Statement

Kasper Rorsted

Chairman of the Management Board

Annual General Meeting – April 4, 2014

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Chairman of the Management Board
Annual General Meeting on April 4, 2014

Ladies and Gentlemen,
Valued Shareholders,
Guests and Friends of the Henkel company.

On behalf of the Management Board and our employees, I would like to warmly welcome you to our Annual General Meeting.

One year ago, I stood here to present our strategy and our financial targets for 2016 – a strategy that had a significant influence on our activities last year. At its core, it requires us to outperform our competitors by establishing a strong global team, by globalizing our businesses and by simplifying our processes.

In short, we want to Outperform – Globalize – Simplify – and Inspire.

The global implementation of this strategy provides the basis for achieving our financial targets through to 2016.

These are:
20 billion euros in sales,
10 billion euros in sales in emerging markets,
and 10 percent average annual growth in earnings per share.

In 2013, we took another step toward realizing our vision for Henkel: becoming a global leader in brands and technologies.

To begin with, I would like to give you an overview of the most important results of last year:

- Despite a difficult market environment, we generated solid organic growth.
- We were able to increase our share in the relevant markets of all three business units.
- We successfully launched a number of innovations onto the market.
- We reached a new high in adjusted return on sales.
- We once again succeeded in substantially increasing adjusted earnings per share.
- We transformed our net debt into a net investment.
- We further simplified our processes and structures.
- And: We made substantial progress towards reaching our sustainability targets.

All Henkel's 47,000 employees contributed to this solid performance. Without the commitment of each individual, this outcome would not have been possible.

I would therefore like to take this opportunity to express my – and in your name – our thanks to all our employees around the world for their hard work and committed performance.

Ladies and Gentlemen:

Henkel again faced a number of challenges last year. The global economy only grew moderately by about 2 percent overall, with the strongest impetus once again coming from emerging markets.

Despite registering weaker growth rates than in previous years, Asia – and China particularly – was once again the main driving force.

Latin America, Africa and the Middle East also developed well. By contrast, economic activity in Eastern Europe declined somewhat.

The picture in mature markets was mixed. The US economy once again gathered steam with unemployment decreasing. However, positive developments were dampened by uncertainty arising from fiscal policy issues. Economic performance in Europe varied from country to country: While Germany continued to stay robust, Southern Europe, in particular, remained weak.

Most of the macroeconomic indicators showed only moderate change. Global industrial production increased by 3 percent, slightly exceeding the growth rate in consumption, which amounted to 2 percent worldwide.

The situation on the foreign exchange markets was rather different. The US dollar lost value in the course of the year. Larger fluctuations began to occur from the middle of the year, with some currencies – particularly those of emerging markets – weakening significantly.

Among those affected were the Russian ruble, the Turkish lira and the Brazilian real. These devaluations had a strong impact on our results.

Despite this difficult environment, we achieved all our financial targets last year:

- Organically, sales rose by 3.5 percent. At around 16.4 billion euros, annual sales were slightly below the level of the previous year. This was attributable to negative foreign-exchange effects, which had an impact of around 700 million euros on our sales.
- We increased adjusted operating profit by 7.8 percent to 2.5 billion euros. As a result, the adjusted EBIT margin also increased, from 14.1 to 15.4 percent, representing a new high for a full year.
- Adjusted earnings per preferred share rose by 10 percent to 4 euros 7 cents.

So you can see that Henkel performed very successfully in 2013. Our businesses are well positioned and we generated solid growth again in a difficult environment.

Esteemed Shareholders,

As you know, we have continuously increased the financial strength and profitability of Henkel over recent years. In 2013, we succeeded in transforming our net debt into a net investment of almost 1 billion euros.

This means that, over the last five years, we have eliminated almost 4 billion euros of debt, leading to a significant increase in our financial strength.

You as shareholders should participate in this positive development. We therefore propose to you today to increase the payout ratio from 25 to 30 percent for 2013. This means an increase in the dividend per preferred share of 28 percent to 1 euro 22 cents. The payout per ordinary share would be 1 euro 20 cents.

Looking forward, we target a payout ratio between 25 and 35 percent, based on the significant improvement in profitability and the company's strong financial position. This range will still allow us to retain our strategic flexibility and our conservative financial strategy.

Looking at the share-price development, 2013 was a very good year. In the course of those 12 months, Henkel preferred- and ordinary-share prices rose by 36 and 46 percent, respectively.

At the end of 2013 the prices of both share classes reached new highs. Henkel's shares thus significantly outperformed the DAX Index, which gained around 25 percent in the course of the year.

Ladies and Gentlemen:

I would now like to provide some detail on the developments that occurred in our individual business units.

All three divisions enjoyed success last year, once again generating profitable growth and expanding their market shares in relevant markets.

Sales in **Laundry & Home Care** amounted to 4.6 billion euros. Organically, sales grew by around 5.7 percent. In a declining market characterized by tough competition, the division therefore bucked the market trend, an exceptional achievement.

In emerging markets Laundry & Home Care achieved double-digit growth. In mature markets sales were slightly below the prior-year level due to heavy price and promotional competition.

In Western Europe, our performance in France and Germany helped offset weakness encountered in southern markets. In North America, business was once again characterized by tough competition. Against the backdrop of a still declining market, sales there were slightly below the prior-year level

Adjusted operating profit rose by 8.5 percent to 714 million euros. Return on sales reached a new high, coming in at 15.6 percent, more than one percentage point above the prior-year figure. Reported operating profit was 682 million euros.

The business unit again benefited from its strong brands, with the top ten brand clusters generating 85 percent of the company’s sales and enabling us to utilize synergies in our global marketing activities – be it with Persil, Purex or Pril.

We are also committed to introducing innovations such as our new Persil Duo-Caps. This product is the first dual-chamber system in Europe, offering our customers a better washing performance.

The innovation rate at Laundry & Home Care, or the share of sales from products that have been on the market for less than three years, rose to 45 percent in 2013.

Let us now move on to our **Beauty Care** business unit, which was again able to maintain its track record of profitable growth through 2013.

Compared to the previous year, organic sales rose by 3 percent, even though the relevant markets declined. Nominally, sales remained at around 3.5 billion euros.

Beauty Care was particularly successful in emerging markets. In Asia – excluding Japan – sales rose in the double-digit percentage range. The business unit's development in China continued to follow a solid upward curve. In Africa & the Middle East, organic sales grew double-digits.

We also performed well in mature markets, with results in both North America and Western Europe on the positive side.

Adjusted operating profit rose by 2.1 percent to 525 million euros. At 15 percent, return on sales reached a new high, exceeding the figure for the previous year by half a percentage point. Reported operating profit amounted to 474 million euros.

In the Beauty Care business unit, too, we are committed to promoting our strong brands. Indeed, we succeeded in generating more than 90 percent of our sales with our ten biggest brands, with particular contributions coming from our successful top brands Schwarzkopf, Syoss and Dial.

The innovation rate at Beauty Care amounts to 45 percent. In 2013, for example, we launched the first permanent colorant based on a special oil-cream formula under the Syoss brand. In our Beauty Care business in particular, innovations are a major driver for market success.

Our third business unit, **Adhesive Technologies**, also once again generated profitable growth in 2013. Organically, sales rose by 2.7 percent, with the division thus outperforming its market.

With the exception of the Electronics unit, all our businesses contributed to this growth. Nominally, sales came in at 8.1 billion euros.

As in the previous year, the Adhesive Technologies business grew very dynamically in emerging markets, particularly in Latin America and Eastern Europe.

Mature markets also generated organic growth. In North America we achieved a slight increase in sales. Western Europe was stable, despite the difficult economic situation.

The profitability of our adhesives division was higher than ever before. Adjusted operating profit rose by 9.9 percent to 1.4 billion euros, with adjusted return on sales also rising to a new high. At 16.9 percent, it was 1.8 percentage points up from the previous year. Reported operating profit rose to 1.3 billion euros.

Within the adhesives business, we already generate more than 70 percent of sales with our 10 biggest brands. Our top brands are Loctite, Teroson and Technomelt. And we bring more and more innovations to the market. Around one-third of our sales are generated by products launched onto the market in the last five years.

One example is Loctite MAX 2. This was developed in response to the trend toward lightweight construction in the automobile industry. Together with a partner, we developed the product for the manufacture of special leaf springs. Weighing up to 65 percent less than conventional products, these are used in vans and similar commercial vehicles.

Ladies and Gentlemen:

Those, then, are the numbers relating to our individual business units. I would now like to talk about the progress we made in pursuing our **strategic priorities** in 2013.

At Henkel, we place great value on aligning our activities to clear corporate principles and a common long-term vision for the company.

That is why we formulated five values- Customers, People, Financial Performance, Sustainability, and Family - that are binding on all our employees around the world.

These values are firmly anchored in our corporate culture. They are the basis on which we consistently pursue our strategic priorities and our targets for 2016.

Now, I would like to show you the specific progress that we have already made in the first year following the launch of our strategy and the announcement of our targets.

Our first strategic priority is **"Outperform"**. This describes our determination to be better than our competitors, by:

- Strengthening our top brands
- Promoting innovation
- And seeking even closer, more collaborative ties with our customers

By 2016, we want to generate 60 percent of our sales with our ten biggest brands. These include Persil, Schwarzkopf and Loctite.

The top 10 brands at Henkel already account for 57 percent of total sales. In 2012, the figure was just 44 percent. The brand generating the most sales within our portfolio is Schwarzkopf, with sales now amounting to 2 billion euros.

By focusing on our strong brands, we are able to better target our investments in marketing and product development. This strengthens the position of our brands in highly-competitive markets.

The second point I mentioned was innovation. Here too, we are very successful, as evidenced by the many new developments encountered in our business units.

Looking forward, we intend to focus even more on encouraging innovation at a local level. Between now and 2016, we plan to establish or expand seven development centers in regions where we expect high growth. Four new centers have already been set up in India, South Africa, South Korea and the United Arab Emirates. We also significantly expanded our Russian site in 2013.

We are also committed to our “open innovation” concept. We want to strengthen our collaboration with external partners, be they universities, research institutions or our own vendors.

As an example, our supplier Evonik has developed a new silicone compound, which helped us improve the formulations of our laundry detergents. And together with a university in the US, we found a way for our adhesives business to model polymer structures on the computer. Until now, such experiments could only be carried out over lengthy periods in a laboratory environment.

Thirdly, we also want to be closer to our customers. To this end, we are collaborating with partners such as the Nordson Corporation in North America, which adds its experience in machine construction and dosing technology to our competence in adhesives. Through these partnerships, we are developing innovations capable of significantly benefiting customers in various industries.

Last year we received the “Efficient Consumer Response Award” in recognition of the close relationship to our customers. Specifically, this accolade was in acknowledgement of a project which we carried out in Germany with an important retail partner.

The objective was to better address consumers in around 1,600 sales outlets. Our retail partner was able to substantially increase its sales and market share in the laundry, home-care and household-cleaner categories.

The second priority within our strategy requires us to **“Globalize”**. Our aim for 2016 is to generate sales of around 10 billion euros in emerging markets, representing half of a total sales target of 20 billion euros.

We have already made great progress in this regard, with the corresponding share of sales last year amounting to 44 percent.

Our focus is on regions offering huge potential. Over the last five years, the Laundry & Home Care business unit has generated double-digit growth in Africa & Middle East in average.

This is why in November 2013 we opened a research and development center in Dubai, where we develop laundry and home-care detergents addressing the specific requirements of customers in this region.

We see also China offering very high potential. The country is already the fifth-largest market for our Beauty Care business. Our focus there is on specific marketing activities in modern retail chains. These chains make 70 percent of the hair-products business in the country. Hence it is a strategy that we intend to maintain going forward.

China is also very important for our adhesives business as it is the largest automobile market in the world and has a strong production base of its own.

Moreover, the country is the world's most important manufacturer of sports articles and electronic products. These industries are becoming increasingly reliant on adhesives to produce lightweight and high-performance products.

This is why we opened the world's largest adhesives factory in Shanghai last September. It has a production capacity of 430,000 metric tons per year. And with its modern facilities, it sets new standards in terms of efficiency, safety and sustainability.

However, we are not focusing solely on emerging markets. Within mature markets, we occupy leading market positions that we intend to expand going forward.

Germany is and will remain an important pillar of our success. We invested about 125 million euros here in 2013, more than in any other country.

For example, we are building a new central warehouse in Düsseldorf at a cost of 35 million euros. This modern depot for laundry and home-care products is scheduled to open this year, providing us with 16,000 square meters of storage and distribution space. The facility will be used to supply not only the entire German market but also those of neighboring countries.

Ladies and Gentlemen:

We see advancing globalization both as an opportunity and a challenge.

It is an opportunity because growth rates in emerging markets are and will remain higher than in mature markets. We were able to increase organic sales there by 8.3 percent in 2013, while in mature markets we registered no organic growth at all.

Over the last four years, emerging markets have grown organically by almost 10 percent on average. By contrast, organic growth in our mature markets has been just 2 percent.

We see how volatile these markets can be. High growth is inevitably accompanied by a degree of risk.

Not that this changes anything in our strategy- quite the opposite, in fact. We are determined to meet these challenges head-on.

In times of unexpected change and crisis, fast response and high flexibility are key to success. And simple and standardized processes are indispensable for the rapid reactions required.

Consequently, the third dimension of our strategy is to **"Simplify"**. We intend to simplify, standardize and increasingly digitize our processes.

We have three projects right at the top of our agenda, in order to grow through efficient structures in the medium term:

- We are expanding our shared-service activities
- We are consolidating various IT systems within a single platform
- We want to establish a global supply-chain organization

At the moment, we are operating four shared-service centers with more than 2,000 employees. These carry out a number of business processes for our business units. By 2016, we aim to have over 3,000 people working in our shared-service organization

We plan to add two centers to our network: one for North Africa and another for Greater China.

2013 saw us make major progress in establishing a uniform IT platform for Henkel. In Asia, we have now converted over 20 different systems to our SAP platform “Horizon.” This is an important step in our effort to reduce the number of processes worldwide to around 800 by the end of 2016.

We have pooled our IT and shared-service organizations within a new unit: Integrated Business Solutions. Our aim here is to ensure that we manage important processes in a uniform, standardized manner across all our functions and business units. This also constitutes an important prerequisite for utilizing real-time data more effectively and efficiently. And that in turn will ensure a higher degree of transparency and better information flows, enabling us to respond even more quickly to change.

A further important step for Henkel will be the establishment of a global supply-chain. We want to increase the level of standardization of our logistics and production processes as well as purchasing activities across all our business units. The aim is to create global organization based on a common IT platform. This will enable us to further increase the efficiency of our processes while also offering our customers a greater degree of reliability coupled with an improved service capability.

The successful implementation of our strategy will essentially depend on the effort and commitment of our employees around the world.

Consequently, our fourth strategic priority is **“Inspire”**. We want to strengthen our global team and create an attractive working environment for our employees.

For this, we are focusing on three areas:

- The promotion of talent and performance
- Providing our managerial staff with uniform leadership principles
- Specifically promoting the diversity of our teams.

We have adopted a number of approaches to promote talent and performance. For example, our employees are encouraged to seek learning opportunities using the “Henkel Global Academy.” We have expanded the range of courses and content available in order to encourage our people to progress within the company. As proof of the success of this approach, we promoted more than 1,000 managers internally last year.

Henkel is becoming ever more global and diverse. It is therefore important that all our managers around the world adopt a common understanding of where their responsibilities lie and what is expected of them.

To this end, we developed a clear set of principles, underpinned last year in a total of around 350 workshops. These were attended by all 6,800 employees with people responsibilities around the world.

A globally active corporation needs a range of different employees. We accept and encourage diversity in terms of gender, nationality, age and professional experience. As an example, there are people from 120 different countries working at Henkel, with more than half currently active in emerging markets.

One of the main challenges is finding and retaining suitable talent in emerging markets.

The Human Resources team in Asia has developed a special development program. This year, the program is to be rolled out into other emerging markets.

As you know, we place great value on the promotion of women. Last year, we raised the proportion of women in managerial positions to 32 percent. Our aim is to increase the share of female managers by 1 to 2 percentage points each year going forward. This reinforces Henkel's position as a leader in this domain among DAX 30 corporations.

However, we do not support the idea of a fixed quota. We are establishing the right conditions but quality remains the decisive criterion. At Henkel, the best candidate always gets the job – irrespective of gender, age or nationality.

We received a number of awards for our personnel management, proving the validity of our approach. The renowned CRF Institute once again named us "Germany's Top Employer."

Our efforts are also bringing success in emerging markets: In China, we received an award for the first time as a top employer. And in the Middle East and South Korea, we likewise received a number of awards recognizing our credentials as an employer.

Henkel also supports the social engagement of its employees. For example, for the last 15 years we have been providing support for the MIT initiative (Make an Impact on Tomorrow), helping with 10,500 projects in over 50 countries.

To celebrate the MIT's 15-year anniversary, we earmarked a special fund – for additional projects in Poland, Korea and Colombia. We see such activities as part of our social responsibility.

Ladies and Gentlemen:

I have explained to you with various examples how we successfully pursued our strategic priorities in 2013.

However, there is a further aspect, which has long been a firm value within the Henkel corporate philosophy: our commitment to further extend our leading role in the field of **sustainability**.

For this, we have defined a clear strategy with ambitious targets through to 2030: we want to increase our resource efficiency by a factor of 3. In order to measure our progress, we have set ourselves specific intermediate targets.

By 2015, we intend to consume 15 percent less energy and produce 15 percent less waste per production unit compared to our base year of 2010.

However, we do not just want to reduce our carbon footprint, we also want to generate more value. We had already achieved some of these targets by the end of 2013 – and even significantly exceeded them in areas such as occupational health and safety.

A major prerequisite for our success in this field is that our employees have a clear understanding of our sustainability targets. Last year, we pursued a meaningful dialog on this issue, making it a particular focus of our training courses. In addition, around 1,800 employees have so far trained up to become sustainability ambassadors and convey their knowledge to colleagues, suppliers, customers and school children.

In order to maximize sustainability throughout the production chain, we also actively include our suppliers in our processes. We have joined forces with five partner companies within the industry to launch an initiative entitled "Together for Sustainability." Applying common standards, we examine how our suppliers comply with our requirements in the fields of occupational health and safety, quality, environmental protection and human rights. Through this approach, we have already initiated around 600 self-appraisals and performed more than 250 audits.

Once again, our efforts brought us a number of awards. For the seventh consecutive year, Henkel was named Industry Group Leader in the Dow Jones

Sustainability Index. Once again, Henkel took first place in the Household & Personal Products segment. We are one of just five German companies included in the list of 24 Industry Group Leaders.

You will find more information about our activities in this area in our Sustainability Report.

Ladies and Gentlemen:

Companies wishing to pursue a long-term sustainability strategy also need shareholders that share this vision. As Simone Bagel-Trah just explained, the Henkel family extended its share-pooling agreement in February this year.

This shows the confidence the family still has in the company and its long-term outlook after 137 years. We, the Management Board, very much welcome this support and are further inspired to continue driving the successful development of Henkel.

Ladies and Gentlemen:

Before I finish with a short revue of the current fiscal year, I would like to mention the current developments in Eastern Europe.

You will all have witnessed the – in some cases – violent disturbances in Ukraine in recent weeks and Russia's intervention in Crimea. Both countries are of major importance to us. Russia is Henkel's fourth-largest market worldwide, while Ukraine counts among our ten most important emerging markets.

Throughout these upheavals, we have been in close contact with our managements in both countries. As in all crises, the security and wellbeing of our employees are our first priority. Henkel employs around 1,000 people in Ukraine, of whom around half are active in the Kiev region. We have four production facilities in the country but none of them are located in Crimea. During the unrest on Maidan Square, we instructed the employees at our Kiev headquarters to work from home. You will be glad to know that no Henkel employees have come to any harm.

The current situation is not just an international problem politically, its consequences are also having a negative impact on business and the economy. In 2013, we generated sales of around 1 billion euros in Russia, with each of our business units represented within the country. Aside from the head office in Moscow, we have eight production facilities and about 2,500 employees in total. Since the start of the crisis, the ruble has devalued by around 20 percent. Economic sanctions are also being discussed, the possible consequences of which are hard to foresee with any certainty.

As a globally structured corporation, we regularly have to deal with uncertainties and upheavals in individual regions and countries. However, I would like at this juncture to make one thing clear: We have no intention of exiting either from Russia or Ukraine. We have established our businesses there thanks to the huge effort and commitment of our employees on the ground. And we intend to continue doing so.

It is not just the latest political developments in Eastern Europe that make it difficult to predict business developments in 2014.

We currently expect mature markets to generate an increase in economic output of around 2 percent in 2014 versus the prior year. And we expect emerging markets to show robust growth of around 4 percent – led once again by the Asian markets.

However, the currencies of some of the major emerging markets will likely devaluate further. We will see the negative effects of this primarily during the first half of the year.

We will make every effort to respond effectively to these macroeconomic developments and compensate as much as possible for any negative impact.

We set ourselves the following targets for 2014:

- We expect to achieve organic sales growth of 3 to 5 percent, with all our business units expanding sales within this range
- Adjusted return on sales should increase to around 15.5 percent
- Adjusted earnings per preferred share should rise in a high single-digit percentage range

On May 7, we will be reporting the numbers for the first quarter as an indication of how the year has started for Henkel.

Ladies and Gentlemen:

I have already thanked our employees for their hard work and high level of commitment. Now, on behalf of the entire Management Board and our Supervisory Board, the members of the Shareholders' Committee and the various other councils and committees within the company, I would like to express my heartfelt thanks for your confidence and support in the year under review.

We have defined a clear strategy with ambitious targets. Now, we are focused on implementing our strategic priorities globally.

We will continue our way toward becoming a global leader in brands and technologies. Jointly with – the shareholders of Henkel.

Many thanks for the trust you have shown, and many thanks for your attention today!