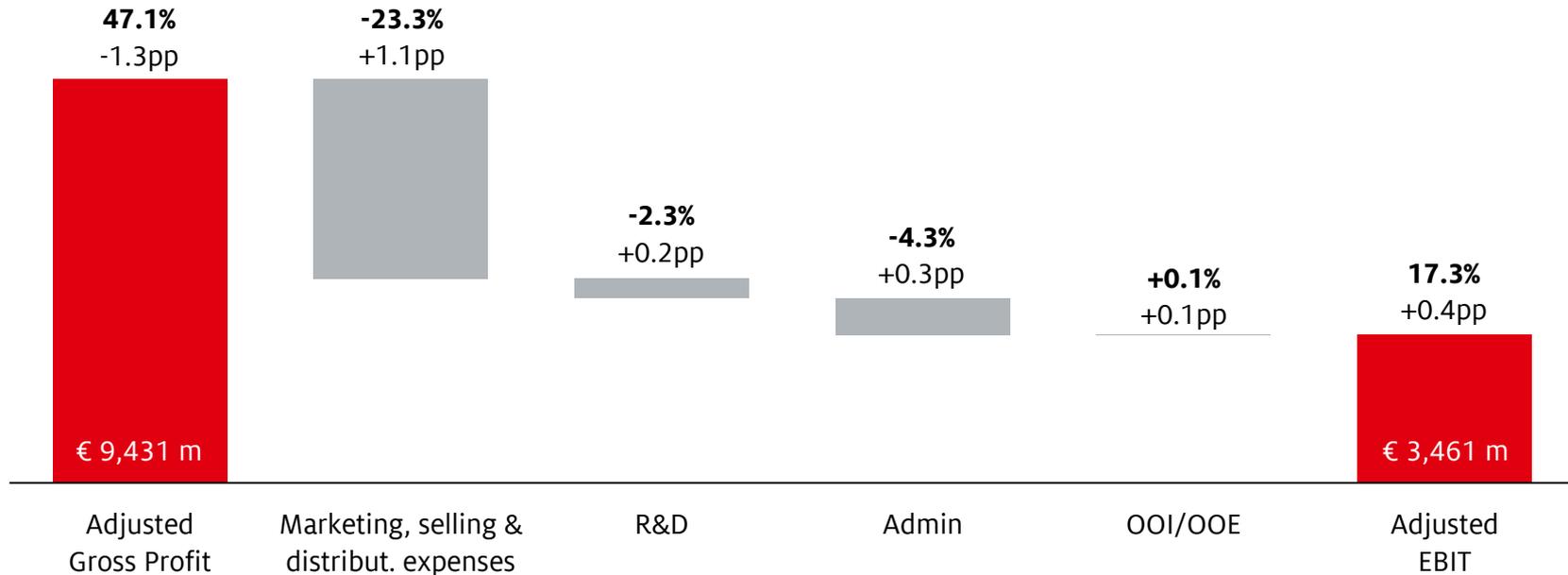
**Good organic growth driven by both Laundry Care and Home Care**  
**Successful integration of Sun business, realization of synergies fully on track**

<sup>1</sup>Volume: 1.9% Price: 0.1%

# Adjusted Gross Profit to Adjusted EBIT

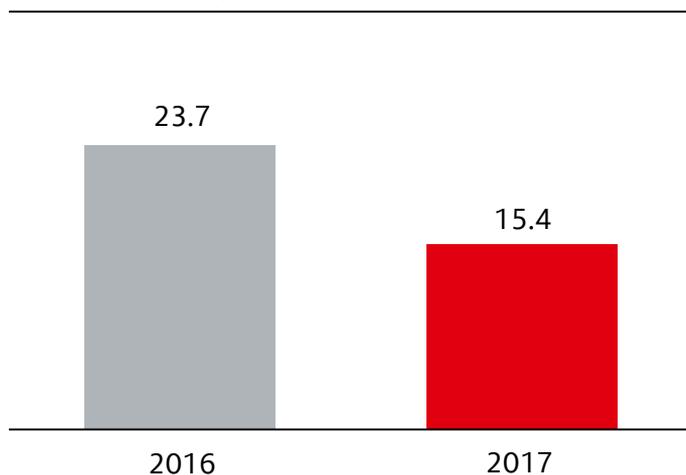
## in % of sales

impact on adj. EBIT margin in pp vs. PY

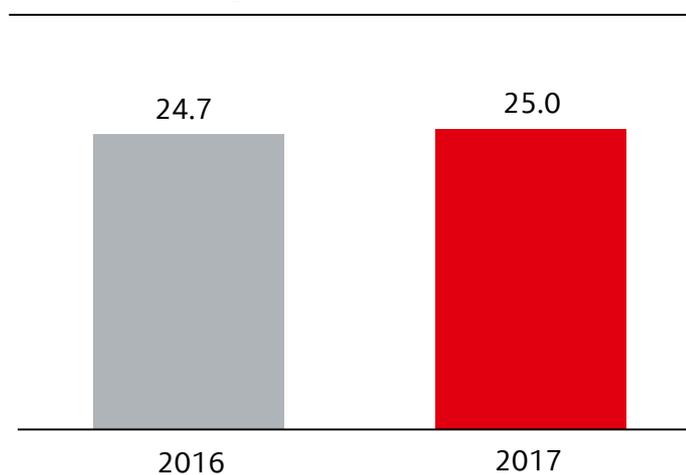


# Impact from US tax reform

**Reported tax rate in %**



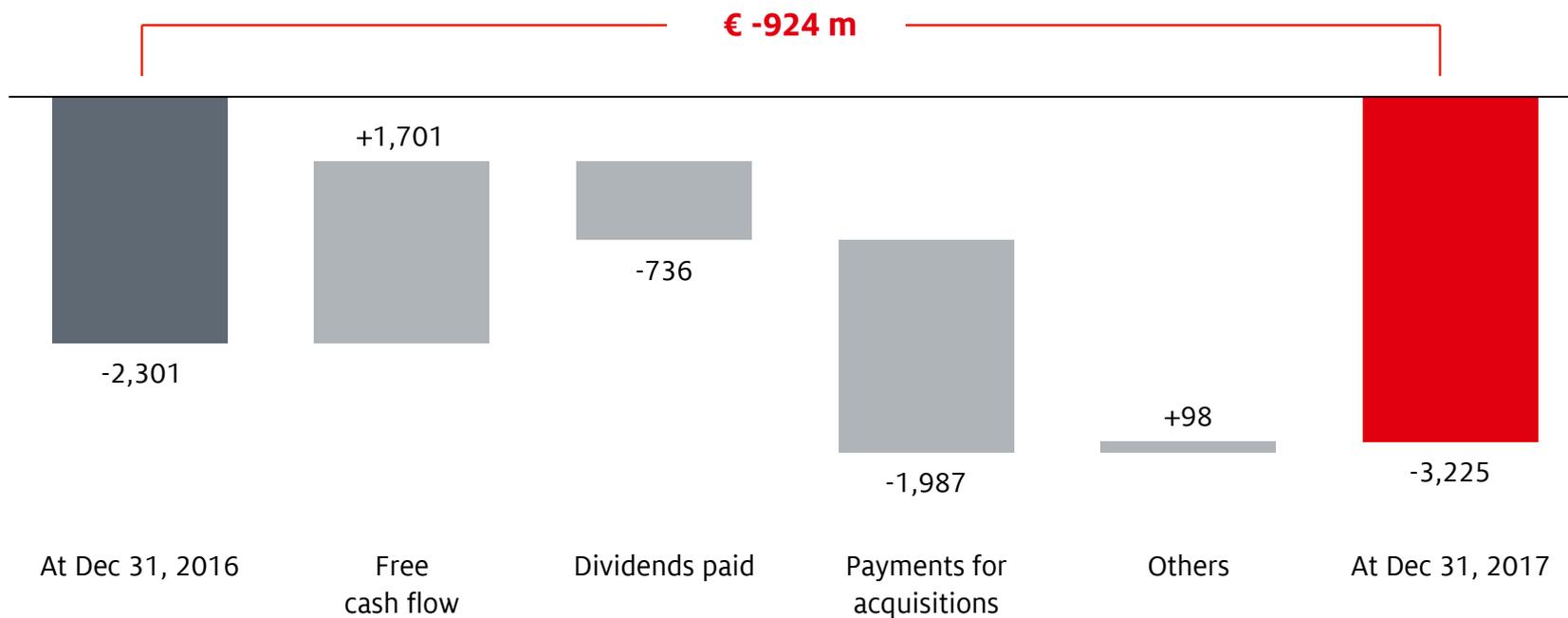
**Adjusted tax rate in %**



**Positive one-time impact of € 270 m on reported tax rate, mainly from revaluation of deferred tax liabilities  
On a recurring basis from 2018 the tax reform should have a neutral to slightly positive effect**

# Net Financial Position

in €m



# Excellence in value creation

## Usage of cash

### ■ Capital Expenditures

€ 663 m spent in 2017

### ■ Acquisitions

€ 2 bn invested in 2017

### ■ Dividends

€ 736 m distributed in 2017



# CapEx

€ 663 m in 2017

## ■ Adhesives Technologies

Asia-Pacific – India

New multi-technology plant

## ■ Beauty Care

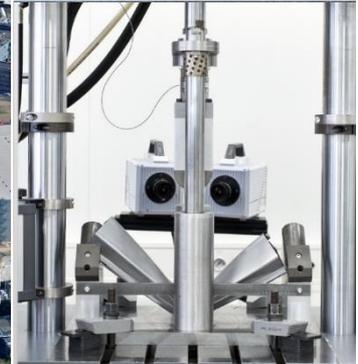
Eastern Europe – Russia

Plant upgrade & expansion

## ■ Laundry & Home Care

Africa / Middle East – Egypt

New production site



# Acquisitions

€ 2.0 bn in 2017

## ■ Adhesives Technologies

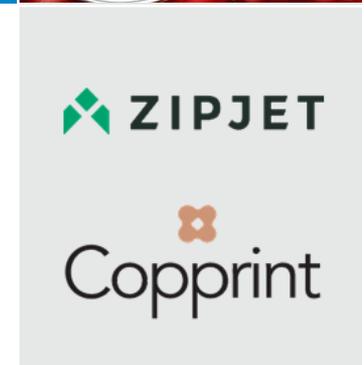
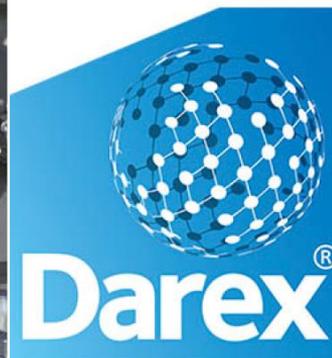
Complementary leading technologies, adding more than € 300 m in sales

## ■ Beauty Care

Strengthen position in Hair Professional, adding more than € 300 m in sales

## ■ Venture Capital

Enhance know-how by investments in start-ups with digital or technological expertise



# Dividends

€ 736 m distributed in 2017

- **10.5% higher dividend proposed**

Proposal of a record dividend of € 1.79<sup>1</sup> per preferred share

- **30.7% payout-ratio**

In line with target range of 25-35% of adjusted net income after minorities

- **Payout doubled since 2012**

Compared to dividend of € 0.95 per preferred share in 2012

<sup>1</sup> Proposal to shareholders for the AGM on April 9, 2018



# Fund Growth initiatives

Implementation at full speed

- **>€ 100 m efficiency gains in 2017**

Fully on track in the realization of efficiencies, already significant contribution in 2017

- **>€ 500 m annual efficiency gains**

Expected sustainable annual efficiency gains in full swing by 2020

- **Re-invest in growth**

Fair share of annual efficiency gains is re-invested to support innovation and future growth



# Agenda

1. Key Developments 2017
2. Henkel 2020+ Progress in 2017
3. Financials FY 2017
4. Summary & Outlook FY 2018

# Strong 2017 results

Driven by global team

- Sales above € 20 bn for the first time, new highs for profitability and earnings
- All business units contributing to profitable growth
- Profitability and earnings driven by intensified cost management focus



# Focus on implementation of strategic priorities

- 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
- Clear and exciting growth strategy going forward



# Outlook 2018: Business environment

- Geo-political tensions, political and macro-economic uncertainties
- Overall moderate economic growth
- Positive momentum of industrial production
- Challenges in the consumer goods markets to prevail
- Persistently negative FX development and moderately increasing raw material prices

# Guidance 2018

Fully committed to financial ambition 2020

---

Organic Sales Growth (%)

**2 - 4%**

All business units within this range

---

---

Adjusted EBIT Margin (%)

**Improvement to  
a level above 17.5%**

---

---

Adjusted EPS Growth (Euro, %)

**5 - 8%**

Reflecting currency uncertainty

# Key points you heard from us today

- Record year 2017, new highs in sales, profitability and earnings
- Substantial progress in implementation of strategic priorities
- Ambitious guidance for fiscal 2018
- Fully committed and on track to deliver on our financial ambitions 2020

# Upcoming events

- April 9, 2018 Annual General Meeting
- May 9, 2018 Q1 2018 Earnings Release
- May 29, 2018 Investor & Analyst Day Laundry & Home Care, Düsseldorf
- August 16, 2018 Q2 2018 Earnings Release
- November 15, 2018 Q3 2018 Earnings Release

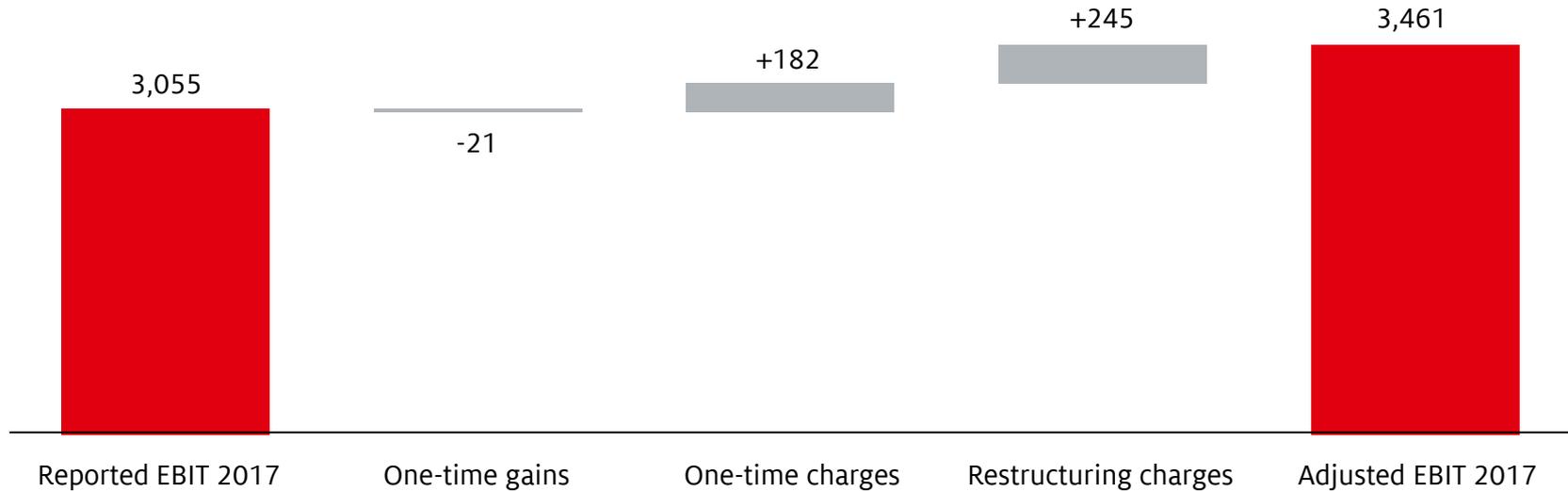
Thank you

# FY 2018: Additional input for selected KPIs

Prices for Direct Materials	<b>Moderate increase vs. the level of the prior year</b>
Restructuring Charges	<b>€ 200 – 250 m</b>
CapEx	<b>€ 750 – 850 m</b>

# Adaptation of our structures to the market

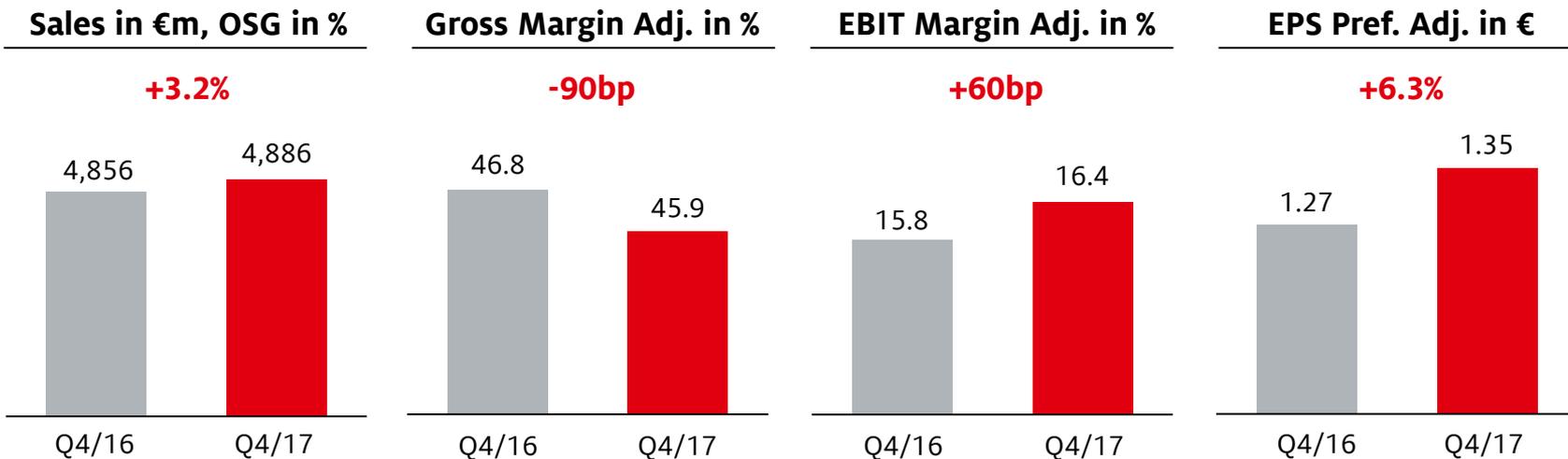
in €m



# Key Financials Q4 2017

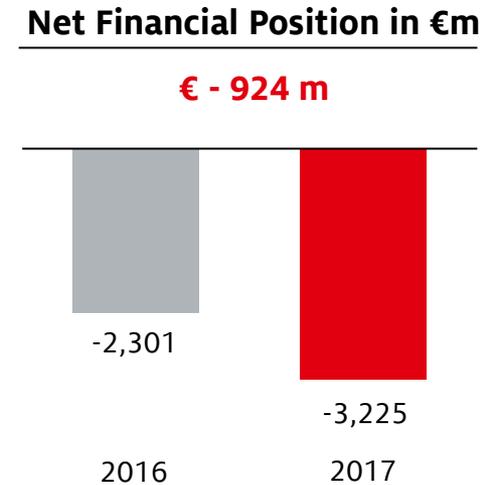
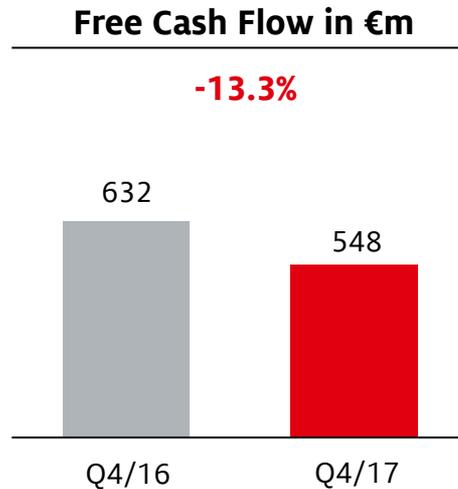
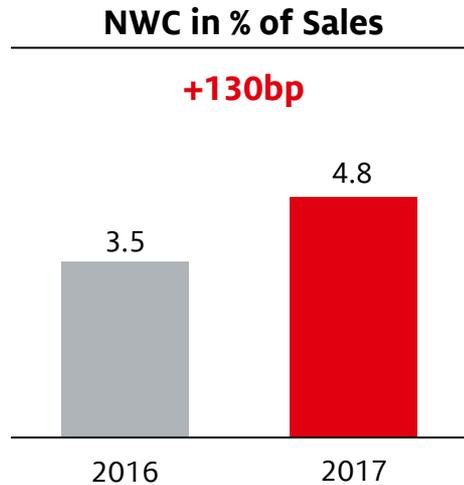
# Commitment to sustainable profitable growth

## Key financials Q4 2017



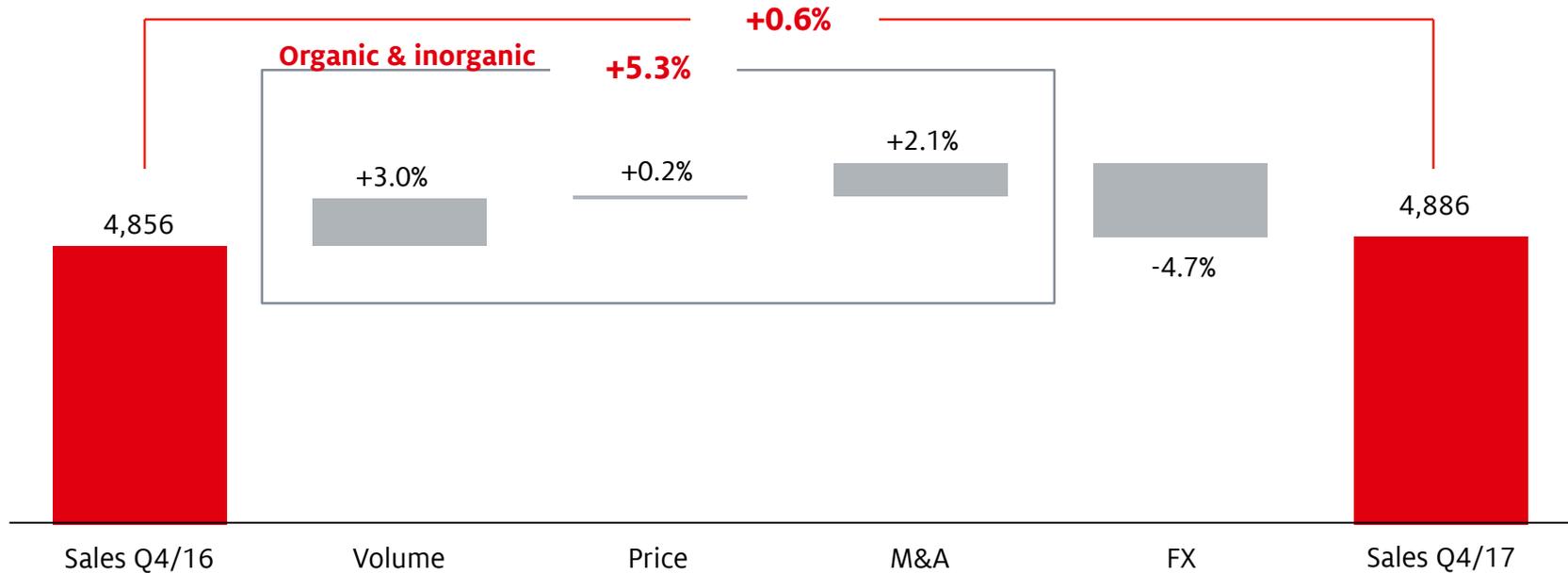
# Focus on disciplined cash management

## Key financials Q4 2017



# Significant organic & inorganic sales growth

in €m, changes in %



# Q4 2017: OSG supported by all regions

## North America

**+2.8%**

€ 1,272 m (26%)

## Western Europe

**+1.4%**

€ 1,442 m (30%)

## Eastern Europe

**+9.8%**

€ 689 m (14%)

## Latin America

**+1.0%**

293 m € (6%)

## Africa/Middle East

**+0.2%**

€ 310 m (6%)

## Asia-Pacific

**+3.6%**

€ 849 m (17%)

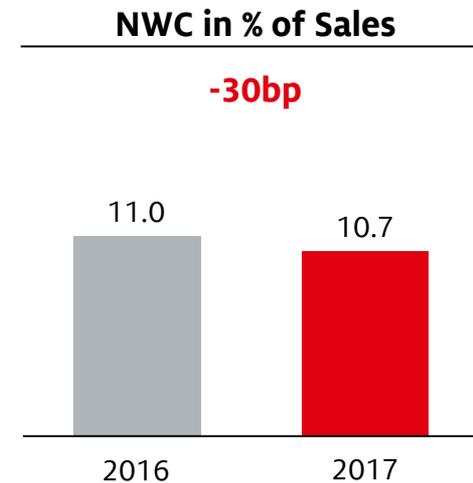
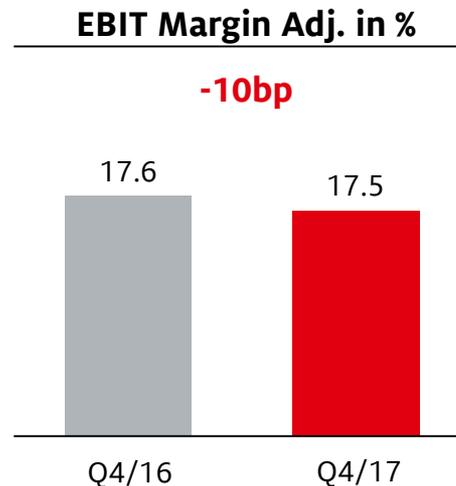
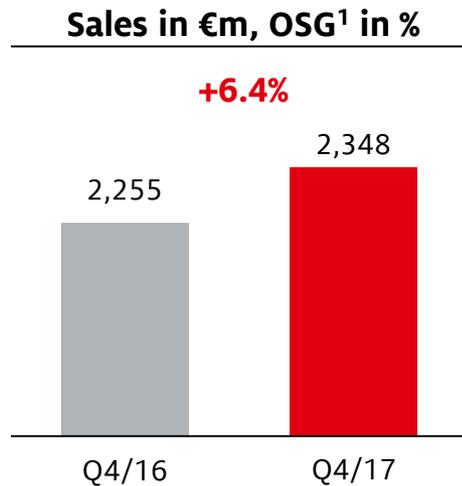
**Emerging Markets: +4.8% to € 1,995 m, 41% of Group Sales**

**Mature Markets: +2.1% to € 2,859 m**

**OSG in %**  
abs. in €m  
(share of total)

# Adhesive Technologies

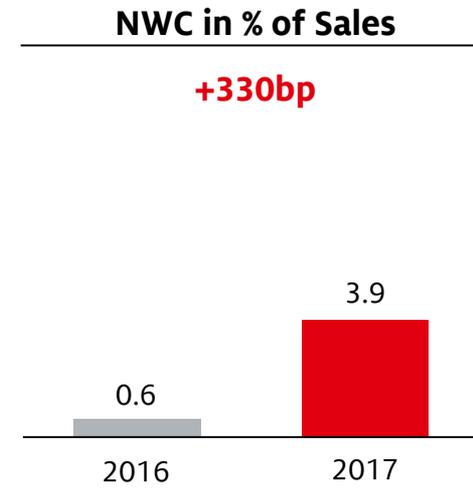
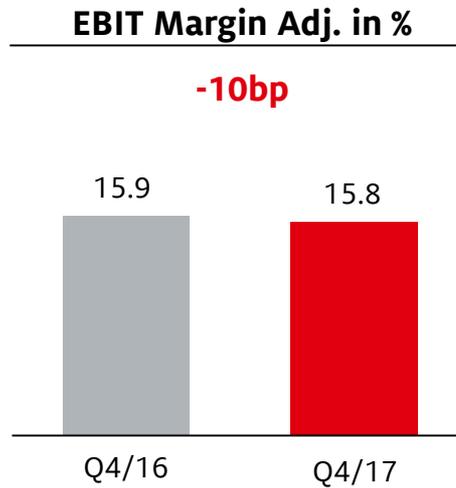
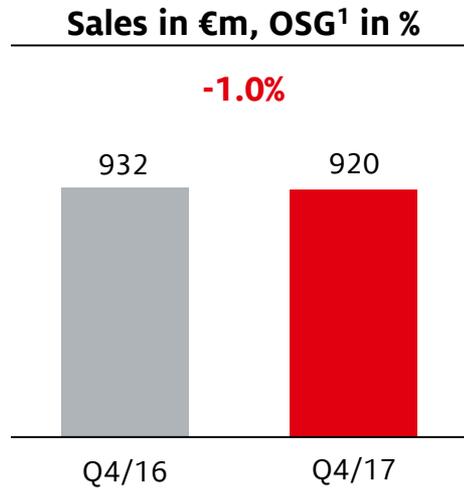
## Key financials Q4 2017



<sup>1</sup>Volume: 5.4% Price: 1.0%

# Beauty Care

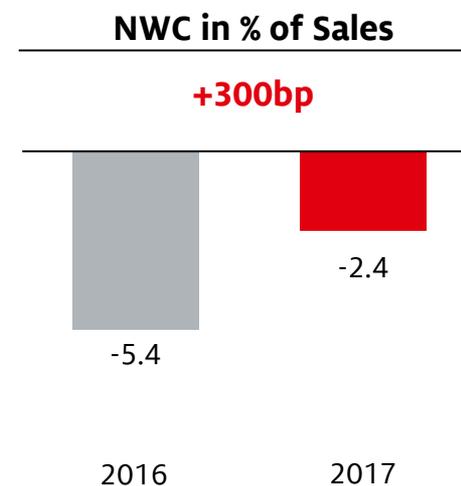
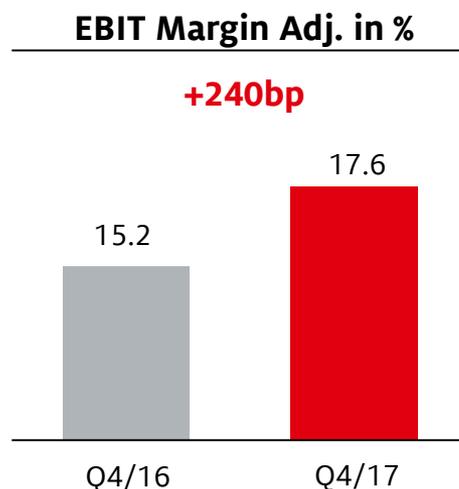
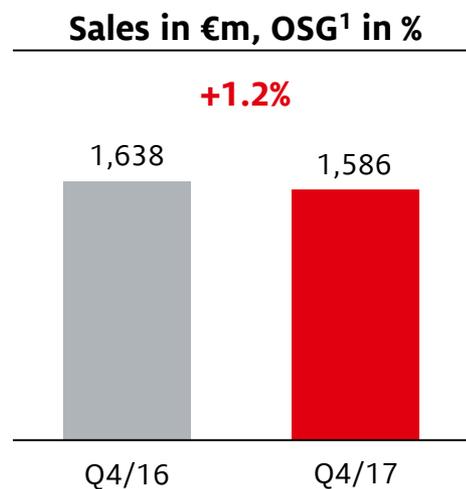
## Key financials Q4 2017



<sup>1</sup>Volume: 1.0% Price: -2.0%

# Laundry & Home Care

## Key financials Q4 2017



<sup>1</sup>Volume: 0.8% Price: 0.4%

Thank you