



Statement

Hans Van Bylen

Chairman of the Management Board

Annual General Meeting – April 9, 2018

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**Statement by Hans Van Bylen, Chairman of the Henkel Management Board
Annual General Meeting, April 9, 2018**

Ladies and Gentlemen, Esteemed Shareholders and Guests,

Friends of the Henkel Group,

Allow me to welcome you to the Henkel Annual General Meeting! In the name of the entire Management Board and our employees worldwide.

Today we will be looking back at a highly successful year.

In 2017, we reached a new milestone in terms of sales which, for the first time, exceeded 20 billion euros. We also achieved new highs in earnings and margin.

2017 once again saw us drive forward sustainable profitable growth.

And we intend to continue along this successful path as we move forward into the future.

That means, we will continue to focus on the implementation of our strategic priorities, with full commitment to achieving tangible progress.

The performance registered by Henkel is, above all, due to the efforts of our more than 53,000 people. They are highly dedicated and work hard for “their company.” Day in, day out. Right around the world.

The devotion to duty and entrepreneurial spirit of our employees are the basis of our success.

Therefore, I would like to especially express my gratitude to our employees. And I am sure I also speak on your behalf!

I would also like to take this opportunity to say a few personal words of thanks.

To my colleagues on the Management Board. For their open cooperation, trust and highly effective work as members of our executive. We lead a corporation with more than 20 billion euros in annual sales and more than 53,000 employees. That is a team responsibility and a team achievement.

I would particularly like to extend my thanks to you, Mrs. Bagel-Trah. For the confidence that you place in our work. And also for our valuable interaction and your active support in relation to our executive deliberations.

Ladies and Gentlemen:

Today I will be talking on three major themes.

How Henkel performed in fiscal 2017.

How we are preparing Henkel for the future.

And what are we specifically aiming to achieve in 2018?

I'll begin with the figures for fiscal 2017.

We achieved many new highs in the year under review. We met our financial targets. We even exceeded many of them.

Our sales increased beyond the 20-billion-euro mark for the first time. In the previous year, sales amounted to around 18.7 billion euros. That means a jump in sales of around 1.3 billion euros and is a milestone for Henkel. One of which we are all very proud.

In all, we increased sales by 7 percent. Excluding the impact of acquisitions and foreign exchange, we achieved strong organic growth of 3.1 percent.

We generated expansion in all regions worldwide. In the emerging markets. And also in our mature markets.

We also further improved our earnings. Adjusted operating profit rose to 3.5 billion euros.

With this, adjusted return on sales increased from 16.9 percent to 17.3 percent. And that, too, is a new high for Henkel.

We also elevated our earnings per share to a new record level. Adjusted earnings per preferred share rose to 5.85 euros. That is an increase of 9.1 percent.

That not only puts us above our targeted range, it also exceeds the earnings growth of almost all our competitors.

And particularly important for you, our shareholders: Today we are proposing a new record dividend. With an increase of 10.5 percent compared to the previous period.

Yet 2017 was no easy year. We had to deal with a number of challenges. There were political and economic uncertainties in various markets. In the Middle East and Asia, to name just a couple of examples.

Industrial economic growth was positive worldwide. However, the markets for consumer goods were and remain difficult with intensive price competition prevailing.

2017 also witnessed a number of natural disasters. Fortunately, none of our employees came to harm. However, major sections of our supply chain were affected.

Raw material prices increased in the course of 2017.

Many currencies experienced devaluation during the year. We have increasingly felt this in our figures. This trend is also persisting through the current year.

Nevertheless, we performed well in 2017.

Ladies and Gentlemen:

As I already mentioned at the beginning, Henkel has now achieved an annual sales figure of over 20 billion euros.

This is a big step for us. One of which we are all very proud. So I would now like to look at this in a little more detail. Allow me first to offer a brief recap of our history.

Henkel was founded in 1876. We achieved sales of 10 billion euros for the first time in 1997, some 120 years after our establishment as a company. We achieved sales of 15 billion euros in 2010, 13 years later. Seven years after that, in 2017, the figure reached 20 billion euros for the first time.

Henkel has grown significantly in the last few years. This development has been driven by strong growth generated from within, with acquisitions also having made a contribution.

However, we have not just grown. We have also consistently become more profitable. We have steadily improved return on sales. This figure now stands at more than 17 percent.

With sales of 20 billion euros, this means an operating profit of 3.5 billion euros. And that brings me back to our successful performance in fiscal 2017.

All three business units contributed to this success. So I would now like to provide some detail on business unit performance.

I will start with Adhesive Technologies. This is Henkel's biggest business unit. It generates around half our total sales. And half our earnings.

Here we registered a very strong increase in organic sales of 5 percent in 2017. Nominally, sales rose by 4.8 percent. To 9.4 billion euros.

Adjusted operating profit rose to 1.7 billion euros. That is an increase of 6.4 percent.

Adjusted return on sales amounted to 18.5 percent. That is a plus of 30 basis points. And a new high.

Adhesive Technologies therefore had an excellent year.

We are the global market leader in the Adhesives business. We cover the full range of applications. We have a global presence. We are partners to many different industries. Our innovations enhance the food safety of packaging products. They make cellphones and tablets lighter and more efficient. They make for smarter, more sustainable automobiles. And they help to better insulate buildings. And those are just a few of the fields of application covered.

In short: Each and every one of you experiences the benefits provided by our adhesive innovations on a daily basis.

Allow me now to present developments in the main business areas.

Our activities involving adhesives for electronic applications were very successful in 2017. Here we now generate sales of more than a billion euros. In 2017, growth in this business was double-digit.

Our applications for electronics include solutions for mobile devices. A smartphone can contain up to 50 different products from us.

With special coatings, we are able to control the heat development of processors in tablets or smartphones.

The automotive industry is another important segment for us. Here we registered very strong growth in 2017. We offer our customers a comprehensive portfolio of more than 300 high-impact solutions. For example, in the fields of electromobility, lightweight construction and driver assistance systems.

Our adhesives and coatings make batteries for electric vehicles cheaper, safer and more effective. They also serve to combine new materials to make cars lighter. Our products play an important role in the digitalization of the car. For example, they insulate sensors and cameras. And they are also used in in-car displays and instrumentation.

We also generated growth in the General Industry business area with our Loctite brand. We have gained market share in the field of production and assembly.

Loctite is Henkel's biggest brand. It represents sales of 3 billion euros – a fact of which we are all proud.

We also strengthened this business through acquisitions made in 2017. We acquired the Sonderhoff Group.

This has extended our expertise in the field of sealant solutions. The purchase of Darex has enabled us to further strengthen our portfolio for metal packaging.

You see: With our Adhesives business, we are ideally positioned in high-growth markets. We expanded this positioning last year. Our intention with this business is to further accelerate our profitable growth going forward.

That brings me to our Beauty Care business unit.

We achieved positive organic sales growth with Beauty Care in fiscal 2017. This amounted to 0.5 percent. Nominally, sales rose by 0.8 percent to 3.9 billion euros.

Adjusted operating profit increased by 2.7 percent, coming in at 665 million euros.

Adjusted return on sales showed good development. It increased to 17.2 percent. This is a new high.

However, developments in 2017 showed a mixed picture. Growth in individual segments was below our expectations, while in other categories we were very successful. Especially those in which we also achieve higher margins.

We generated strong growth with our colorants and styling products. And we gain market share in various markets.

We were also successful in the USA, with a major contribution coming from the market launch of Schwarzkopf. The Gliss brand also performed very well in the USA.

I would like to make a special mention of our professional Hair Salon business. Here we were very successful in 2017.

We work closely with professional hairdressers in this business area. They want to constantly create new trends and styles. And we help them in that. With our innovations and our expertise. We also develop and market new products jointly with them.

Last year we once again significantly strengthened this business. We succeeded in closing two acquisitions: Nattura Laboratorios and Zotos International. This now puts us in the number 2 position in the hair professional business in the USA. And we were able to further strengthen our position as number 3 in the world.

With these acquisitions, sales of our Hair Salon business should amount to around one billion euros in 2018. That is approximately a quarter of our Beauty Care business.

Overall, Beauty Care generated profitable growth in 2017. Although the level of growth was below our expectations, we were able to further increase sales. We greatly improved our return on sales figure. And we gained market share.

With that, I now come to our third business unit: Laundry & Home Care.

Laundry & Home Care achieved good organic sales growth amounting to 2 percent. Nominally, sales rose by 14.8 percent. To 6.7 billion euros. This strong increase in reported sales was due primarily to the acquisition of Sun Products.

Adjusted operating profit rose by 17 percent to 1.2 billion euros. Adjusted return on sales increased to 17.6 percent. This too is a new high.

We hold leading positions in many categories of the laundry and home care sector. In numerous markets around the world.

You will all be familiar with our best-known brand from this business. Persil was invented in 1907. 2017 saw us celebrate Persil's 110th anniversary.

Sales of Persil in 2017 amounted to about 1.3 billion euros. That makes Persil Laundry & Home Care's most important brand.

And it is not only in Germany that Persil is a brand icon. Persil exists in more than 60 countries in Europe, in the Middle East, in Asia and now also in North America. We launched Persil there just a few years ago.

We are proud to say that Persil has developed well in the USA. Customers appreciate the premium quality that Persil offers. And we are continually expanding its market share.

We have also grown successfully with our specialty laundry detergents. Our Perwoll brand posted a double-digit increase in sales.

We likewise had a very good year with our toilet care business. We are, with our Power-Activ innovations, present and successful in over 60 countries.

The Laundry & Home Care business unit therefore posted a good performance overall in 2017. With increased sales and a higher return on sales figure. Both metrics reached new highs.

I now come to the regional performance of the Group as a whole.

We generated growth in all regions in 2017. That is a highly gratifying performance. And a great achievement of our teams around the world.

In the emerging markets, consolidated sales rose to 8.1 billion euros. Here we generated strong organic growth. This amounted to 5.3 percent. Our strongest growth was in Eastern Europe, Latin America and Asia.

Development in Africa/Middle East was more difficult. There was unrest in some countries here. Nevertheless, we were able to slightly increase our organic sales figure for this region.

We also achieved positive organic sales growth in the mature markets.

Sales in the Western Europe region came in at around 6 billion euros. This represents a slight increase year on year. Our performance in Germany was particularly good.

In North America we generated sales of over 5 billion euros in 2017, with the acquisition of Sun Products making a marked contribution.

However, we also succeeded there in growing from within. Organic sales growth was 3.0 percent.

The USA is our biggest single market. It accounts for approximately a quarter of our consolidated sales.

Ladies and Gentlemen:

So much for Henkel's performance in fiscal 2017.

I think we can truly say: Today we can look back over a highly successful year.

And you as our shareholders need to benefit from this success.

We are therefore proposing to you today the payment of a dividend of 1 euro and 79 cents per preferred share. That is an increase of 10.5 percent versus prior year. The proposed dividend is a new high.

However, our share price performance over the past fiscal year shows a mixed picture. That applies with respect to both our preferred shares and our ordinary shares.

Both classes of share reached a new high in June 2017. In the second half of the year, however, their development weakened. Seen over the whole year, our shares trended below the DAX index.

We were not happy with this share performance. Since the beginning of the year, Henkel shares have once again outperformed the DAX.

We want to drive forward our sustainable profitable growth. We are pursuing ambitious goals. And we are determined to achieve these targets.

To this end, we have defined four strategic priorities for 2020 and beyond:

1. Drive growth
2. Accelerate digitalization
3. Increase agility
4. Fund growth

I would now like to give you some detail about the progress we have made.

I will start with the priority “Drive growth.”

We want to align the company more accurately to the requirements of our customers. This is very important for us.

In our industrial business, we have programs to develop new business opportunities with our top 100 customers. Our aim is to generate exceptional growth with them.

In the consumer businesses, we are focusing even more on digital interaction with consumers. We want to ensure even better satisfaction of their expectations, needs and requirements.

We are investing in our brands and technologies.

Our three top brands are Loctite, Schwarzkopf and Persil. Together, they generated sales of 6.4 billion euros in 2017. At the same time, we are also focusing on our strong local brands. These likewise make an important contribution to our success.

We are introducing compelling innovations and new services.

One example: In 2017, we launched a new brand from the Hair Salon business in the USA. It is called myidentity. This represents a new departure for us. We developed it in collaboration with a well-known hair stylist and influencer: Guy Tang. We market myidentity exclusively via digital channels.

We are also breaking new ground in our industrial business. For example, we are investing in 3D printing. This is a fascinating technology. And for it we have developed a range of innovative materials and hardware. These facilitate 3D printing applications for the industrial manufacture of construction components. In this we are working together with partners such as HP and Carbon.

We are also investing in our sites, plants, IT systems and infrastructure. In the current strategy cycle from 2017 through 2020, we intend to invest around 3 billion euros in this area. That is 50 percent more than in the previous four-year period. In fiscal 2017, our capital expenditures amounted to more than 660 million euros.

One of the main recipients was our site in Düsseldorf. In 2017, around 100 million euros were invested here. For modernization and expansion purposes.

We, for example, significantly extended our fully automated high-bay warehouse. We have once again more than doubled its capacity. It now offers space for 53 million packs of laundry and home care products. The expansion project represents a total investment for us of 36 million euros.

There is currently another major project underway at our Düsseldorf site. We are constructing a new Innovation Center for the Adhesive Technologies business unit. The preliminary work has already begun. The ultra-modern building will contain numerous laboratories and research facilities. It will also serve as a customer center offering direct access to the innovation and technological expertise that underlies our Adhesives business.

We are further investing in new sources of growth. Acquisitions are integral to our approach in this regard. In 2017, they represented a total spend of around 2 billion euros. I have already mentioned the most important acquisitions. Sonderhoff and Darex at Adhesive Technologies. And Nattura Laboratorios and Zotos at our Beauty Care business unit.

We are also investing in venture capital undertakings aligned to new technologies, applications and business models. In 2017, we concluded a number of promising agreements in this domain.

One related to a stake in Zipjet. This is an online laundry service. You have a driver pick up your dirty laundry which is then returned freshly washed to your door.

Another example is DropWise, a company that offers innovative and particularly efficient coating systems. These are used in a large number of different industrial applications.

And we are also participating in other venture funds. These in turn invest in companies and technologies that are of interest to us. We have, for example, made an investment in a fund managed by Koshla Ventures.

On now to our second priority: “Accelerate digitalization.”

2017 saw further expansion in our digital businesses. All three business units posted a double-digit increase in sales achieved through digital channels.

In Adhesive Technologies we operate our own, successful eCommerce platform. This is today already generating annual sales of more than 1.5 billion euros.

In addition to pure eCommerce platforms, new, combined offerings are gaining in importance in the retail sector, with digital sales channels and bricks-and-mortar outlets becoming increasingly integrated.

And our retail partners are responding accordingly, with the help of our know-how. Because we know how consumers seek out products. We know their buying behavior.

It is not only marketing and sales that are changing as a result of digitalization. Our production and logistics are also evolving.

We are investing in Industry 4.0. This relates to the development of smart factories and increasingly automated supply chains.

To give you one example: Today we already scan more than 500 million data points in production and logistics. This information enables us to optimize our processes.

We are able to improve the sustainability profile of our production activities. We can reduce our energy consumption and water usage. And we can further improve capacity utilization.

Digitalization is sweeping through all areas of our company. It affects and transforms almost every conceivable activity.

Hence, we are redoubling our efforts in driving Henkel's digital transformation. Our Chief Digital Officer has a key role in this process. He and his team are driving the digital change processes in the company. As catalyst, advisor and accelerator.

That brings me to our third strategic priority "Increase agility."

We are able to sustain success because our people think and act as entrepreneurs. We specifically promote this entrepreneurship.

We are shortening information communication paths. We are accelerating decision-making processes. We are introducing flatter hierarchies. We are simplifying work processes.

We are strengthening individual responsibility and initiative. In short: We are becoming more agile, faster and more flexible. We made significant progress with respect to these initiatives in 2017.

We have significantly shortened the time to market of innovations in our consumer businesses.

We are developing more flexible business models. These enable us to respond very quickly to changes in the market.

Within Adhesive Technologies we have introduced 26 independent steering units. These operate very closely with our customers. This is one of the reasons for the success of our Adhesives business.

In 2017, we made Henkel more agile.

Now on to our fourth strategic priority “Fund Growth.”

We at Henkel pursue a strict cost discipline. However, we want to further increase efficiency within the company. For this, we have introduced four initiatives.

We want to optimize our resource allocation. With ONE!ViEW we improve the cost transparency worldwide.

We also made our pricing and promotional activities more efficient. We introduced a process called net revenue management in all areas of the company.

We are constantly optimizing our structures and processes. For example, through greater automation of processes in the shared service centers.

We have pooled our worldwide production and supply chain activities in one organization. With ONE Global Supply Chain we utilize synergies right across the Group.

Overall, we expect these four initiatives to deliver significant cost benefits. By 2020, total savings are expected to exceed 500 million euros per year. This will enable us to further improve our profitability and invest in new growth.

You see: We have made very good progress in all areas relating to our strategic priorities.

And we are well on the way to achieving our financial ambitions for 2020.

We will continue to work toward these with redoubled energy.

Ladies and Gentlemen:

Henkel attaches great importance to sustainability. This is one of our corporate values.

We specifically promote sustainable development. Right across the entire value chain. Together with our partners. Our suppliers, our customers and our consumers.

Henkel is associated with its long-term commitment to sustainability. And we intend to further strengthen our leading role in this regard. For this we have a clear strategy and firmly stated targets. Through to 2020 and then on to 2030.

Our progress in sustainability was again confirmed by numerous international rating agencies in 2017. For example, Henkel was recognized in the Dow Jones Sustainability Index World as a “Global Leader.” That means: We are the “global leader in our industry.” We are very proud of this!

We owe this success primarily to our committed employees. In 2017, we had trained more than 50,000 of our employees worldwide with a specific program to become sustainability ambassadors. For us, this represents an important contribution in the promotion of sustainable behavior. It also constitutes and expression of our social responsibility.

Ladies and Gentlemen:

2017 was a successful year for Henkel. We achieved profitable growth in all our business units. We generated organic growth in all regions. And we met our financial ambitions. In some cases even exceeding these.

We have made great progress with our strategic initiatives and projects.

Underpinned by this strong basis, we intend to drive forward our successful development.

So what now are our expectations for 2018?

Let us look first at the world economy. The overall economic situation is good. However, there are a number of points of concern. Within Europe it is still not clear as to how Brexit will be implemented. This uncertainty is a burden on the economy.

There have also been recent discussions about tariffs, trade restrictions and possible retaliatory countermeasures. This, too, is not conducive to economic development worldwide.

Meanwhile, the prices for raw materials and packaging are likely to continue to rise – compared to the previous year.

Foreign exchange rate effects will remain a major factor. We anticipate very high volatility in this domain. We expect the US dollar to weaken further against the euro, compared to 2017. In addition, some currencies of importance to us in the emerging markets could weaken further.

Let us now take a look at the sectors of relevance to us. We expect growth in industrial production to be somewhat stronger than in the consumer and retail sector. Intense price competition in the consumer goods business is likely to continue through 2018.

Before I turn to our outlook for fiscal 2018, I would like to comment on a recent development.

You will certainly have already heard the news: Our start to the year has not gone according to our expectations. We reported on the events in question in mid-March.

We had delivery difficulties affecting our consumer goods businesses in North America at the beginning of the year. The reason for this was a change to our transportation and logistics systems. The generally strained situation prevailing in the US transport market further aggravated these difficulties.

Our Adhesives and Hair Salon businesses were not affected by the problems that arose. There have also been no such difficulties in other countries where we have conducted this change-over.

Nevertheless, this incident had a noticeable negative impact on the business development of Laundry & Home Care and Beauty Care in the first quarter. We expect that the supply chain will return to normality in the course of the second quarter.

We very much regret that these problems have arisen. The causes have been identified and we are working on it with strong focus. This has been given priority by us as members of the Management Board.

With that I now come to our outlook for 2018.

Today we confirm our guidance for the Henkel Group for the full year.

Specifically, this means:

- We expect to achieve organic sales growth of 2 to 4 percent.
- For adjusted return on sales, we anticipate an increase year on year to more than 17.5 percent.
- We expect adjusted earnings per preferred share to increase by between 5 and 8 percent. The forecast for EPS growth reflects in particular the uncertainty on the currency markets. The development of the US dollar is likely to be especially key.

Ladies and Gentlemen:

On behalf of the Henkel Management Board, I would like to thank our supervisory bodies for their valuable support.

And I would particularly like to also make a special mention of members of our corporate bodies who are leaving office, adding my own thanks to that expressed by Mrs. Bagel-Trah.

To you especially, Mr. Zander, my gratitude for your consistent support and constructive collaboration. You have been with Henkel for 45 years, the last 20 of which as Chairman of the Works Council. You were first elected to the Supervisory Board in 1993. Today, it's the 25th Annual General Meeting that you are taking part in.

You have devoted yourself to the needs of Henkel's people and the successful development of the company. So my heartfelt thanks to you for all that you have done, also in the name of all our employees.

We also owe a debt of gratitude to you, our shareholders. Many thanks for your trust and continued support.

Finally, we must also express our gratitude to our customers and consumers. Throughout the world, they show confidence in our company, our brands and innovations.

On behalf of all Henkel employees, we assure you of our commitment to continue creating sustainable value. We want to drive forward the successful development of Henkel now and into the future.

This is our common goal.

Many thanks 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, forecast 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.