ANNUAL REPORT 2022

Henkel

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Note: All individual figures in this report have been commercially rounded. Addition may result in deviations from the totals indicated.

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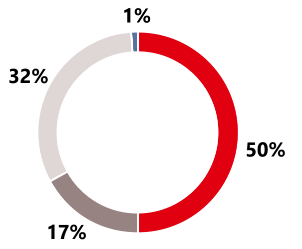
2022 AT A GLANCE

Key financials

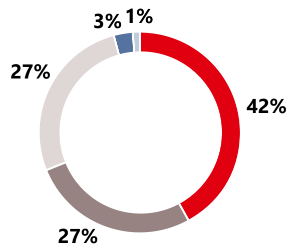
in million euros		2018	2019	2020	2021	2022	+/- 2021–2022
Sales		19,899	20,114	19,250	20,066	**22,397**	11.6%
Operating profit (EBIT)		3,116	2,899	2,019	2,213	**1,810**	-18.2%
Adjusted[2] operating profit (adjusted EBIT)		3,496	3,220	2,579	2,686	**2,319**	-13.7%
Return on sales (EBIT margin)		15.7%	14.4%	10.5%	11.0%	**8.1%**	-2.9pp
Adjusted[2] return on sales (adjusted EBIT margin)		17.6%	16.0%	13.4%	13.4%	**10.4%**	-3.0pp
Net income		2,330	2,103	1,424	1,629	**1,253**	-23.1%
Attributable to non-controlling interests		16	18	16	-5	**-5**	7.8%
Attributable to shareholders of Henkel AG & Co. KGaA		2,314	2,085	1,408	1,634	**1,259**	-23.0%
Earnings per preferred share (EPS)	in euros	5.34	4.81	3.25	3.78	**2.95**	-22.0%
Adjusted[2] earnings per preferred share (adjusted EPS)	in euros	6.01	5.43	4.26	4.56	**3.90**	-14.5%
Return on capital employed (ROCE)		15.5%	13.5%	9.6%	11.0%	**8.2%**	-2.8pp
Dividend per ordinary share	in euros	1.83	1.83	1.83	1.83	**1.83**[3]	–
Dividend per preferred share	in euros	1.85	1.85	1.85	1.85	**1.85**[3]	–

pp = percentage points

Sales by business unit 2022



Sales by region 2022



8.8%
Organic sales growth[1]

10.4%
Adjusted[2] EBIT margin

€ 3.90
Adjusted[2] EPS

-17.8%
Development of adjusted[2] EPS at constant exchange rates

€ 1.85
Dividend per preferred share[3]

[1] Excluding organic sales development in Russia since the beginning of the second quarter 2022 against the background of the announced exit of the business activities there, and excluding the effects from application of IAS 29 for Türkiye.
[2] Adjusted for one-time expenses and income, and for restructuring expenses.
[3] Proposal to shareholders for the Annual General Meeting on April 24, 2023.
[4] Sales and services not assignable to the individual business units.
[5] Eastern Europe, Africa/Middle East, Latin America, Asia (excluding Japan).

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ADHESIVE TECHNOLOGIES

Our top brands

LOCTITE

TECHNOMELT

BONDERITE

Key financials

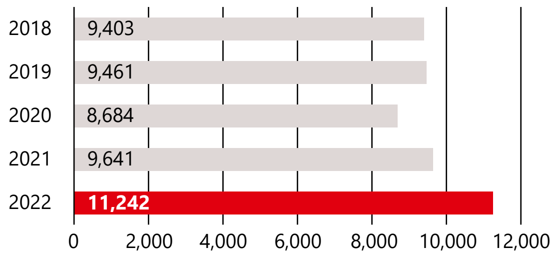
in million euros	2021	2022	+/-
Sales	9,641	**11,242**	16.6%
Proportion of Henkel sales	48%	**50%**	–
Operating profit (EBIT)	1,524	**1,500**	-1.6%
Adjusted[1] operating profit (adjusted EBIT)	1,561	**1,530**	-2.0%
Return on sales (EBIT margin)	15.8%	**13.3%**	-2.5pp
Adjusted[1] return on sales (adjusted EBIT margin)	16.2%	**13.6%**	-2.6pp
Return on capital employed (ROCE)	17.2%	**15.4%**	-1.8pp
Economic Value Added (EVA®)	747	**622**	-16.7%

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
pp = percentage points

Organic sales growth

13.2%

Sales Adhesive Technologies
in million euros



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BEAUTY CARE

Our top brands

Schwarzkopf

Dial

syoss

Key financials

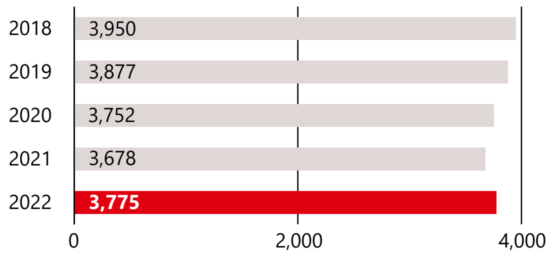
in million euros	2021	2022	+/-
Sales	3,678	**3,775**	2.6%
Proportion of Henkel sales	18%	**17%**	–
Operating profit (EBIT)	77	**3**	-95.5%
Adjusted[1] operating profit (adjusted EBIT)	351	**296**	-15.7%
Return on sales (EBIT margin)	2.1%	**0.1%**	-2.0pp
Adjusted[1] return on sales (adjusted EBIT margin)	9.5%	**7.8%**	-1.7pp
Return on capital employed (ROCE)	1.8%	**0.1%**	-1.7pp
Economic Value Added (EVA®)	-208	**-302**	–

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
pp = percentage points

Organic sales growth

-0.5%

Sales Beauty Care
in million euros



LAUNDRY & HOME CARE

Our top brands

Key financials

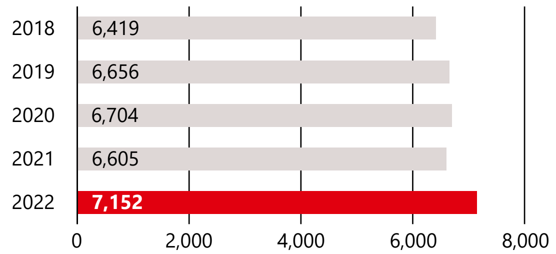
in million euros	2021	2022	+/-
Sales	6,605	**7,152**	8.3%
Proportion of Henkel sales	33%	**32%**	–
Operating profit (EBIT)	797	**455**	-42.9%
Adjusted[1] operating profit (adjusted EBIT)	904	**614**	-32.0%
Return on sales (EBIT margin)	12.1%	**6.4%**	-5.7pp
Adjusted[1] return on sales (adjusted EBIT margin)	13.7%	**8.6%**	-5.1pp
Return on capital employed (ROCE)	11.4%	**6.0%**	-5.5pp
Economic Value Added (EVA®)	326	**-61**	–

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
pp = percentage points

Organic sales growth

6.3%

Sales Laundry & Home Care
in million euros



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"Our purposeful growth agenda, our culture and our global team are the foundation for our successful future."

CARSTEN KNOBEL
CHAIR OF THE MANAGEMENT BOARD

Dear Shareholders and Friends of the Company,

Looking back over more than 25 years at Henkel, 2022 was a year without precedence. All of us remember the morning of February 24, when Russia started its attack on Ukraine. A war that has been raging for over a year now and has cost thousands of lives. Speaking for everyone at Henkel, we condemn Russia's war of aggression. The violation of international laws and the acts of violence against civilians have profoundly shocked us. We hope that the war can be ended, and a lasting peace can be agreed.

In the first days and weeks of the war, our priority was the safety of our around 600 employees and their families in Ukraine. We closed our four sites in Ukraine at once and quickly launched a comprehensive aid package with a volume of around six million euros. This included emergency financial aid for our Henkel colleagues, a donation to the International Red Cross, further financial and product donations, as well as paid leave for volunteers supporting refugees or aid organizations. As a first step, we also took the decision to immediately stop all investments, advertisements, and sponsoring activities in Russia.

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I am deeply touched by the firm solidarity and great engagement of the many Henkel colleagues, particularly in the neighboring countries of Ukraine, who went above and beyond to support those in need. After the COVID-19 pandemic, this was further proof of our strong culture and Henkel spirit. We stand side by side, especially in tough times.

During the first few weeks of the war, we received many questions about the future of our business in Russia, including public criticism for not announcing an immediate exit from the country. Henkel has been present in Russia for more than 30 years and we employed around 2,500 people at 19 sites, including eleven production sites. Given this footprint, we could not simply discontinue or divest our businesses within a short period of time. However, we began immediately a comprehensive evaluation of our potential responses to the Russian aggression toward Ukraine and discussed them extensively with our committees. This led, in mid-April, to the decision to exit entirely from Russia – a decision with significant impact on Henkel and one that most direct competitors in the consumer goods and industry sectors have not taken.

As I write this letter to you, we are in advanced negotiations to divest our business activities in Russia. However, agreeing a clear exit framework and receiving the required regulatory approvals is more complex and takes more time than we originally envisaged. Nevertheless, we stand firm by our decision and are fully committed to executing it.

The ramifications of the war in Ukraine have been far-reaching. Beyond the humanitarian tragedy, it has also had a profound impact on economies and societies. Global economic growth continued at a much slower pace in 2022. At the same time, global inflation amounted to around 8 percent, climbing to its highest level in more than two decades. At Henkel, we faced unprecedented, sharp increases in raw material and energy costs. In total, they amounted to around 2 billion euros in additional cost pressure – the highest cost increase in a year that we have seen so far. In addition, global supply chains were under immense pressure, also affected by the rigid zero-COVID regulations in China. Together, this created an exceptionally volatile and challenging market environment which will also continue to impact our businesses in 2023.

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Laying the foundation for further profitable growth: Henkel Consumer Brands

Despite these highly challenging market conditions, we **continued to consistently execute our strategy for purposeful growth**. Early in 2022, we announced one of the biggest transformations of our company in recent decades: the merger of our two consumer businesses into an integrated business unit, named Henkel Consumer Brands. By bringing all consumer brands across all categories under a single roof, including iconic brands such as Persil or Schwarzkopf and our successful hair salon business, we are creating a multi-category platform for future growth of around 11 billion euros sales in 2022.

Integrating our consumer businesses offers improved opportunities to implement portfolio measures with greater consistency, as well as for targeted acquisitions in both existing and new consumer goods categories. We firmly believe in transforming our consumer businesses for the better before growing them bigger, for example through acquisitions. We are focusing our **portfolio** on strategic core businesses and brands with attractive growth and gross margin potential to drive profitability and generate additional growth dynamics.

In addition to portfolio optimization, we are striving to achieve **synergies**. On the one hand, for higher and more targeted investments in our competitive edge in innovation, sustainability and digitalization, as well as for strong marketing to support our attractive brands. And on the other hand, to strengthen the margin profile of this business unit. In the mid-term, we aim to realize gross savings (before reinvestments) of around 500 million euros. We see significant synergy potential arising from adapted sales and administrative structures, a stronger focus in advertising and marketing, and an optimized supply chain. Implementation will take place in two phases: In the first phase, measures being implemented by the end of 2023 will result in net savings of around 250 million euros on an annual basis from 2024 onwards. As a second step, we are going to optimize the business unit's production and logistics network. We will initiate first measures in 2023 and aim for implementation by the end of 2025.

Moving forward, we are also going to serve our retail and distribution partners with an **integrated approach** across all consumer categories. Leaner structures and faster decision-making processes will enable our team to further develop the entire consumer goods business under one leadership. This merger also provides new **development opportunities** and positions with more responsibility for our employees around the world.

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My colleagues on the Management Board and I are deeply convinced that this merger will lay the foundation for the further profitable growth of our consumer business and our entire company. Every business success essentially comes down to a **strong team.** We have the right strategy and the right team in place. I would like to thank the joint management team at Henkel Consumer Brands under the leadership of my colleague Wolfgang König, and all colleagues, who are building the future of our consumer business day by day.

Delivering robust business performance in a year of unprecedented challenges

In 2022, we achieved an overall robust business performance in a very challenging year, impacted by a highly inflationary environment with significant raw material, logistics and energy price rises, by the war in Ukraine, by major supply chain disruptions, and by the continuing COVID-19 pandemic.

Henkel Group **sales** rose to 22,397 million euros in fiscal 2022. This corresponds to significant **organic sales growth** of 8.8 percent versus 2021, driven by price increases across all business units. In the industrial business, the continued recovery in demand from major customer industries, particularly in the first half of the year, had a positive effect. The hair salon business developed positively across all regions. At the same time, consumer businesses saw a continued normalization of demand and consumer behavior, which had previously been affected by the pandemic.

The effects of significantly higher prices for direct materials and logistics impacted our profitability. Positive price developments and continued measures to reduce costs and increase efficiency in production and the supply chain were not able to fully compensate for this development. **Adjusted[1] operating profit** (adjusted EBIT) decreased by -13.7 percent to 2,319 million euros. **Adjusted[1] return on sales** (adjusted EBIT margin) was at 10.4 percent and thus below the level of the previous year. And **adjusted[1] earnings per preferred share** (adjusted EPS) decreased by -14.5 percent to 3.90 euros, a decline of -17.8 percent at constant exchange rates.

Looking at the performance of our **business units**, Adhesive Technologies increased its sales to 11,242 million euros, reflecting a double-digit organic sales growth of 13.2 percent. We were able to successfully adjust our price level to the significantly higher material prices and thus achieve double-digit price increases in each quarter. Against the backdrop of the drastic rise in input costs, adjusted return on sales amounted to 13.6 percent. Our Beauty Care business unit reached 3,775 million euros in sales and recorded a slight decline of -0.5 percent in organic sales growth. This development was primarily due to the implementation of portfolio measures in the Consumer business area and a market environment that remained challenging. Overall, adjusted return on sales decreased to 7.8 percent. In our Laundry & Home Care business unit, sales grew to 7,152 million euros, driven by price and reflecting very strong organic sales growth of 6.3 percent.

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

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Adjusted return on sales decreased to 8.6 percent. In both consumer businesses, the adjusted EBIT margins were impacted by significantly higher raw material and logistics prices, as well as increased marketing and advertising expenses.

In January 2022, we announced our **share buyback program** with a total value of up to 1 billion euros, reflecting our confidence in the financial strength, future growth, and earnings potential of Henkel. Our **share price** development in 2022 reflects the challenging market environment impacted by the war in Ukraine, a highly inflationary environment with significant increases in raw material, energy and logistics prices, rising interest rates, as well as the ongoing COVID-19 pandemic. At the end of the year, the Henkel preferred share closed at 65.02 euros, a decrease of -8.6 percent compared to the prior year. Assuming reinvestment of dividends (before tax), total shareholder return amounted to -5.8 percent while the DAX registered a decline of -12.3 percent over the same period. Thus, the Henkel share outperformed the DAX.

At the Annual General Meeting on April 24, 2023, we will propose a stable **dividend** of 1.85 euros per preferred share and 1.83 euros per ordinary share to our shareholders. This represents a payout ratio of 46.6 percent and is thus above our target range of 30 to 40 percent of adjusted net income after non-controlling interests.

In 2023, we expect a continued weakening of global economic growth and – based on our current assessment – a continuation of an inflationary global business environment, in particular characterized by anticipated wage increases as well as higher costs for raw materials and energy. In addition, we expect an increased interest rate level.

Based on these assumptions, we expect subdued industrial demand compared to the previous year, as well as weakening growth dynamics in consumer demand in segments which are relevant for Henkel. Our **outlook** is also based on the assumption that we will not be confronted with new pandemic-related closures or disruptions of business activities or production processes across industry and retail. In addition, we expect that our business activities in Russia will be divested by the end of the first quarter in 2023.

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In fiscal 2023, we expect Henkel to generate organic sales growth of 1.0 to 3.0 percent and adjusted return on sales in the range of 10.0 to 12.0 percent. For adjusted earnings per preferred share (EPS) at constant exchange rates, we expect a development in the range of -10.0 to +10.0 percent.

Pursuing purposeful growth – for all our stakeholders

We are shaping our future based on our purpose, our values, and our strategic agenda for purposeful growth. Despite the difficult macroeconomic and geopolitical environment, we continued to consistently implement our strategy in 2022. By shaping a winning portfolio, strengthening our competitive edge, building future-ready operating models, and fostering our company culture.

As part of our **active portfolio management**, we acquired Shiseido's hair salon business in the Asia-Pacific region and thus reinforced our position in this attractive market with its premium hair care, coloring and styling products. At the same time, we discontinued businesses representing around 200 million euros sales in the Beauty Care business unit and divested, for example, our European oral care business. In the Adhesive Technologies business unit, we expanded our expertise in innovative surface technologies and thermal management solutions.

Our new Adhesive Technologies innovation center in Düsseldorf will further strengthen our **competitive edge** and our position as global market leader. With a total investment of more than 130 million euros, it is the new home to around 650 experts who are developing innovative solutions and tomorrow's leading technologies in a modern and attractive workspace with 30 laboratories. Automated processes and robotics increase the pace of innovation and support our teams in finding faster answers to the most important challenges of our customers and partners across industries.

In 2022, we again developed and launched numerous **innovative solutions and products**, addressing important trends and creating value for our customers and consumers. In Adhesive Technologies, our new high-quality sealants for battery housings in electric vehicles protect batteries against moisture, corrosion, and dust, and make them safer. This contributes to enabling sustainable mobility. Another innovation brings us one step closer to a circular economy: Our innovative solvent-free adhesives enable greater sustainability in the packaging industry and promote recyclability at the end of the value chain. As hair technology leader, we introduced a unique hair color innovation, Colour Alchemy, creating never-seen-before color effects on dark hair. Under the Schwarzkopf Professional brand SalonLab&Me, we offer personalized hair care solutions tailored to the individual needs of our consumers. Using cutting-edge technology, consumers receive a product recommendation based on a hair analysis in the salon. This presents a new business opportunity to hairdressers by combining the in-salon and direct-to-consumer experience. In Laundry & Home Care, our laundry detergent brand Perwoll was strengthened by a comprehensive relaunch, and innovative dishwasher

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cleaning gels were introduced under the Somat brand. Our new Persil Power Bars are compact, powerful, and deliver the familiar Persil quality in the form of a pre-dosed bar. Packed in a light and handy carton, they are almost plastic-free and can be transported more sustainably and easily.

In a year marked by war in Europe, a global energy crisis and increasing inflation, it could have been all too easy to lose track of the challenges our planet is facing. But in 2022, the serious consequences of climate change and need for decisive action became more apparent than ever. Building on our existing sustainability strategy, we introduced our **2030+ Sustainability Ambition Framework** with new ambitions and targets for this decade. We aim to pioneer new, sustainable solutions and drive transformation toward a sustainable economy and society. Our three focus areas are protecting and regenerating nature, contributing to strong communities, and serving as a trusted partner to all our stakeholders.

In 2022, we increased the proportion of our electricity purchased from renewable sources to 70 percent, bringing us closer to our goal of a climate-positive CO_2 balance for our production sites by 2030. We have also been working on a more sustainable product portfolio, for example, by increasing the use of renewable and recycled raw materials. Furthermore, we started to purchase ingredients based on renewable materials under the biomass balance approach for consumer goods products manufactured in Europe. Equally important, we collaborated with partners to drive sustainable progress along our value chain. In May 2022, we became one of the first companies in Europe to link our supplier financing program to the sustainability performance of our suppliers, offering reduced financing costs as an incentive for higher sustainability in operations. We also issued another sustainability-linked bond with a volume of 650 million euros which commits us to meeting specific sustainability targets for our packaging design and greenhouse gas emissions by 2025. In the meanwhile, we increased our traceability rate for palm-based raw materials from plantation to mill to 89 percent – a significant step toward transparent supply chains and our goal of full traceability. And finally, our new “Sustainability at Heart” program enabled even more employees to grow their expertise and become engaged in our joint sustainability efforts. As in previous years, numerous independent sustainability ratings confirmed our deep commitment and excellent performance. To learn more about how we are shaping our business responsibly, I invite you to have a look at our Sustainability Report 2022:
www.henkel.com/sustainabilityreport

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Looking at our progress in **digitalization**, we further increased our digital sales across all business units. In our digital unit Henkel dx, we continued to optimize structures, strengthened the development of digital expertise, and further promoted a culture of innovation. We created new business opportunities for Henkel through the acceleration of digital innovations, through our platform strategy and through improved collaboration of all business units and functions. Our digital business platform RAQN enables us to further expand our e-commerce activities, while addressing individual consumer and customer preferences, to accelerate time-to-market and to improve performance marketing based on data analytics. In 2022, we also launched a second 150-million-euro fund for our corporate venture capital activities in the consumer goods business. Henkel dx Ventures partners with startups in co-innovation activities and invests in promising ventures in the two focus areas digital commerce and sustainability.

Tough times are the moments in which you draw confidence and energy from a **strong culture**. Our joint purpose, **Pioneers at heart for the good of generations**, unites, energizes, and guides more than 50,000 colleagues around the world. Its clarity and ambition inspire me personally, day by day. Building on our purpose, we evolved and strengthened our Henkel brand in 2022, including through the global launch and roll-out of our new corporate branding.

Culture requires leadership. At Henkel, our established Leadership Commitments serve as the basis for how we work together as one team or individually. To further embed and deepen the understanding for these commitments, we rolled out new training and development programs for employees, managers, and teams. A comprehensive 360-degree feedback program for senior executives helps us as a leadership team to continue growing and to live up to our Leadership Commitments.

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Creating a strong and collaborative culture is deeply dependent on fostering **diversity**, equity, and inclusion. We are fully convinced that the diversity of our employees, their experiences, perspectives, and the appreciation of all their individual differences are the foundation for our competitive advantage. We are backing this clear commitment to a more diverse, equitable, and inclusive organization with concrete ambitions and actions. For example, we are striving to reach **gender parity** across all management levels by 2025. Today, around 39 percent of our management positions are held by women. And we are fully committed to stepping up our efforts with targeted programs and to leveraging the full potential of our diversity. As we all experienced, the COVID-19 pandemic proved to have a significant impact on the way we work. We are addressing this change with a holistic “Smart Work” concept which provides a global framework for mobile working, for shaping our workplace environment and for employee health initiatives.

On behalf of my colleagues on the Management Board, I would like first of all to thank our employees and management teams for their great dedication, positive mindset, and hard work. 2022 was, without doubt, a truly extraordinary year for all of us. We would also like to express our gratitude to our Shareholders’ Committee and Supervisory Board for their valuable guidance and active support in steering Henkel through this challenging year.

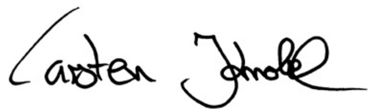
I would like to especially thank my colleagues Bruno Piacenza and Jan-Dirk Auris, who have left the company after decades of dedicated and successful contribution to Henkel. Bruno looks back on more than 30 years with our company and has successfully led our Laundry & Home Care business for almost twelve years. Thanks to his passion for brands, innovation and sustainability, the business recorded a strong development under his leadership. And his active support of the integration process has helped to lay the foundation for the future success of Henkel Consumer Brands under the new leadership of my colleague Wolfgang König.

Jan-Dirk’s exceptional career over more than 35 years at Henkel was built both on his great passion for the Adhesive Technologies business and deep knowledge of its markets and customers. Today, Henkel is the global leader in adhesives, sealants, and functional coatings. The appointment of Mark Dorn as successor will ensure a smooth transition in the leadership of Adhesive Technologies in a challenging environment. I am looking forward to working with Mark Dorn on the Management Board and I am confident that he, together with his leadership team, will leverage the global leading market position of this business unit to further increase its growth and profitability in the coming years.

We would also like to thank all our customers, consumers, and business partners for putting their trust in our company, brands, and technologies, particularly in this challenging and increasingly inflationary market environment. And finally, we want to express our sincere gratitude to you, our shareholders. We highly value your continued confidence in our company and strategic agenda for purposeful growth, especially in times of volatile capital markets.

Over the past three years, we had to face a global pandemic and manage the effects of geopolitical crises. At the same time, we advanced our purposeful growth agenda and made major strategic decisions with far-reaching impact on our future. I am proud to say that we have become much more resilient as an organization. Our purpose and our growth agenda have proven to be a strong foundation for our path forward, providing us with a clear direction. We know what we stand for as a company and where we are heading. We will continue to strive toward our ambitious goal to win the 20s and look forward to having you with us on this journey.

Düsseldorf, February 7, 2023



Carsten Knobel
Chair of the Management Board

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"I am convinced that, with our people, our culture and our strategy for purposeful growth, we will be able to meet the challenges ahead."

DR. SIMONE BAGEL-TRAH
CHAIR OF THE SHAREHOLDERS' COMMITTEE AND THE SUPERVISORY BOARD

Dear Shareholders and Friends of the Company,

The past year was again characterized by a number of extraordinary developments including further problems caused by the coronavirus pandemic, an environment driven by inflation with unusually sharp rises in commodity prices, tense supply chains and, above all, the war in Ukraine that Russia began in February 2022. This war in Europe has brought immeasurable suffering to the people of Ukraine. At the same time, the long-standing general framework governing mutual global trade experienced a fundamental change that exerted a corresponding impact on our supply reliability. In this very challenging environment, Henkel succeeded in delivering a good business performance overall.

On behalf of the Supervisory Board, I would like to thank all employees at Henkel for their dedicated commitment and their contribution to the success of the corporation over the past year. Equally, I am grateful to the members of our Management Board for their rapid and concerted response to this situation and their ability to navigate the corporation through these unusually challenging waters. I am also grateful to our employees' representatives and works councils for their consistently constructive support in growing Henkel. Special thanks are due to all those at Henkel who invested enormous personal time and effort to take care of those Ukrainian colleagues who were directly affected by the impacts of the war of aggression.

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To you, our shareholders, I extend my special thanks for your continued confidence in our corporation, its management and employees, and our brands and technologies over this past year.

Ongoing dialog with the Management Board

We continued to diligently discharge in full our Supervisory Board duties in fiscal 2022 in accordance with the legal statutes, Articles of Association and rules of procedure governing our actions. We consistently monitored the work of the Management Board, advising and supporting it in its stewardship and in the strategic development of the corporation, and discussing with it business matters of major importance. In doing so, we were able to ascertain that the Management Board's performance of its duties was consistently legally and regulatory compliant, fit for purpose, and proper at all times.

The Management Board and Supervisory Board continued to cooperate in 2022 through extensive dialog founded on mutual trust and confidence. The Management Board kept us regularly and extensively informed of all major issues affecting the corporation's business and our Group companies with prompt written and oral reports. Specifically, the Management Board reported on the business situation, operational development, business policy, profitability issues, our short-term and long-term corporate, financial and personnel plans, as well as sustainability, capital expenditures and organizational measures.

We also discussed the risk situation and dealt with compliance and governance issues. Financial reports focused on the sales and earnings figures of the Henkel Group as a whole, with further analysis by business unit and region. Similarly, we regularly discussed the impacts of the war in Ukraine and the actions taken to protect our employees, and our plans to exit our businesses in Russia and Belarus. A further area of focus was the merger of our two business units Beauty Care and Laundry & Home Care into the new business unit under the name Consumer Brands, with regular progress reports and discussions. All members of the Supervisory Board and the Audit Committee consistently had sufficient opportunity to critically review and address the issues raised by each of these reports and associated explanations, and to provide their individual guidance.

Outside of Supervisory Board meetings, the Chair of the Audit Committee and I, as Chair of the Supervisory Board, remained in regular contact with individual members of the Management Board or with the Management Board as a whole, discussing with them issues relating particularly to strategy, business performance, risk management and compliance. This procedure ensured that we were constantly aware of current business developments and significant events. Outside of meetings, we also regularly held confidential talks with the auditor to discuss audit-related topics and other important issues of relevance for the Supervisory Board's work. Major outcomes of these talks were shared with the other members no later than by the next Supervisory Board or committee meeting.

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As Chair of the Supervisory Board, I also held several talks with investors on issues relating specifically to the Supervisory Board and on questions of corporate governance. I reported on these talks in summary form to the Supervisory Board.

There were no indications of conflicts of interest involving Management Board or Supervisory Board members that might have required immediate disclosure to the Supervisory Board and reporting to the Annual General Meeting.

Members of the Supervisory Board take it upon themselves to seek the training needed to perform their duties; these efforts are appropriately supported by the corporation. The corporation again offered information and training events focusing on specific topics in the year under review. They included, for example, a presentation of the regulatory framework for managing and reporting on ESG issues and their significance for the capital market.

Supervisory Board meetings

The Supervisory Board and the Audit Committee held four regular meetings in the reporting year. Some members attended the meetings in person; others took part by video conference. A further extraordinary meeting of the Supervisory Board was held by video conference.

The members of the Management Board participated in the meetings of the Supervisory Board unless it was deemed expedient for the Supervisory Board to discuss individual agenda items without the Management Board being present. Discussions were also possible without the Management Board.

In each of our meetings, we discussed the reports submitted by the Management Board, conferring with it on the development of the corporation and on strategic issues. We also discussed the overall economic situation and Henkel's business performance. After the start of war in Ukraine, we regularly discussed both the associated actions taken to protect our employees and the impacts of the war on Henkel.

At our special meeting on January 28, 2022, we focused on the provisional financial results for 2021 and the outlook for 2022, as well as discussing in depth the merger of the two business units Beauty Care and Laundry & Home Care into the new Consumer Brands business unit. The share buyback program and our mid- and long-term ambitions were also discussed.

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As already discussed in our last Annual Report, our meeting on February 18, 2022 focused on the annual and consolidated financial statements for 2021, including the combined management report for Henkel AG & Co. KGaA and the Group, together with the risk report, corporate governance report and separate combined non-financial statement for Henkel AG & Co. KGaA and the Group, which was issued in the form of our Sustainability Report. We also approved the declaration of compliance for 2022, as well as discussing progress in implementing the strategic framework and looking at the status of individual portfolio measures.

Our meeting on April 4, 2022 focused on the developments surrounding the war in Ukraine, the associated crisis management and the impacts on our business activities. The agenda further included a discussion of various scenarios relating to how to proceed going forward. We also looked at business performance in our business units over the first three months of the fiscal year and at the provisional expectations with regard to future business development, bearing in mind that the anticipated surge in commodity prices and transport costs due to the geopolitical and economic disruptions continues to be a major factor of uncertainty. Further, we discussed additional measures to improve the efficiency of the Supervisory Board and how it works.

In our meeting on September 21, 2022, we focused both on the performance of our business units over the first eight months and on the progress achieved in implementing our strategic priorities in the business units and functions. We analyzed in more depth the progress regarding the merger of the business units Laundry & Home Care and Beauty Care into our new Consumer Brands business unit. We likewise discussed our sustainability targets for 2030 and examined issues relating to the exit of our business activities in Russia and Belarus.

Our meeting on December 9, 2022 focused on the expected results for 2022 and our assets and financial planning for fiscal 2023. We also examined in detail the associated budgets of our business units based on comprehensive documentation. Further areas of focus included the exit of our business activities in Russia and the status of our new business unit Consumer Brands.

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Committees of the Supervisory Board

In order to enable us to efficiently comply with the duties incumbent upon us according to legal statute and our Articles of Association, we have established an Audit Committee and a Nominations Committee. Prof. Dr. Michael Kaschke, who chaired the Audit Committee in the year under review, and Simone Menne both comply with the statutory requirements for Audit Committee membership of impartiality and expertise in the fields of accounting and auditing. For more details on the responsibilities and composition of the committees, please refer to the corporate governance statement (on pages 51 to 85) and the membership lists on page 345 of this Annual Report.

Committee activities

Following the appointment of the external auditor by the 2022 Annual General Meeting, it was mandated by the Audit Committee to audit the annual financial statements and the consolidated financial statements, including the combined management report for Henkel AG & Co. KGaA and the Group, and to review the half-year financial report for fiscal 2022. The audit fee was also established and the key audit matters were discussed. It was agreed that the auditor will notify the Supervisory Board immediately of any findings or incidents discovered or occurring during the audit that are material to the performance of the Supervisory Board's duties. Appropriate procedures for the provision of non-audit-related services as permitted in the relevant EU regulations were specified. The Audit Committee also obtained the necessary validation of auditor independence for the performance of these tasks. The Audit Committee likewise commissioned the external auditor to review the content both of the separate, combined non-financial statement for Henkel AG & Co. KGaA and the Group, which is compiled as a separate non-financial report, and of the remuneration report compiled in accordance with Section 162 of the stock corporation act [AktG]. Both reports will be made available in the public domain through publication on our website.

The four meetings held by the Audit Committee in the year under review were a mixture of personal attendance and video conferences. In the run-up to each meeting, the Chair of the Audit Committee held confidential talks with the auditors regarding the audit findings and any other aspects of audit relevance.

The meetings and resolutions were prepared through the provision of reports and other information by the Management Board. The heads of the relevant Group functions – particularly Corporate Accounting, Legal & Compliance, Treasury and Internal Auditing – also reported on individual agenda items and were available to answer questions. The Chair of the Committee reported promptly and in full to the plenary Supervisory Board on the content and results of each of the committee meetings.

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The company and Group accounts, including the interim financial reports (quarterly statements and half-year financial report) were discussed at all Audit Committee meetings, with all matters arising being duly examined with the Management Board. The auditor was present to discuss the relevant agenda items at the three meetings at which we discussed and approved the interim financial reports; the auditor also reported on the findings of the audit procedures commissioned by the Supervisory Board and the Management Board and on the main issues and occurrences relevant to the work of the Audit Committee. There were no objections raised in response to these reports.

The Audit Committee likewise focused in great detail on the accounting process and the efficacy and further development of the Group-wide internal control and risk management systems. The efficiency of the risk management system was reviewed on the basis of the risk reports of previous years. The report given by the General Counsel & Chief Compliance Officer on material legal disputes and issues relating to compliance within the Group was also discussed, as was the status report submitted by Internal Audit. The audit plan submitted by Internal Audit, focusing on audits of the functional reliability and effectiveness of the internal control system and the compliance organization, was approved. The Audit Committee further discussed treasury risks, their management, and the EMIR mandatory audit pursuant to Section 32 Securities Trading Act [WpHG]. The auditor's provision of non-audit-related services and adherence to the general conditions specified for same were monitored. There were no transactions requiring approval pursuant to Section 111b AktG.

At its meeting on February 27, 2023, attended by the auditor, the Audit Committee discussed the annual and consolidated financial statements, together with the combined management report for Henkel AG & Co. KGaA and the Group, and also the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2022, as well as the respective audit reports and auditor's notes, the associated proposal for appropriation of profit, and the risk report, and prepared the corresponding resolutions for the Supervisory Board. The Audit Committee also discussed the quality of the audit at this meeting. As in previous years, other members of the Supervisory Board took part as guests in this specifically accounting-related meeting of the Audit Committee.

The Nominations Committee met several times and submitted its recommendation for the Supervisory Board's proposal to the 2023 Annual General Meeting for resolution with regard to the planned election of Laurent Martinez, CFO of Alstom S.A., France, as shareholder representative to succeed Prof. Dr. Michael Kaschke, who will be leaving the Supervisory Board at the end of the Annual General Meeting 2023. The Nominations Committee drew up an appropriate requirements profile for potential candidates for this post, bearing in mind the objectives and competencies specified by the Supervisory Board for its own composition, and conducted a structured selection process with the aid of an external consultant.

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Efficiency audit

The Supervisory Board and Audit Committee regularly review the efficiency with which they perform their duties. The efficiency of the activities of the Supervisory Board and Audit Committee and the required impartiality of their members were confirmed in the efficiency audit performed in 2021/2022. Some improvement opportunities were discussed and are in the process of being implemented. The next efficiency audit is scheduled to take place in 2023/2024.

Corporate governance and declaration of compliance

The Supervisory Board again dealt with questions of corporate governance in the reporting year. In our meeting on December 9, 2022, we examined the amendments to the German Corporate Governance Code (GCGC). In particular, we discussed and revised the objectives governing supervisory board composition and approved the supervisory board qualifications matrix proposed by the GCGC. The rules of procedure for the Supervisory Board and Audit Committee were revised and edited to reflect gender neutrality. Details of Henkel's corporate governance can be found in the corporate governance statement (pages 51 to 85 of this Annual Report), with which we fully acquiesce.

At our meeting on February 28, 2023, we discussed and approved the joint declaration of compliance for 2023 to be submitted by the Management Board, Shareholders' Committee and Supervisory Board, as specified in the GCGC. The full wording of the current and previous declarations of compliance can be accessed through the company website. The current declaration of compliance is also reflected in the corporate governance statement.

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Individual meeting attendance

Members' participation in the meetings of the Supervisory Board and the Audit Committee was 98 percent overall. The following table lists the attendance of each Supervisory Board member:

Individual meeting attendance 2022

Supervisory Board member	Supervisory Board and Audit Committee meetings[1]	Attendance	Presence
Dr. Simone Bagel-Trah (Chair)	9	9	100%
Birgit Helten-Kindlein (Vice Chair)	9	8	89%
Michael Baumscheiper	5	5	100%
Jutta Bernicke	5	5	100%
Lutz Bunnenberg	5	5	100%
Benedikt-Richard Freiherr von Herman	5	5	100%
Prof. Dr. Michael Kaschke	9	9	100%
Barbara Kux	5	5	100%
Simone Menne	9	9	100%
Andrea Pichottka	5	5	100%
Philipp Scholz	5	5	100%
Dr. Martina Seiler	5	5	100%
Dirk Thiede	5	5	100%
Edgar Topsch	9	9	100%
Michael Vassiliadis	9	8	89%
Poul Weihrauch (since 4/4/2022)	3	3	100%

[1] Number of meetings of relevance for the respective member, i.e. excluding attendance at the Audit Committee's meeting to discuss the annual financial statements by members of the Supervisory Board who are not members of the Audit Committee.

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Annual and consolidated financial statements/Audit

In its capacity as auditor appointed for 2022 by the Annual General Meeting on April 4, 2022, Pricewater-houseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, examined the annual financial statements prepared by the Management Board, together with the consolidated financial statements, and the consolidated management report, which has been combined with the management report for Henkel AG & Co. KGaA for fiscal 2022. The annual financial statements and the combined management report were prepared in accordance with German statutory provisions. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU, and in accordance with the supplementary German statutory provisions pursuant to Section 315e (1) of the German Commercial Code [HGB]. The consolidated financial statements in their present form exempt us from the requirement to prepare consolidated financial statements in accordance with German law.

PwC conducted its audits in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer, IDW]. Unqualified audit opinions were issued for the annual and the consolidated financial statements, as well as for the combined management report.

Separate non-financial report

PwC also reviewed the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2022 as compiled by the Management Board to ensure its content included the disclosures required by law. The review was based on the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" as published by the International Auditing and Assurance Standards Board (IAASB) for the purpose of obtaining limited assur-ance. Based on its review and the evidence obtained, the auditor is not aware of any circumstances that might prompt it to believe that the disclosures in the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2022 have not been prepared in compliance with all material aspects of commercial law provisions.

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Review of the documentation and proposals for resolution at the Annual General Meeting

The annual financial statements, consolidated financial statements, combined management report, and separate, combined non-financial report for fiscal 2022 were presented in good time to all members of the Supervisory Board, together with the corresponding audit reports and relevant auditor's notes and the recommendations by the Management Board for the appropriation of the profit made by Henkel AG & Co. KGaA. We reviewed these documents and discussed them at our meeting on February 28, 2023 in the presence of the auditor, which reported on its main audit findings. We received and approved the audit reports. The Chair of the Audit Committee provided the plenary session of the Supervisory Board with a detailed account of the treatment of the annual financial statements, the consolidated financial statements, the combined management report and the separate, combined non-financial report at the Audit Committee's meeting on February 27, 2023.

Having received the final results of the review conducted by the Audit Committee and concluded our own examination, we see no reason for objection to the aforementioned documents. We confirm the results of PwC's audits. The assessment by the Management Board of the position of the company and the Group coincides with our own appraisal. At our meeting on February 28, 2023, we concurred with the recommendations of the Audit Committee and therefore approved the annual financial statements, the consolidated financial statements, the combined management report and the separate, combined non-financial report as prepared by the Management Board.

Additionally, we discussed and approved the proposal by the Management Board to pay out of the unappropriated profit of Henkel AG & Co. KGaA a dividend of 1.83 euros per ordinary share and of 1.85 euros per preferred share, and to carry the remainder and the amount attributable to the treasury shares held by the corporation at the time of the Annual General Meeting forward to the following year. This proposal takes into account the financial and earnings position of the corporation, its medium-term financial and investment planning, and the interests of our shareholders.

We also approved our proposals for resolution at the Annual General Meeting at our meeting on February 28, 2023. Following the recommendation of the Audit Committee, the Supervisory Board proposes the engagement of PwC to audit the annual and consolidated financial statements and to review the half-year financial report for fiscal 2023.

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Remuneration report

The remuneration report for fiscal 2022 was prepared jointly by the Management Board and the Supervisory Board. The remuneration report was prepared as specified in Section 162 AktG and approved in the meeting on February 28, 2023.

In addition to its formal audit, PwC also examined the content of the remuneration report with regard to the disclosures required by law; no cause for reservation was found.

Risk management

Risk management issues were examined by both the Audit Committee and the plenary Supervisory Board with emphasis on the risk management system in place at Henkel and any major individual risks of which we needed to be notified; there were no identifiable risks that might jeopardize the continued existence of the corporation as a going concern. During their audit of the annual financial statements 2022, in compliance with Section 317 (4) German Commercial Code [HGB], the auditor examined whether the Management Board had put in place adequate measures as required under Section 91 (2) AktG, particularly with regard to establishing a monitoring system, and whether said monitoring system was suitable in all material respects for identifying at an early stage and with reasonable assurance any developments that might jeopardize the continued existence of the corporation as a going concern. We believe that the risk management system corresponds to the statutory requirements.

Changes in the Supervisory Board and Management Board

A change is due to occur in the Supervisory Board: Prof. Dr. Michael Kaschke, who has been a member of the Supervisory Board since April 2008, will leave the Supervisory Board effective the end of the Annual General Meeting 2023. We thank Prof. Dr. Kaschke for the many years he has served on our Supervisory Board, for his valued counsel and for chairing the Audit Committee. As discussed above, we will be proposing to the Annual General Meeting the election of Laurent Martinez, CFO of Alstom, to succeed Prof. Dr. Kaschke on the Supervisory Board.

The following changes occurred in the Management Board:

As originally announced in January 2022, Bruno Piacenza – Executive Vice President (EVP) responsible for the Laundry & Home Care business unit – resigned from the Management Board by mutual agreement related to the merger of the two business units Laundry & Home Care and Beauty Care into the new business unit, Consumer Brands. He left the Management Board effective September 30, 2022. In addition to managing the Beauty Care business unit, Wolfgang König assumed responsibility up until December 31, 2022, for the management of the Laundry & Home Care business unit; since January 1, 2023, he has been responsible for

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the new business unit Consumer Brands. We thanked Bruno Piacenza for his many years of dedication and commitment, and for all he had achieved for the benefit of our corporation.

Jan-Dirk Auris – who was with Henkel for more than 35 years and had served on the Management Board as EVP responsible for the Adhesive Technologies business unit since January 1, 2011 – left the Management Board by mutual agreement following the joint decision to not renew his contract, which was due to expire at the end of 2023. His appointment to the Management Board ended on December 31, 2022; his employment contract on January 31, 2023. Effective February 1, 2023, Mark Dorn was appointed to the Management Board to take over responsibility for the Adhesive Technologies business unit.

We thanked Jan-Dirk Auris for his many years of successful dedication to the interests of the corporation. He led the enormously successful development of the Adhesive Technologies business unit to become what is now undisputed the global leader in its industry.

We are delighted to welcome Mark Dorn as a new member on the Management Board serving as Executive Vice President responsible for Adhesive Technologies. Mr. Dorn offers extensive experience gained from many years in the international industrial business environment and is very familiar with the Adhesive Technologies business unit, our business areas and activities, and our customers. He also brings to his new role multifaceted expertise gleaned from other leading players in the chemicals sector. We wish Mark Dorn every success in his new role.

We expect the coming year to again pose special challenges. The impacts of the dreadful war in Ukraine, continuing disruptions in global supply chains and weaker economic development will continue to affect our corporation as we progress through 2023. I am, however, convinced that we will overcome these challenges as well, with the help of our motivated and dedicated team of employees around the globe, our strong culture and our clear long-term growth strategy, which we will continue to pursue.

Düsseldorf, February 28, 2023

On behalf of the Supervisory Board

Simone Bagel-Trah

Dr. Simone Bagel-Trah
Chair

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OUR MANAGEMENT BOARD

Carsten Knobel

Chair of the Management Board

Born in Marburg / Lahn, Germany,
on January 11, 1969;
member of the Management Board since 2012,
Chair of the Management Board since 2020.

Marco Swoboda

Executive Vice President
Finance/Purchasing/Global Business Solutions

Born in Velbert, Germany,
on September 23, 1971;
member of the Management Board since 2020.

Sylvie Nicol

Executive Vice President
HR/Infrastructure Services

Born in Paris, France,
on February 28, 1973;
member of the Management Board since 2019.

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Mark Dorn

Executive Vice President
Adhesive Technologies

Born in London, UK,
on January 31, 1973;
member of the Management Board since 2023.

Wolfgang König

Executive Vice President
Consumer Brands

Born in Kassel, Germany,
on May 2, 1972;
member of the Management Board since 2021.

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WHAT DRIVES US

Our purpose expresses what unites everyone at Henkel: Pioneers at heart for the good of generations. Every day, more than 50,000 employees worldwide strive to enrich and improve people's lives with innovative and sustainable products, services and solutions – with our shared values guiding them in their decisions and actions.

OUR **PURPOSE**

Pioneers at heart for the good of generations.

OUR **VISION**

Win the 20s by outperforming the markets through innovative and sustainable solutions.

OUR **VALUES**

We put our **customers** and **consumers** at the center of what we do.

We value, challenge and reward our **people.**

We drive excellent sustainable **financial performance.**

We are committed to leadership in **sustainability.**

We shape our future with a strong entrepreneurial spirit based on our **family business** tradition.

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SHAPING OUR FUTURE

We shape our future on the basis of a long-term strategic framework that builds on our purpose and our values.

With this strategic framework, we want to be successful in the current decade – with a clear focus on purposeful growth. This means, we aim to create superior value for customers and consumers to outgrow our markets, to strengthen our leadership in sustainability, and to enable our employees to grow both professionally and personally at Henkel.

The key elements of our strategic framework are a winning portfolio, clear competitive edge in the areas of innovation, sustainability and digitalization, and future-ready operating models – underpinned by a strong foundation of a collaborative culture and empowered people.

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In a market environment that remained challenging and was characterized, in particular, by the impacts of the war in Ukraine, globally rising inflation, higher interest rates and the ongoing COVID-19 pandemic, which resulted in disruptions to supply chains, Henkel's share performance was negative overall in fiscal 2022. While share prices reached their highest level for the year shortly after the new year commenced, they subsequently trended downward. This was due particularly to severe pressures arising from higher commodity prices and logistics costs, both of which were further exacerbated by the outbreak of war in Ukraine. In this respect, the advance publication at the end of January of the outlook for fiscal 2022 and the downward adjustment of the earnings guidance in April had an adverse effect on the share price development. In a generally weak market, the shares fell to their lowest level for the year in June. In the second half of the year, Henkel's share price started to recover in a positive overall market, despite significant increases in interest rates. This share price recovery was driven partly by a stabilization of price trends on the global commodity markets at a high level and by upgrades of Henkel's sales and earnings guidance for fiscal 2022.

Henkel preferred shares closed the year at 65.02 euros, down -8.6 percent year on year. The ordinary shares closed the year down -12.3 percent at 60.25 euros. Assuming reinvestment of the dividend (before tax deduction) in the shares at the time of payment, the preferred shares generated a total return of -5.8 percent, and the ordinary shares -9.6 percent. Henkel preferred shares therefore outperformed both the DAX and the STOXX® Europe 600, which fell by -12.3 percent and -12.9 percent respectively over the course of the year. Henkel preferred shares traded at an average premium of 3.5 percent over the ordinary shares in 2022. Year on year, the trading volume (Xetra) of preferred shares increased significantly in 2022. Each trading day saw an average of around 664,000 preferred shares changing hands (2021: 465,000). The average trading volume of the ordinary shares decreased slightly year on year to around 139,000 shares (2021: 141,000). The trading volumes of the preferred and ordinary shares were affected in part by the share buyback program announced on January 28, 2022.[1] The market capitalization of the ordinary and preferred shares totaled 27.2 billion euros as of year-end 2022.

[1] Further details of treasury shareholdings and the share buyback program can be found on page 256 in the notes to the consolidated financial statements.

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Key data on Henkel shares 2018 to 2022

in euros		2018	2019	2020	2021	2022
Earnings per share						
Ordinary share		5.32	4.79	3.23	3.76	**2.93**
Preferred share		5.34	4.81	3.25	3.78	**2.95**
Share price at year-end[1]						
Ordinary share		85.75	84.00	78.85	68.70	**60.25**
Preferred share		95.40	92.20	92.30	71.14	**65.02**
High for the year[1]						
Ordinary share		104.70	89.55	87.55	85.80	**76.85**
Preferred share		115.05	97.02	96.02	98.92	**82.34**
Low for the year[1]						
Ordinary share		83.30	76.20	55.00	65.55	**57.05**
Preferred share		93.46	81.78	64.94	69.52	**57.54**
Dividend						
Ordinary share		1.83	1.83	1.83	1.83	**1.83**[2]
Preferred share		1.85	1.85	1.85	1.85	**1.85**[2]
Market capitalization[1,3]	in bn euros	**39.3**	**38.2**	**36.9**	**30.5**	**27.2**
Ordinary shares	in bn euros	22.3	21.8	20.5	17.8	**15.7**
Preferred shares	in bn euros	17.0	16.4	16.4	12.7	**11.6**

[1] Closing share prices, Xetra trading system.
[2] Proposal to shareholders for the Annual General Meeting on April 24, 2023.
[3] Based on the total number of shares outstanding.

Over the last ten years, Henkel preferred shares have earned an average return of 1.9 percent per year (assuming reinvestment of the dividend before tax deduction), which is lower than the average DAX performance of 6.2 percent per year for the same period. Over the past five years, Henkel preferred shares earned an annual return of -8.1 percent compared to the average plus for the DAX of 1.5 percent per year. Shareholders who invested the equivalent of 1,000 euros when Henkel preferred shares were issued in 1985, and reinvested the dividends received (before tax deduction) in the stock, had a portfolio value of 24,448 euros at the end of 2022. This represents an increase in value of 2,445 percent or an average return of 9.0 percent per year. Over the same period, the DAX provided an annual return of 6.9 percent. Henkel shares therefore still represent a good investment for investors with a very long-term horizon.

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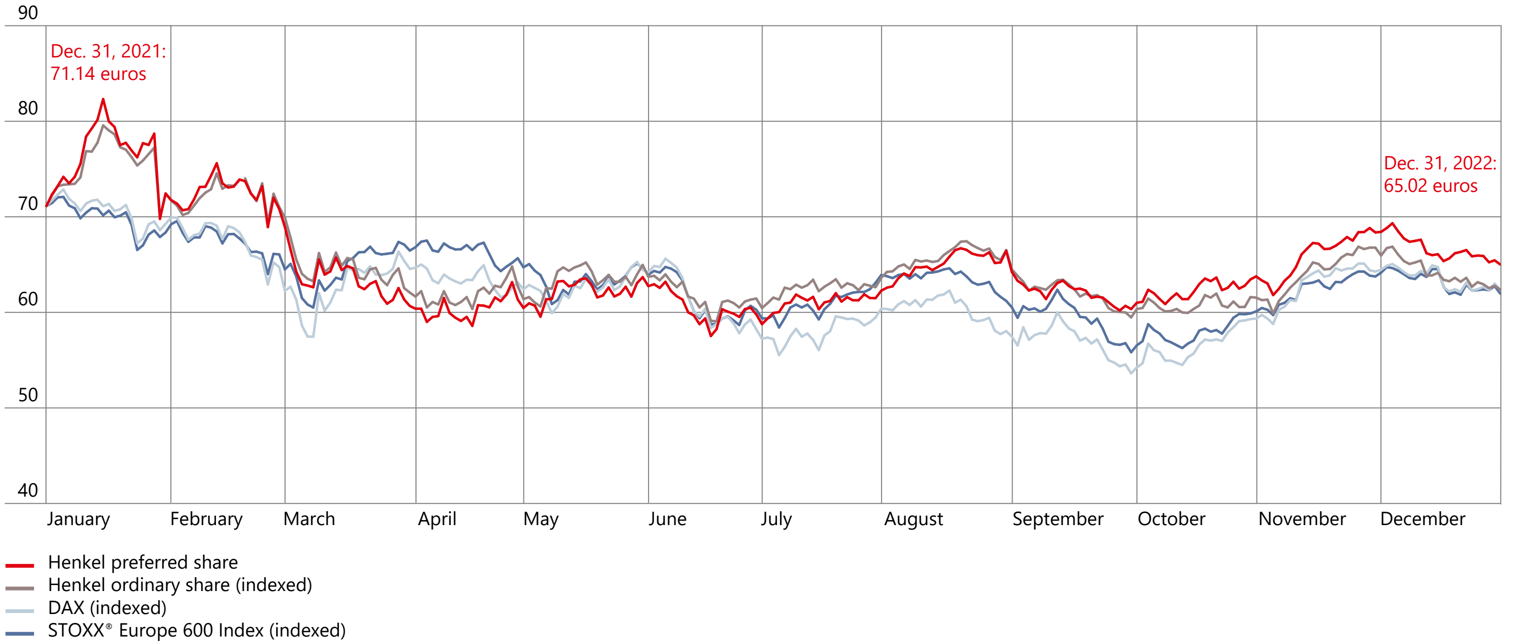
Performance of Henkel shares versus market
January through December 2022
in euros



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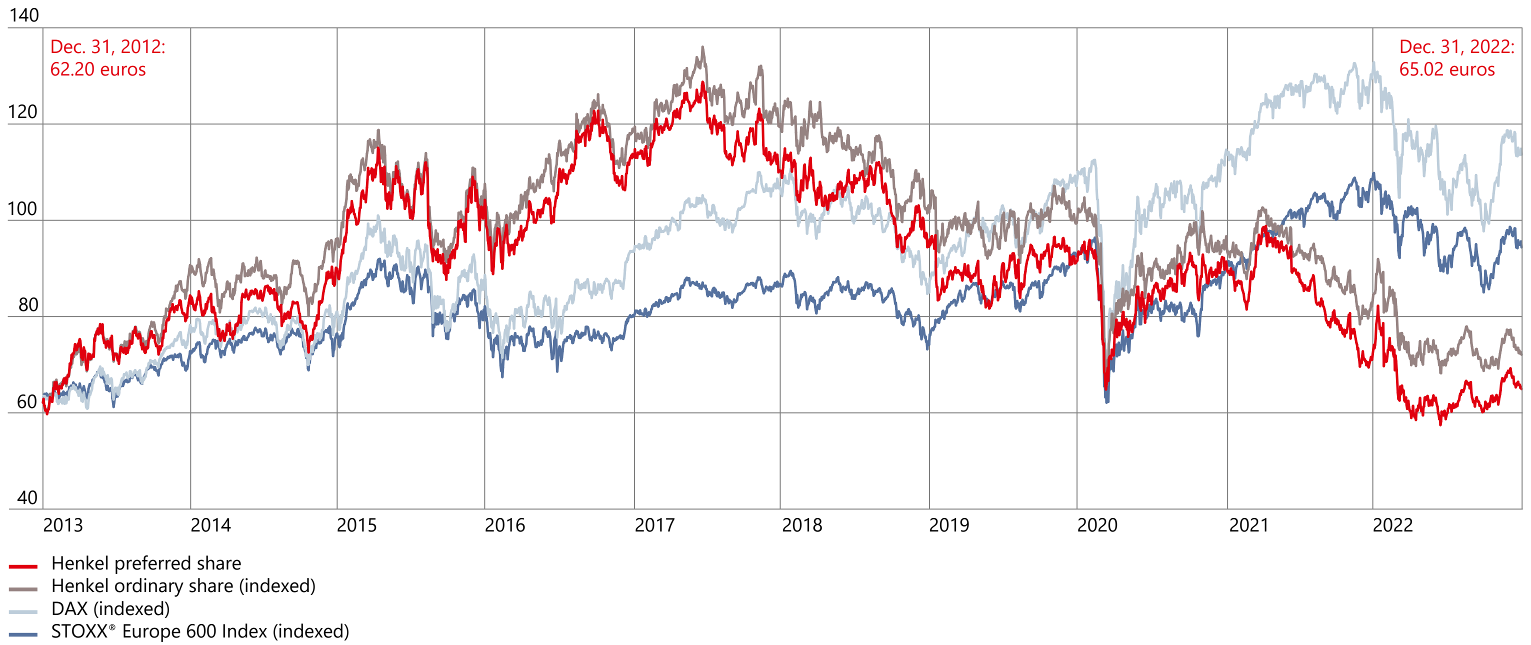
2013 through 2022
in euros



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Henkel represented in all major indices

Henkel shares are traded on the Frankfurt Stock Exchange, predominantly on the Xetra electronic trading platform. Henkel is also listed on all regional stock exchanges in Germany. In the USA, investors are able to invest in Henkel preferred and ordinary shares by way of stock ownership certificates obtained through the Sponsored Level I ADR (American Depositary Receipt) program. One share is equivalent to four ADRs. After attracting greater interest from investors, the number of ADRs outstanding for ordinary and preferred shares increased significantly over the course of the year and had more than doubled by year-end to 38.0 million (2021: 15.8 million).

Share data

	Preferred shares	Ordinary shares
Security code No.	604843	604840
ISIN code	DE0006048432	DE0006048408
Stock exch. symbol	HEN3.ETR	HEN.ETR
Number of shares	178,162,875	259,795,875
Treasury shares[1]	12,954,521	2,913,528

[1] Further details of treasury shareholdings and the share buyback program can be found on page 256 in the notes to the consolidated financial statements.

ADR data

	Preferred shares	Ordinary shares
CUSIP	42550U208	42550U109
ISIN code	US42550U2087	US42550U1097
ADR symbol	HENOY	HENKY
Ratio	1 share : 4 ADRs	1 share : 4 ADRs

The international importance of Henkel preferred shares derives not least from their inclusion in many leading indices that serve as important indicators for capital markets, and as benchmarks for fund managers. Particularly noteworthy in this respect are the STOXX® Europe 600, MSCI World and FTSE World Europe indices. Henkel's inclusion in the Dow Jones Titans 30 Personal & Household Goods Index also makes it one of the most important corporations in the personal and household goods sector worldwide. As a DAX stock, Henkel is one of the 40 most significant exchange-listed companies in Germany.

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At year-end 2022, Henkel ranked 27th in terms of free float-weighted market capitalization of the preferred shares included in the DAX index (2021: 30). The weighting of Henkel preferred shares in the DAX index increased slightly to 0.92 percent (2021: 0.89 percent).

Once again, our advances in sustainable management earned recognition from external experts in 2022. Our performance with respect to non-financial indicators (environmental, social and governance themes) was reflected in regular positive assessments by various national and international rating agencies, from which – among other things – sustainability indices are derived.

Henkel has been represented in the ethics index FTSE4Good since 2001. Our membership in the Solactive Global Corporate Social Responsibility Index and the Solactive Europe Corporate Social Responsibility Index, as well as in the Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indices, was confirmed, as was our membership in the MSCI ACWI ESG Leaders Index. Henkel is, moreover, one of only 50 corporations worldwide to be included in the renowned Global Challenges Index of particularly sustainable companies that make substantial contributions to overcoming major global challenges, such as climate change.

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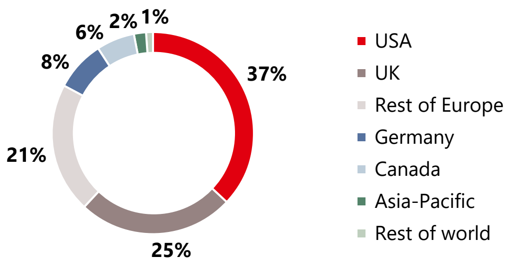
International shareholder structure

Compared to the ordinary shares, our preferred shares are the significantly more liquid class of Henkel stock. Apart from the treasury shares held, which amount to 7.27 percent of the preferred shares (2021: 2.07 percent), they are entirely in free float. A large majority are owned by institutional investors whose portfolios are, in most cases, broadly distributed internationally. As of December 31, 2022, treasury stock amounted to 13.0 million preferred shares. The increase was due to the share buyback program announced on January 28, 2022.[1]

Shareholder structure: Institutional investors holding Henkel shares



At November 30, 2022
Source: Investor Update

[1] Further details of treasury shareholdings and the share buyback program can be found on page 256 in the notes to the consolidated financial statements.

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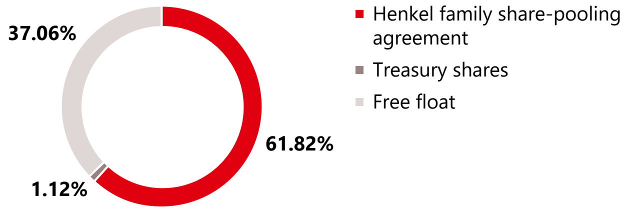
According to notices received by the company, members of the Henkel family share-pooling agreement own a majority of the ordinary shares amounting to 61.82 percent as of April 4, 2022. We have received no other notices indicating that a shareholder holds more than 3 percent of the voting rights (notifiable ownership).

As of December 31, 2022, Henkel held 2.9 million ordinary shares as treasury stock, equivalent to 1.12 percent of all ordinary shares (2021: 0). Here, again, the year-on-year change is due to the share buyback program mentioned above.[1]

Shareholder structure: Ordinary shares



At December 31, 2022
Source: Henkel

[1] Further details of treasury shareholdings and the share buyback program can be found on page 256 in the notes to the consolidated financial statements.

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Employee share plan

Since 2001, Henkel has offered an employee share plan (ESP) enabling its employees to acquire Henkel shares. In 2022 again, Henkel added 33 eurocents for each euro invested by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year). Around 13,000 employees in 59 countries purchased Henkel preferred shares under this plan in 2022. At year-end, some 16,500 employees held a total of around 3 million shares in the ESP securities accounts, representing 1.7 percent of total preferred shares outstanding. The lock-up period for newly acquired ESP shares is three years.

Investing in Henkel shares through long-term participation in our ESP has proven to be beneficial for our employees in the past. Employees who invested 100 euros each month in Henkel shares since the program was first launched held portfolios valued at 66,422 euros at the end of 2022 (assuming reinvestment of the dividends before tax deduction), which equates to a total return of 41,222 euros or 264 percent of the cumulative investment.

Henkel bonds

At the end of fiscal 2022, seven Henkel bonds were outstanding with a total volume of around 2.2 billion euros and maturities ranging between 2023 and 2032.

In September 2022, Henkel issued a further bond for 650 million euros under its Sustainable Finance Framework established in October 2021. This framework enables Henkel to issue two types of bonds on the capital market: bonds tied to sustainability criteria that are linked to the sustainability targets of Henkel, and “green bonds” that only fund selected sustainable projects. The bond issued in September 2022 with a term of five years is tied to the achievement of certain sustainability targets by year-end 2025 relating to the sustainability of our packaging and to the reduction of greenhouse gas emissions. Failure to meet the sustainability targets at the relevant audit points will incur an interest rate premium that raises the cost of funding the outstanding three bonds linked to those criteria. The issuance proceeds will be used for general corporate purposes, including the refunding of maturing bonds.

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With the three bonds tied to sustainability criteria that were outstanding at the end of fiscal 2022, Henkel has expanded the share of its sustainability-linked capital market funding to around two thirds of the total redemption amount in euros. Also linked to sustainability targets is the bond privately placed in July 2020 aligned to the reduction of plastic waste – implemented by Henkel as the world's first ever company to follow this route. The issue consisted of two tranches – 70 million US dollars and 25 million euros – with a term of five years.

Further information can be found on the website: **www.henkel.com/creditor-relations**

Bond data[1]

	2019	2020			2021		2022
Currency	GBP	CHF	USD	EUR	EUR	USD	EUR
Volume	350 million	330 million	70 million	25 million	500 million	250 million	650 million
Sustainability link[2]	–	–	yes	yes	yes	yes	yes
Coupon	1.25% p.a.	0.2725% p.a.	1.042% p.a.	0.12% p.a.	0.50% p.a.	1.75% p.a.	2.625% p.a.
Maturity	9/30/2026	4/28/2023	7/7/2025	7/10/2025	11/17/2032	11/17/2026	09/13/2027
Issue price	99.99%	100%	100%	100%	99.989%	99.692%	99.649%
Issue yield	1.25% p.a.	0.2725% p.a.	1.042% p.a.	0.12% p.a.	0.501% p.a.	1.815% p.a.	2.701% p.a.
Day count convention	Act/Act (ICMA)	30/360	30/360	Act/Act (ICMA)	Act/Act (ICMA)	30/360 (ISMA)	Act/Act (ICMA)
Denomination	100,000 GBP	5,000 CHF	200,000 USD	200,000 EUR	100,000 EUR	200,000 USD	100,000 EUR
Security code No.	A2YN23	A289R9	A289QD	A289X0	A3MQMC	A3MQMB	A30VN3
ISIN	XS2057835808	CH0541537996	XS2198440260	XS2202774969	XS2407955827	XS2407954002	XS2530219349
Listing	Regulated Market of the Luxembourg Stock Exchange	SIX Swiss Exchange Ltd.	not listed	not listed	Regulated Market of the Luxembourg Stock Exchange		

[1] Bonds outstanding as of December 31, 2022.
[2] Including bonds linked to sustainability criteria and "green bonds."

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Intensive capital market communication

An active and open information policy ensuring prompt and continuous communication is a major component of the value-based management approach at Henkel. Hence, shareholders, shareholder associations, participants in the capital market, financial analysts, the media and the public at large are kept informed of the current situation and major business changes relating to the corporation. All stakeholders are treated equally in this respect.

Up-to-date information is incorporated in the regular financial reporting undertaken by the company. The dates of the major publications, and also the dates for the press conference on the preceding fiscal year and the Annual General Meeting, are published together with all relevant information on the internet at **www.henkel.com/ir**. This also serves as the portal for the live broadcast of telephone conferences and parts of the Annual General Meeting (AGM). In 2022 again, the ongoing impacts of the COVID-19 pandemic continued to pose special challenges in respect of capital market communication, which we were nevertheless able to successfully overcome. Thanks to our comprehensive initiative in digitalization, we were able to maintain the same high quality and volume of communication both virtually via digital channels and – as the year progressed – increasingly face to face. For example, we were able to host a Capital Markets Day again, which took place on September 20, 2022 at the newly opened Innovation Center of our Adhesive Technologies business unit in Düsseldorf. The event took place under the banner slogan “Win the 20s through purposeful growth” and was organized for the first time in a hybrid format that enabled participants to gain first-hand detailed insights into the two business units of the future, Adhesive Technologies and Consumer Brands. The presentations during the event were streamed live on our website and are also accessible as recording to a broad audience.

Due to COVID-19 restrictions, our 2022 AGM was held exclusively online, as had also been the case the previous year. Nevertheless, we made sure all shareholders had the opportunity to directly obtain extensive information about the corporation. In particular, shareholders were given the opportunity of submitting questions and contributions in advance, and of submitting follow-up questions during the event.

Shareholders, the media and the public at large are regularly provided with comprehensive information through press releases and information events, while occurrences with the potential to materially affect the price of Henkel shares are communicated in the form of ad hoc announcements. The company’s advancements and targets in relation to the environment, safety, health and social responsibility continue to be published annually in the Sustainability Report.

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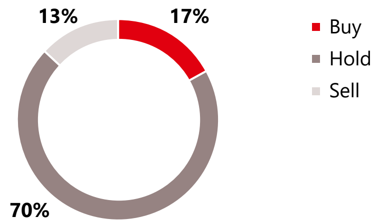
Henkel is covered by numerous financial analysts at an international level. A total of 23 equity analysts regularly publish reports and commentaries on the current performance of the corporation.

Analyst recommendations



At December 31, 2022
Basis: 23 equity analysts

Henkel places great importance on dialog with investors and analysts. At 22 capital market conferences and roadshows – some of them virtual – with participants from Europe, North America and Asia, institutional investors and financial analysts had an opportunity to engage with representatives of the corporation and, in many instances, directly with senior management. In total, we exchanged views with more than 400 different institutional investors and financial analysts around the globe in individual or group meetings as well as telephone and video conferences.

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CORPORATE GOVERNANCE AT HENKEL AG & CO. KGAA

The corporate governance disclosures take into account the relevant recommendations of the German Corporate Governance Code (GCGC) as amended on December 16, 2019 and some of the disclosure-related recommendations of the GCGC as amended on April 28, 2022 (skills profile and qualifications matrix for the Supervisory Board (C.1 sentences 2 and 4); nomination and expertise of members of the Audit Committee (D.3 sentence 3); format and attendance at Supervisory Board meetings (D.7)) and contain the takeover-relevant information required according to Sections 289a, 315a Commercial Code [HGB] and the corporate governance statement per Sections 289f, 315d HGB, together with explanations pertaining to same. These disclosures form part of the combined management report for Henkel AG & Co. KGaA and the Group, which has been audited by the external auditor. It should be noted that Section 317 (2) sentence 6 HGB stipulates that the audit of the disclosures by the external auditor pursuant to Sections 289f (2), 315d HGB is limited to the question as to whether the requisite information has been disclosed.

Takeover-relevant information

(Disclosures required per Sections 289a, 315a HGB, and explanations)

Composition of issued capital/Shareholders' rights

As of December 31, 2022, the issued capital (capital stock) of the corporation was unchanged year on year at 437,958,750 euros. It is divided into a total of 437,958,750 bearer shares (of no par value), with each share representing a nominal proportion of the capital stock of 1 euro. Of this total, 259,795,875 are ordinary shares (total nominal proportion of capital stock: 259,795,875 euros, representing 59.3 percent of the capital stock), and 178,162,875 are preferred shares without voting rights (total nominal proportion of capital stock: 178,162,875 euros, representing 40.7 percent of the capital stock). All shares are fully paid in. Multiple share certificates for shares may be issued. In accordance with Art. 6 (4) of the Articles of Association, there is no right to individual share certificates.

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The rights and obligations of shareholders are governed by the provisions of the Stock Corporation Act [AktG], particularly Sections 12, 53a ff, 118 ff and 186 AktG. Further obligations exist under capital market legislation, such as statutory voting rights notifications as per Sections 33 ff German Securities Trading Act [WpHG].

Each ordinary share grants to its holder one vote at the Annual General Meeting (Art. 21 (1) of the Articles of Association). The preferred shares grant to their holders all shareholder rights apart from the right to vote (Sections 139 (1) and 140 (1) AktG in conjunction with Art. 6 (1) of the Articles of Association). The preferred shares carry the following cumulative preferential right of payment in the distribution of profit (Section 139 (1) AktG in conjunction with Art. 35 (2) of the Articles of Association) unless otherwise resolved by the Annual General Meeting:

- The holders of preferred shares receive a preferred dividend in the amount of 0.04 euros per preferred share. If the profit to be distributed in a fiscal year is insufficient for payment of a preferred dividend of 0.04 euros per preferred share, the arrears are paid without interest from the profit of the following years, with older arrears to be paid in full before more recent arrears and the preferred dividend from the profit of a particular fiscal year paid only after the clearance of all arrears. The holders of ordinary shares then receive a preliminary dividend from the remaining unappropriated profit of 0.02 euros per ordinary share, with the residual amount being distributed to the holders of ordinary and preferred shares in accordance with the proportion of the capital stock attributable to them.
- If the preferred dividend is not paid out either in part or in whole in a year, and the arrears are not paid off in the following year together with the full preferred share dividend for that second year, the holders of preferred shares are accorded voting rights until such arrears are paid (Section 140 (2) AktG). Cancellation or limitation of this preferred dividend requires the consent of the holders of preferred shares (Section 141 (1) AktG).

The shareholders exercise their rights in the Annual General Meeting per the relevant statutory provisions (especially Sections 118 ff, 286 AktG) and the corporation’s Articles of Association (especially Art. 18 ff). In particular, they exercise the right to vote conveyed by the shares with voting rights – either personally, by mail-in (postal) vote, through a legal representative or through a proxyholder nominated by the corporation (Section 134 (3) and (4) AktG in conjunction with Art. 21 (2) and (3) of the Articles of Association) – and are also entitled to submit motions on the resolution proposals of management, speak on agenda items, raise pertinent questions and propose motions (Sections 126 (1) and 131 AktG in conjunction with Art. 23 (2) of the Articles of Association). The ordinary Annual General Meeting usually takes place within the first four months of the fiscal year.

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Shareholders whose combined shares represent one-twentieth of the capital stock – equivalent to 21,897,938 ordinary or preferred shares or a combination of the two – may demand that an Annual General Meeting be convened. Shareholders whose combined share of the capital stock amounts to 500,000 euros or more – equivalent to 500,000 ordinary or preferred shares or a combination of the two – may demand the inclusion of items on the agenda and publication of same (Section 122 (1) and (2) AktG). In addition, shareholders whose combined share of the capital stock amounts to 100,000 euros or more – equivalent to 100,000 ordinary or preferred shares or a combination of the two – may, subject to certain conditions, request that a special auditor be appointed by the court to examine certain matters (Section 142 (2) AktG).

Through the use of electronic communications, particularly the internet, the corporation makes it easy for shareholders to participate in the Annual General Meeting. It also enables them to be represented by proxy-holders appointed by the corporation for exercising their voting rights. The reports, documents and information required by law for the Annual General Meeting, including the financial statements, annual reports and remuneration reports, are made available on the internet, as are the agenda for the Annual General Meeting and any countermotions or nominations for election by shareholders that require publication.

Restrictions with respect to voting rights or the transfer of shares

Generally, preferred shares do not convey any voting rights (Sections 139 (1), 140 (1) AktG; please refer to the remarks above for further details). Voting rights attached to treasury shares held by the corporation (Section 71b AktG) and to ordinary shares for which the statutory notification requirement has not been met (Section 44 sentence 1 Securities Trading Act [WpHG]) may not be exercised. The voting rights attached to ordinary shares are also excluded by law in the cases cited in Section 136 AktG (conflicts of interest concerning ordinary shares held by members of the Management Board, Supervisory Board or Shareholders' Committee).

A share-pooling agreement has been concluded between members of the families of the descendants of company founder Fritz Henkel, pursuant to which the members agree on how to exercise the voting rights conveyed by their relevant ordinary shares in Henkel AG & Co. KGaA and ensure their voting rights are exercised consistently. The agreement also contains restrictions with respect to transfers of the ordinary shares covered (Art. 7 of the Articles of Association).

If employees acquire Henkel preferred shares through the employee share plan (employee shares), they receive a certain number of additional Henkel preferred shares without further payment (bonus shares). These bonus shares are subject to a company-imposed lock-up period of three years, which begins on the first day of the respective participation period, and they may not be sold before expiration of this period. If the relevant employee shares are sold during the lock-up period, the respective bonus shares are forfeited.

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Henkel preferred shares acquired by employees through the Long Term Incentive (LTI) Plan 2020+ are also subject to a company-imposed lock-up period and may not be sold before expiration of the four-year term of each tranche.

Contractual agreements also exist with members of the Management Board governing lock-up periods for Henkel preferred shares which they are required to purchase and hold under the Share Ownership Guideline.

Major shareholders

According to notifications received by the corporation, as of April 4, 2022, a total of 61.82 percent of the voting rights are held by members of the Henkel family share-pooling agreement (for additional information, please see the disclosures provided in the notes to the consolidated financial statements under Note 42 on pages 334 and 335). No other direct or indirect investment in capital stock exceeding 10 percent of the voting rights has been reported to us or is known to us.

Shares with special rights

There are no shares carrying multiple voting rights, preference voting rights, maximum voting rights or other special controlling rights.

Statutory requirements and provisions in the Articles of Association governing the appointment and dismissal of members of the Management Board and amendment of the Articles of Association

Decisions regarding the appointment and dismissal of personally liable partners are taken by the Shareholders' Committee of Henkel AG & Co. KGaA and not by the Annual General Meeting (Art. 26 of the Articles of Association). Henkel Management AG is the sole Personally Liable Partner of the corporation (Art. 8 (1) of the Articles of Association); all its shares are held by Henkel AG & Co. KGaA.

The Supervisory Board of Henkel Management AG is responsible for the appointment and dismissal of members of the Management Board of Henkel Management AG (Management Board). The appointments are for a maximum tenure of five years, although initial appointments tend to be for a period of three years, in accordance with the recommendations of the GCGC. Reappointment or an extension of tenure is permitted for a maximum period of five years in each case (Section 84 (1) AktG). The Supervisory Board of Henkel Management AG may revoke the appointment as member of the Management Board for good cause or reason, which may consist in particular of gross dereliction of management board duties or inability to properly manage the corporation's affairs (Section 84 (4) AktG). The Supervisory Board of Henkel Management AG exercises due discretion when appointing and revoking appointments.

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According to Section 84 (3) AktG, a member of a management board comprised of more than one person is entitled to request the Supervisory Board to revoke their appointment if they are temporarily unable to perform the duties associated with the tenure because they are on maternity or parental leave, need to nurse a relative or are themselves ill. If a member of a management board exercises this right, the Supervisory Board must revoke the appointment

1. but, in the case of maternity leave, at the same time guarantee reinstatement following completion of the protection periods specified in Section 3 (1) and (2) of the Maternity Protection Act [Mutterschutzgesetz],

2. but, in the case of parental leave, the need to nurse a relative, or sickness, at the same time guarantee reinstatement following a period of up to three months, as requested by the Management Board member; the Supervisory Board can refuse to revoke the appointment for good cause.

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board of Henkel Management AG is also responsible for determining the number of members on the Management Board. The Supervisory Board can appoint a member of the Management Board as Chairperson of the Management Board (Section 84 (2) AktG; Art. 7 (1) of the Articles of Association of Henkel Management AG).

If its management board comprises more than three people, a listed company that is subject to the Co-determination Act must appoint at least one woman and at least one man to that executive body (participation requirement pursuant to Section 76 (3a) AktG). This participation requirement is applied accordingly to the Management Board of Henkel Management AG.

Unless otherwise mandated by statute or the Articles of Association, the resolutions of the Annual General Meeting of Henkel AG & Co. KGaA are adopted by simple majority of the votes cast. If a majority of capital is required by statute, resolutions are adopted by simple majority of the voting capital represented (Art. 24 of the Articles of Association). This also applies to changes in the Articles of Association. However, modifications to the object of the corporation require a three-quarters' majority (Section 179 (2) AktG). The Supervisory Board and Shareholders' Committee have the authority to resolve purely formal modifications of and amendments to the Articles of Association (Art. 34 of the Articles of Association). By resolution of the Annual General Meeting, the Supervisory Board is also authorized to amend Art. 5 and 6 of the Articles of Association with respect to each use of the authorized capital and upon expiration of the term of the authorization.

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Authorization of the Management Board to issue or buy back shares

Authorized capital was created by resolution of the Annual General Meeting on June 17, 2020 (Art. 6 (5) of the Articles of Association). Under the new resolution, the Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to increase the capital of the corporation at any time through to June 16, 2025, by up to a nominal amount of 43,795,875 euros in total from the issuance of up to 43,795,875 new non-voting preferred bearer shares for cash consideration (Authorized Capital 2020). The new shares have exactly the same rights as the preferred bearer shares already in circulation in respect of eligibility for the distribution of profits or corporate assets. Existing shareholders must be granted pre-emptive rights. Pursuant to Section 186 (5) sentence 1 AktG, the new shares can be acquired by one or more banks or companies to be nominated by the Personally Liable Partner on condition that they offer them for purchase to the shareholders.

The authorization may be utilized to the full extent allowed or once or several times in installments. The new non-voting preferred shares participate in profit distributions from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Personally Liable Partner may, with the approval of the Shareholders' Committee and of the Supervisory Board and in derogation from Section 60 (2) AktG, determine that the new shares shall participate in profits from the beginning of a fiscal year that has already elapsed and for which, at the time of their issuance, no resolution had yet been passed by the Annual General Meeting on the appropriation of profit.

In addition, pursuant to the resolution adopted by the Annual General Meeting on April 8, 2019, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 7, 2024 up to a maximum proportion of 10 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. Equity derivatives (put and/or call options and/or forward purchases or a combination of same) can also be used for such purchase. The volume of any and all shares purchased using such derivatives must not exceed 5 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. The terms of the derivatives must not exceed 18 months in each case and shall be contracted such that, after April 7, 2024, it will not be possible to acquire treasury shares through exercise of such derivatives.

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This authorization to purchase treasury shares can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests in entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not substantially below the quoted market price at the time of share disposal. Treasury shares may also be offered for purchase or transferred to members of the corporation's staff, or managers and employees of affiliated companies, particularly in connection with share-based payment plans, including the Long Term Incentive (LTI) Plan 2020+. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner is also authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury shares without the need for further resolution by the Annual General Meeting.

Insofar as shares are issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

In February 2022, the corporation announced a program to buy back preferred and ordinary shares with a total value of up to 1 billion euros, to be completed by March 31, 2023 at the latest. Of this total amount, preferred shares are expected to account for a portion of up to 800 million euros and ordinary shares for up to 200 million euros. This share buyback program was launched on February 15, 2022. No more than 12,695,054 preferred shares (approximately 7.13 percent of the preferred shares in circulation representing approximately 2.90 percent of the capital stock) or 3,333,333 ordinary shares (approximately 1.28 percent of the ordinary shares in circulation representing approximately 0.76 percent of the capital stock) may be repurchased.

Concerning the acquisition of treasury shares, the number held and their use, please refer to the disclosures provided in the notes to the consolidated financial statements under Note 10 on pages 254 to 256.

Material agreements governed by a change of control, and compensation agreements in the event of a takeover bid

The corporation has not entered into any material agreements governed by a change of control in the wake of a takeover bid, nor any compensation agreements with members of the Management Board or the staff in the event of a takeover bid.

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Corporate governance statement

(Disclosures required under Sections 289f, 315d HGB, and explanations)

The following statement takes into account the relevant recommendations of the GCGC as issued on December 16, 2019, and contains all disclosures and explanations required according to Sections 289f and 315d HGB (corporate governance statement). It provides information on the essential elements of Henkel's corporate governance structures, relevant corporate governance practices, the composition and working methods of the Management Board, Supervisory Board and Shareholders' Committee, and the objectives to be set and the concepts pursued in the composition of the aforementioned bodies. It should be noted that Section 317 (2) sentence 6 HGB stipulates that the audit of the disclosures by the external auditor pursuant to Sections 289f (2), 315d HGB is limited to the question as to whether the requisite information has been disclosed.

1. GCGC declaration of compliance

The GCGC is substantially aligned to the statutory provisions applicable to a German joint stock corporation ("Aktiengesellschaft" [AG]). It is applied analogously by Henkel AG & Co. KGaA (the corporation) to the extent that its regulations are applicable to the legal form of a "Kommanditgesellschaft auf Aktien." A description is provided below to enable a better understanding of the principles underlying the management and control structure of the corporation and the special features distinguishing us from an AG which derive from our specific legal form and our Articles of Association, with indication also of the primary rights accruing to the shareholders of Henkel AG & Co. KGaA.

Legal form/Special statutory features of Henkel AG & Co. KGaA

Henkel is a "Kommanditgesellschaft auf Aktien" [KGaA]. A KGaA is a company with a legal identity (legal person) in which at least one partner has unlimited liability with respect to the company's creditors (personally liable partner/general partner), while the liability for such debts of the other partners participating in the share-based capital stock is limited to their share capital (limited shareholders, Section 278 (1) AktG).

In terms of its legal structure, a KGaA is a mixture of a joint stock corporation [AG] and a limited partnership [KG], with a leaning toward stock corporation law. The differences with respect to an AG are primarily as follows: The duties of the executive board of an AG are performed at the corporation by Henkel Management AG – acting through its Management Board – as the sole Personally Liable Partner (Sections 278 (2), 283 AktG in conjunction with Art. 11 of the Articles of Association). The corporation is the sole shareholder of Henkel Management AG.

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The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. Specifically, the supervisory board of a KGaA is not authorized to appoint personally liable partners, preside over the partners' contractual arrangements, impose procedural rules on the management board, or rule on business transactions. These duties are performed for the corporation by the Shareholders' Committee and by the Supervisory Board of Henkel Management AG respectively. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany's Codetermination Act of 1976.

The general meeting of a KGaA essentially has the same rights as the shareholders' meeting of an AG. For example, it votes on the appropriation of profit, elects members of the supervisory board (shareholder representatives) and formally approves the supervisory board's actions. It appoints the auditor and also votes on amendments to the articles of association and measures that change the company's capital, which are implemented by the management board. Additionally, as stipulated by the legal form, it also votes on the adoption of the annual financial statements of the company, formally approves the actions of the personally liable partner (general partner), and elects and approves the actions of the members of the shareholders' committee as established under the articles of association. Resolutions passed in general meeting require the approval of the personally liable partner where they involve matters which, in the case of a limited partnership, require the authorization of the general partners and that of the limited partners (Section 285 (2) AktG) or relate to the adoption of annual financial statements (Section 286 (1) AktG).

According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of ten members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). The Shareholders' Committee is required in particular to perform the following functions (Section 278 (2) AktG in conjunction with Sections 114 and 161 HGB, and Art. 8, 9 and 26 of the Articles of Association):

- In particular, the Shareholders' Committee acts in place of the Annual General Meeting in guiding the business activities of the corporation.
- It decides on the appointment and dismissal of the Personally Liable Partners.
- It holds both the power of representation and executive powers over the legal relationships prevailing between the corporation and Henkel Management AG, the Personally Liable Partner.
- It exercises the voting rights of the corporation in the Annual General Meeting of Henkel Management AG, thereby choosing its three-member Supervisory Board which, in turn, appoints and dismisses the members of the Management Board.
- It determines the rules of procedure for Henkel Management AG, as the Personally Liable Partner, and specifies which transactions it must submit to the Shareholders' Committee for approval.

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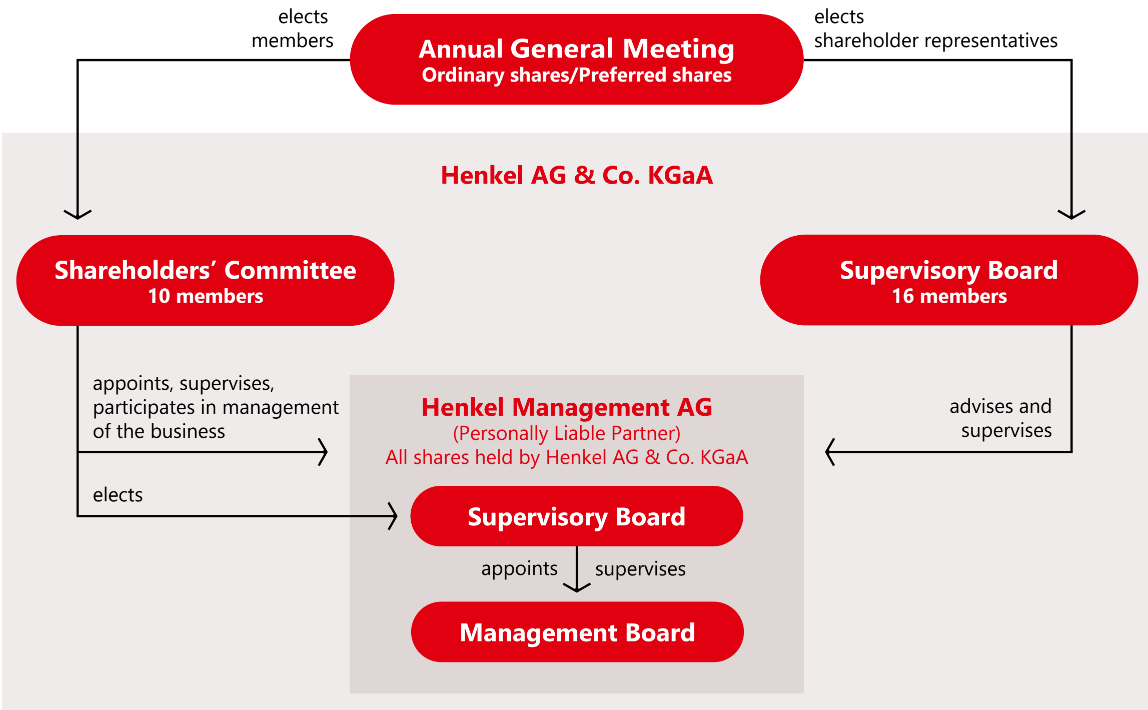
There were no changes in the Group management and supervisory structure in the year under review. The following chart illustrates the structure of the corporation.

Structure of Henkel AG & Co. KGaA



Declaration of compliance per Section 161 AktG

Where the GCGC offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the corporation's Shareholders' Committee or the Supervisory Board of Henkel Management AG in compliance with the Articles of Association, those recommendations have been adopted accordingly for the Shareholders' Committee and the Supervisory Board of Henkel Management AG respectively. Such recommendations by the GCGC relate to the composition of the Management Board, succession

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planning, the length of first terms in office, reappointment and specification of an age limit, definition of a remuneration system and of total remuneration, specification of the amount of variable remuneration to be paid to the Management Board and of the monetary arrangements upon termination of a contract.

In February 2022, the Management Board, Supervisory Board and Shareholders' Committee issued the following declaration, which was published on the corporation's website:

"Declaration for 2022 pursuant to the German Corporate Governance Code

The Management Board of Henkel Management AG as the personally liable partner (general partner), the Shareholders' Committee and the Supervisory Board of Henkel AG & Co. KGaA ("Corporation") declare, pursuant to Section 161 Stock Corporation Act [AktG], that notwithstanding the specific regulations governing companies with the legal form of a German partnership limited by shares ("KGaA") and the pertinent provisions of its Articles of Association ("bylaws") concretizing this legal form, the Corporation has complied with the current recommendations of the German Corporate Governance Code ("Code") as amended on December 16, 2019 ("GCGC") since the last declaration of compliance of February 2021, and presently complies and will comply in the future with the recommendations of the Code subject to certain derogations indicated below:

Modifications due to the legal form of a KGaA and their concretization in the bylaws

- The Corporation is a German partnership limited by shares ("Kommanditgesellschaft auf Aktien" [KGaA]). The tasks and duties of an executive board in a German joint stock corporation ("AG") are assigned to the personally liable partner(s) of a KGaA. The sole personally liable partner of the Corporation is Henkel Management AG, the Management Board ("Management Board") of which is thus responsible for managing the business activities of the Corporation. The corporation is the sole shareholder of Henkel Management AG.
- The Shareholders' Committee established in accordance with the Corporation's bylaws acts in place of the General Meeting of the Corporation, its primary duties being to engage in the management of the Corporation's affairs and to appoint and dismiss personally liable partners; it holds representative authority and the power of management, allowing it to preside over the legal relationships of the Corporation and Henkel Management AG as the latter's personally liable partner. It also issues the rules of procedure governing the actions of Henkel Management AG.

  The Shareholders' Committee is further responsible for exercising the voting rights of the Corporation in the shareholders' meeting of Henkel Management AG. In so doing, it likewise appoints the members of the supervisory board of Henkel Management AG, which in turn appoints the members of the Management Board. The Supervisory Board of Henkel Management AG comprises three members; these are also members of the Shareholders' Committee.

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Recommendations of the Code that refer to the duties and responsibilities of a supervisory board that are performed by the Shareholders' Committee in accordance with the Corporation's bylaws are analogously applied to the Shareholders' Committee.

- The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. In particular, the Supervisory Board of the Corporation has no authority to appoint personally liable partners or to preside over the associated contractual arrangements; it may not issue rules of procedure governing the actions of the Management Board, and it is not permitted to designate business transactions requiring oversight consent. These duties are performed by the Shareholders' Committee or the supervisory board of Henkel Management AG. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany's Codetermination Act of 1976.
- The general meeting of a KGaA essentially has the same rights as the shareholders' meeting of an AG. In addition, it resolves on the adoption of the annual financial statements of the Corporation and formally approves the actions of the personally liable partner(s). At Henkel, the General Meeting also elects the Shareholders' Committee and formally approves its actions. Numerous resolutions passed in the General Meeting require the consent of the personally liable partner, including approval of the annual financial statements of the Corporation.

Recommendations of the Code

Where the Code offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the Corporation's Shareholders' Committee or the supervisory board of Henkel Management AG due to legal form or in compliance with the Articles of Association, those recommendations have been adopted accordingly for the Shareholders' Committee and the supervisory board of Henkel Management AG respectively. Such recommendations contained in the GCGC relate to the composition of the Management Board, succession planning, the length of first terms in office, reappointments and specification of an age limit, definition of a remuneration system and of total remuneration, and specification of the amount of variable remuneration to be paid to the Management Board and of the monetary arrangements upon termination of a contract (Recommendations B.1 to B.5 and G.1 to G.16).

Taking into account the special features arising from its legal form and bylaws, the Corporation complies with all recommendations ("shall" provisions) of the GCGC, with the following exceptions:

- According to Recommendation C.5 GCGC, management board members of listed companies should not accept more than two supervisory board appointments or comparable offices in non-Group listed companies. Nor should they chair a supervisory board of a non-Group listed company. Whether the number of

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mandates held by members of the management board remains appropriate is to be assessed on a case-by-case basis as a more reasonable approach, rather than by means of a rigid upper limit.

- According to Recommendation G.10 GCGC, the amounts corresponding to the variable components of remuneration awarded to the members of the Management Board should be predominantly invested by them in Corporation shares, or be awarded in appropriately share-based form. Long-term variable remuneration awards to Management Board members should be subject to a four-year lock-up period.

  In derogation from this recommendation, the portion of the personal investment in Henkel preferred shares (share deferral) to be made under the Short Term Incentive scheme (STI) in relation to the at-target remuneration (target achievement, functional factor 1) amounts to around 25 percent of the total variable remuneration (comprising the STI and the Long Term Incentive (LTI)) and around 47 percent of the total long-term remuneration (comprising the share deferral and the LTI).

  The lock-up period for the Henkel preferred shares expires in each case on December 31 of the fourth calendar year following the remuneration year. This share deferral ensures that the members of the Management Board accumulate and hold a significant share portfolio during the rolling lock-up period, and that they participate in the long-term performance of the Corporation, whether this be positive or negative. This share portfolio continues to grow due to the fact that shares are sold, if at all, only in exceptional instances once the respective lock-up period has expired.

  The performance measurement period for the LTI is three years. The LTI is paid in cash once the Corporation's annual financial statements for the final year in the performance measurement period have been approved by the General Meeting.

  In keeping with the objectives of the Management Board remuneration policy, this structure of the STI and LTI rewards sustainably profitable growth and thus supports the long-term development of Henkel; and Management Board remuneration is aligned to the interests of the Corporation's shareholders.
- The Corporation derogates from Recommendation G.12 GCGC – according to which, in the event of termination of a Management Board contract, the payment of any outstanding variable remuneration components attributable to the period up to termination of the contract should be in accordance with the originally agreed targets and comparison parameters and in accordance with the due dates or holding periods specified in the contract to the extent that, in the event of premature departure, the STI is calculated on the basis of the budget figures and paid out in the last month. Upon termination and in the event of death, all vesting periods arising from the personal investment in Henkel preferred shares (share deferral) cease to apply. Similarly, in the event of death, claims under the LTI in respect of tranches not yet disbursed are settled on the basis of the budget figures and paid to the heirs.

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Suggestions of the Code
Notwithstanding the aforementioned special features arising from its legal form, the Corporation has adopted the discretionary suggestions of the GCGC.

Düsseldorf, February 2022

Management Board	Shareholders' Committee	Supervisory Board"

The corresponding declarations of compliance together with the reasons for deviations from recommendations are publicly accessible on our website: **www.henkel.com/ir**.

2. Availability of remuneration policy, remuneration report and adoption of remuneration resolution

According to Section 120a (1) AktG, the general meeting of an exchange-listed corporation adopts resolutions approving the remuneration policy for management board members as submitted by the supervisory board whenever the policy is substantially amended, and at least every four years. The Annual General Meeting of Henkel AG & Co. KGaA on April 16, 2021, approved the present remuneration policy for the Management Board per Section 87a (1) AktG by a majority of 98.50 percent. The remuneration policy and the corresponding resolution are publicly accessible on the website: **www.henkel.com/ir**.

The remuneration of the members of the Supervisory Board and of the Shareholders' Committee is governed by Article 17 (Supervisory Board remuneration) and Article 33 (Shareholders' Committee remuneration) of the Articles of Association of Henkel AG & Co. KGaA. According to Section 113 (3) AktG, listed companies must adopt resolutions governing the remuneration of their supervisory boards at least every four years, whereby a resolution simply confirming the status quo is permissible. The Annual General Meeting of Henkel AG & Co. KGaA on April 16, 2021, approved the present rules governing remuneration of the Supervisory Board and the Shareholders' Committee by a majority of 99.96 percent. By resolution adopted by the Annual General Meeting on April 4, 2022, adjustment of the remuneration payable to members of the Supervisory Board's Audit Committee was approved by a majority of 99.98 percent, and Art. 17 of the Articles of Association amended accordingly. The rules and the corresponding resolution are publicly accessible on the website: **www.henkel.com/ir**.

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According to Section 120a (4) AktG, the Annual General Meeting of an exchange-listed corporation must approve the remuneration report for the previous fiscal year, which report must be compiled and audited per Section 162 AktG. The remuneration report for fiscal 2021, which details the remuneration of the corporate bodies of Henkel, is publicly accessible on the website, together with the associated audit opinion: **www.henkel.com/ir**. Likewise, the remuneration report for fiscal 2022 including audit opinion will be made publicly accessible on the website.

3. Disclosures on corporate governance practices

The Management Board, the Shareholders' Committee and the Supervisory Board are committed to ensuring that the management and stewardship of the corporation are conducted in a responsible and transparent manner aligned to achieving a long-term increase in shareholder value. With this in mind, they have pledged allegiance to the following three principles:

- Value creation as the foundation of our management approach
- Sustainability achieved through the application of socially responsible management principles
- Transparency supported by an active and open information policy

The members of the Management Board conduct the corporation's business with the care of a prudent and conscientious business director in accordance with legal requirements, the Articles of Association of Henkel Management AG and the Articles of Association of Henkel AG & Co. KGaA, the rules of procedure governing the actions of the Management Board, the provisions contained in the individual contracts of employment of its members, and also the compliance guidelines and resolutions adopted by and within the Management Board.

Corporate management principles which go beyond the statutory requirements are derived from our purpose, our vision and our values. For our corporation to be successful, it is essential that we share a common approach to entrepreneurship. We have defined a clear strategic framework with a long-term horizon. It guides us in making the right decisions and helps us to concentrate on our strategic priorities and focus resolutely on our ambition for the future.

We want to create value – for our customers and our consumers, for our people, for our shareholders, as well as for the wider society and communities in which we operate.

Our purpose:

- Pioneers at heart for the good of generations.

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Our vision:

- Win the 20s by outperforming the markets through innovative and sustainable solutions.

Our values:

- We put our **customers** and **consumers** at the center of what we do.
- We value, challenge and reward our **people.**
- We drive excellent sustainable **financial performance.**
- We are committed to leadership in **sustainability.**
- We shape our future with a strong entrepreneurial spirit based on our **family business** tradition.

The corporate bodies of Henkel and our employees worldwide are guided by this purpose, this vision, and these values. They reaffirm our ambition to meet the highest ethical standards in everything we do. And they guide our employees in all the day-to-day decisions they make, providing a compass for their conduct and actions.

Henkel is committed to ensuring that all business transactions are conducted in an ethically irreproachable, legal fashion. Consequently, Henkel expects all our employees not only to respect the corporation's internal rules and all relevant laws, but also to avoid conflicts of interest, to protect Henkel's assets and to respect the social values of the countries and cultural environments in which Henkel does business. The Management Board has therefore issued a series of Group-wide codes and standards with precepts that are binding worldwide. These regulatory instruments are not static, but are periodically reviewed and amended as appropriate, evolving in step with the changing legal and commercial conditions that affect Henkel as a globally active corporation. The Code of Conduct supports our employees in ethical and legal issues. The Leadership Commitments define the principles of management conduct. The Code of Corporate Sustainability describes the principles that drive our sustainable, socially responsible approach to business. This code also enables Henkel to meet the commitments derived from the United Nations Global Compact.

Ensuring compliance with laws and regulations is an integral component of our operating models and business processes. Henkel has established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (CCO). The General Counsel & CCO, supported by the Corporate Compliance Office and the interdisciplinary Compliance & Risk Committee, manages and controls compliance-related activities undertaken at the corporate level, coordinates training courses, oversees fulfillment of both internal and external regulations, and takes appropriate action in the event of compliance violations.

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The local and regional compliance officers are responsible for organizing and overseeing the training activities and implementation measures tailored to the specific local and regional requirements. They report to the Corporate Compliance Office. The General Counsel & CCO reports regularly to the Management Board and to the Audit Committee of the Supervisory Board on identified compliance violations.

The issue of compliance is also a permanent item in the target agreements signed by all managerial staff of Henkel. Due to their position, it is particularly incumbent on them to set the right example for their subordinates, to effectively communicate the compliance rules and to ensure through the implementation of suitable organizational measures that these are obeyed.

The procedures to be followed in the event of complaints or suspicion of malpractice also constitute an important element of the compliance policy. Since we place great importance on identifying potential misconduct and taking suitable action to prevent violations, all Henkel employees and stakeholders are required to report possible misconduct. In addition to our internal reporting system and complaint registration channels, a compliance hotline operated by an external service provider is available for the purpose of reporting suspicions of violations – anonymously, if preferred – to the Corporate Compliance Office. The Head of the Corporate Compliance Office is mandated to initiate the necessary follow-up procedures.

Our corporate compliance activities are focused on antitrust law and the fight against corruption. In our Code of Conduct, the corporate guidelines based upon it, and in other publications, the Management Board clearly expresses its rejection of all infringements of the principles of compliance, particularly antitrust violations and corruption. We do not tolerate such violations in any way. For Henkel, bribery, anticompetitive agreements, or any other violations of laws are no way to initiate or conduct business.

A further compliance-relevant area relates to capital market law. Supplementing the legal provisions, internal codes of conduct have been put in place to regulate the treatment of issues and information that have the potential to materially affect share prices. The corporation has an Ad Hoc Committee comprised of representatives from various departments. In order to ensure that potential insider information is handled as required by law, this Committee reviews occurrences for their possible effect on share prices, determining the need to issue reports to the capital markets on an ad hoc basis. The ultimate authority to decide how to handle potential insider information lies with the Management Board. There are also rules that go beyond the legal requirements, governing the behavior of the members of the Management Board, the Supervisory Board and the Shareholders’ Committee, and also employees of the corporation who, due to their function or involvement in projects, have access to potential insider information.

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4. How the Management Board, Supervisory Board and Shareholders' Committee work; how their committees are composed and work

Management Board

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board of Henkel Management AG is also responsible for determining the number of members on the Management Board; it can appoint a member of the Management Board as Chairperson. As of December 31, 2022, the Management Board had five members.

The members of the Management Board are segregated from both the Supervisory Board and the Shareholders' Committee of Henkel AG & Co. KGaA and from the Supervisory Board of Henkel Management AG; no member of the Management Board may also sit on either of the aforementioned Supervisory Boards nor the Shareholders' Committee.

As the executive body of the Group, the Management Board is bound to uphold the interests of the corporation and is responsible for ensuring a sustainable increase in shareholder value. The members of the Management Board are responsible for managing Henkel's business operations in their entirety. The individual Management Board members are assigned, in accordance with a business distribution plan, areas of competence for which they bear lead responsibility. The members of the Management Board cooperate closely as colleagues, informing one another of all major occurrences within their areas of competence and conferring on all actions that may affect several such areas. Actions and business transactions that are of fundamental relevance for the corporation or pose an unusual risk must be agreed upon in advance by the entire Management Board. The same applies for matters for which one member of the Management Board requires a decision by the entire Management Board. The Chair of the Management Board is responsible for coordinating all areas of Management Board responsibility. Further details relating to cooperation and the division of operational responsibilities within the Management Board are regulated by the rules of procedure issued by the Supervisory Board of Henkel Management AG.

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It is the duty of the Management Board to prepare the annual financial statements of Henkel AG & Co. KGaA, the consolidated financial statements and combined management reports for Henkel AG & Co. KGaA and the Group, the non-financial statements and the half-year financial reports and quarterly statements. Together with the Supervisory Board of Henkel AG & Co. KGaA, it compiles the annual remuneration report per Section 162 AktG.

The Management Board is responsible for management of the overall business including planning, coordination, allocation of resources, and control/risk management. It must also ensure compliance with legal provisions, regulatory requirements and internal company guidelines, and take steps to ensure that Group companies also observe them. To this end, the Management Board has put a comprehensive compliance management system in place that also offers employees and third parties the option of reporting suspicions of relevant violations in the corporation without fear of retribution. From its examination of the internal control and risk management system and the reporting of the Internal Audit department, the Management Board is not aware of any circumstances that undermine the appropriateness and effectiveness of these systems.

The Management Board adopts its resolutions in meetings held at regular intervals or by written procedure. Decisions by the Management Board are taken on the basis of detailed information and analysis submitted by the business units and central functions and – to the extent deemed necessary – by external consultants. Wherever possible, Management Board resolutions are adopted unanimously. In the absence of a unanimous vote, the majority decides; in the event of a tie, the Chair of the Management Board has the casting vote. If outvoted, the Chair has a veto right. Exercising the veto right prompts renewed debate of the resolution by the Management Board. If the veto right is exercised again in response to the proposed adoption of a resolution, the matter is forwarded to the Shareholders' Committee for a final decision. Any member of the Management Board can appeal to the Shareholders' Committee in respect of a matter affecting the corporation in which they were outvoted.

Supervisory Board

Composition, duties

The corporation's Supervisory Board is composed of equal numbers of shareholder and employee representatives as specified in the 1976 Codetermination Act [MitbestG], and is made up of 16 members (Section 7 (1) sentence 2 MitbestG in conjunction with Art. 12 (1) of the Articles of Association). The eight shareholder representatives are elected by the Annual General Meeting and the eight employee representatives by the workforce in keeping with the 1976 Codetermination Act and the relevant voting procedures. All members of the Supervisory Board are bound in equal measure to protect the interests of the corporation. Members

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are appointed for five-year terms unless otherwise specified at election. At the last election of the shareholder representatives by the Annual General Meeting 2020, their term of office was set at four years.

It is the responsibility of the Supervisory Board to advise and supervise the Management Board in the performance of its business management duties. At regular intervals, the Supervisory Board discusses with the Management Board business policy, business performance and planning, the risk situation, risk management and the internal control system, as well as issues relating to compliance. It reviews the annual financial statements of Henkel AG & Co. KGaA and the Group's consolidated financial statements together with the associated combined management reports and the non-financial statement, taking into account the reviews and audit reports submitted by the auditor. It also votes on the proposal of the Management Board regarding the appropriation of profit and submits to the Annual General Meeting a proposal for the appointment of the external auditor, based on the recommendation submitted by the Audit Committee. The Supervisory Board also compiles jointly with the Management Board the annual remuneration report in accordance with Section 162 AktG. Approving the annual financial statements is not the Supervisory Board's duty, but rather the responsibility of the Annual General Meeting.

As a general rule, the Supervisory Board meets four times per year. If deemed necessary, the Management Board does not participate in such meetings. The Supervisory Board reaches its decisions by a simple majority of the votes cast. In the event of a tie, the Chair has the casting vote. The Supervisory Board has established an Audit Committee and a Nominations Committee.

The Audit Committee shall comprise three Supervisory Board members elected on the basis of names proposed by the Supervisory Board's shareholder representatives, and three Supervisory Board members elected on the basis of names proposed by the Supervisory Board's employee representatives. The Chair of the Audit Committee is elected based on a proposal of the shareholder representative members. As of December 31, 2022, the following were members of the Audit Committee: Prof. Dr. Michael Kaschke (Chair), Simone Menne (Vice Chair) and Dr. Simone Bagel-Trah as shareholder representatives, and Birgit Helten-Kindlein, Edgar Topsch and Michael Vassiliadis as employee representatives. It is a statutory requirement that the Audit Committee includes at least one member with expertise in the field of accounting and at least one further member with expertise in the field of auditing; all members must be familiar with the sector in which the corporation operates (Section 100 (5) and Section 107 (4) AktG). According to D.3 GCGC, the Chair of the Audit Committee should be knowledgeable in at least one of the two fields. Henkel's Audit Committee meets these requirements. Among the shareholder representatives, Prof. Dr. Michael Kaschke, current Chair of the Audit Committee, and Simone Menne have both spent many years working on management boards, as chief

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financial officers and being involved in audit committees, and have gained a thorough understanding of and expertise in the fields of accounting and auditing.

The shareholder representatives believe that Prof. Dr. Kaschke, who is/was neither Chair of the Supervisory Board nor a former member of the Management Board, and Dr. Bagel-Trah, are independent from the corporation and the Management Board per Recommendation C.7 GCGC, despite being members of the Supervisory Board for more than twelve years. Pursuant to Recommendation C.10 GCGC, Prof. Dr. Kaschke is, moreover, not dependent on the controlling shareholder in that he is not nor ever was a party to the Henkel family share-pooling agreement. Likewise pursuant to the aforementioned Recommendation, Simone Menne is also independent from the corporation, the Management Board and the controlling shareholder.

As a general rule, the Audit Committee meets four times per year. It prepares the proceedings and resolutions of the Supervisory Board relating to the adoption of the annual financial statements and the consolidated financial statements, the combined management report, the review of the non-financial statement and also the auditor appointment proposal to be made to the Annual General Meeting. It issues audit mandates to the auditor following the latter's appointment by the Annual General Meeting and defines the focal areas of the audit, as well as deciding on the fee for the audit and other advisory services provided by the auditor. The Audit Committee specifies a cap on the provision of other advisory services, i.e. non-audit-related services as permitted in the relevant EU regulations, and oversees adherence to same. It also monitors the independence and qualifications of the auditor, requiring the latter to submit a declaration of independence, which it then evaluates. Furthermore, the Audit Committee monitors the accounts and the accounting process and assesses the effectiveness of the internal control system, the risk management system and the internal auditing and review system. It is likewise involved in issues relating to compliance and audit quality. The heads of Group functions – particularly Legal & Compliance, Treasury and Internal Auditing – report regularly to the Audit Committee. Prior to the respective publication dates, it discusses the quarterly statements and the financial report for the half year with the Management Board in a meeting that is also attended by the external auditor, and discusses the corresponding auditor's reports. The Audit Committee also monitors the internal procedure for assessing whether transactions with related parties are conducted correctly and at arm's length, and adopts resolutions in place of the Supervisory Board governing the approval of transactions with related parties as defined in Sections 111a to 111c AktG. In the year under review, no transactions were conducted with related parties that would have required approval or disclosure per Section 111c AktG.

The Nominations Committee comprises the Chair of the Supervisory Board and two further shareholder representatives elected by the Supervisory Board based on nominations of the shareholders' representatives. The Chair of the Supervisory Board is also Chair of the Nominations Committee. The Nominations Committee

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prepares the resolutions of the Supervisory Board on election proposals by the Supervisory Board to be presented to the Annual General Meeting for the election of shareholder representatives. In the process, it considers not just the requisite knowledge, skills and professional experience of the proposed candidates, but also the Supervisory Board's defined objectives and agreed diversity strategy for its composition. As of December 31, 2022, the following were members of the Nominations Committee: Dr. Simone Bagel-Trah (Chair), Benedikt-Richard Freiherr von Herman (Vice Chair) and Barbara Kux.

Shareholders' Committee

Composition, duties

According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of ten members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). Members are appointed for five-year terms unless otherwise specified at election. At the last election by the Annual General Meeting of 2020, the term of office was set at four years. The Shareholders' Committee comprised ten members in the year under review.

The Shareholders' Committee performs the tasks assigned to it by the Annual General Meeting or according to the Articles of Association. In particular, the Shareholders' Committee acts in place of the Annual General Meeting in guiding the business activities of the corporation. It is involved in defining corporate policies, objectives and long-term planning activities, and monitors and regularly advises Henkel Management AG and its Management Board on the management of the corporation. The Shareholders' Committee takes part in important business decisions, offers suggestions with regard to the further development of the corporation, and monitors adherence to budgets.

In addition, it governs the appointment and dismissal of personally liable partners and holds both executive powers and the power of representation over the legal relationships prevailing between the corporation and Henkel Management AG as the Personally Liable Partner. The Shareholders' Committee is likewise responsible for exercising the company's voting rights at Annual General Meetings of Henkel Management AG. In doing so, it also appoints members to the Supervisory Board of Henkel Management AG and is thus closely involved in the appointment and remuneration of members of the Management Board. The Shareholders' Committee has, moreover, determined rules of procedure for Henkel Management AG that specify which transactions are subject to its approval.

As a general rule, the Shareholders' Committee meets six times per year. If deemed necessary, the Management Board does not participate in such meetings. It also holds a joint conference with the Management Board lasting several days. The Shareholders' Committee reaches its decisions by a simple majority of the

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votes cast. It has established Finance and Personnel committees that likewise meet six times per year, as a rule. Each committee comprises five of the members of the Shareholders' Committee.

The Finance Committee deals primarily with financial matters, questions of financial strategy, financial position and structure, taxation and accounting policy, as well as risk management within the corporation. It also performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. As of December 31, 2022, the following were members of the Finance Committee: Konstantin von Unger (Chair), Dr. Christoph Kneip (Vice Chair), Dr. Paul Achleitner, Dr. Kaspar von Braun and James Rowan.

The Personnel Committee deals primarily with personnel matters relating to members of the Management Board, with issues pertaining to human resources strategy, and with remuneration. It performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. It also addresses issues concerned with succession planning and management potential within the individual business units, taking into account relevant diversity aspects. As of December 31, 2022, the following were members of the Personnel Committee: Dr. Simone Bagel-Trah (Chair), Johann-Christoph Frey (Vice Chair), Alexander Birken, Dr. Dr. Norbert Reithofer and Jean-François van Boxmeer.

Conflicts of interest

Conflicts of interest must be disclosed in an appropriate manner to the Supervisory Board or Shareholders' Committee, particularly those that may arise as the result of a consultancy or committee function performed in the service of customers, suppliers, lenders or other business partners. Members encountering material conflicts of interest that are not of a merely temporary nature are required to resign their mandate.

No consulting or other service or works agreements existed between members of the Supervisory Board or Shareholders' Committee on the one side, and the company on the other.

Some members of the Supervisory Board and of the Shareholders' Committee are or were in past years holders of senior managerial positions in other companies. If and when Henkel pursues business activities with these companies, the same arm's length principles apply as those adopted in transactions with and between unrelated third parties. In our view, such transactions do not affect the impartiality of the members in question.

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Onboarding
In an onboarding procedure, newly elected members of the Supervisory Board and Shareholders' Committee are familiarized with our corporate values, applicable codes and standards, the basic organizational structure and strategy of the corporation together with the main corresponding initiatives, the corporation's operational performance and other current issues of relevance, and members' rights and obligations, taking into account the special features arising from our legal form and Articles of Association. Further, members take it upon themselves to seek the training needed to perform their duties – for example in the event of changes in legal frameworks. These efforts are appropriately supported by the corporation. If the need arises, in-house information events provide specific upskilling.

Interaction between Management Board, Supervisory Board and Shareholders' Committee
The Management Board, Supervisory Board and Shareholders' Committee work in close cooperation for the benefit of the corporation.

The Management Board agrees the strategic direction of the corporation with the Shareholders' Committee and discusses with it the status of strategy implementation at regular intervals.

In keeping with the precepts of good corporate governance, the Management Board informs the Supervisory Board and the Shareholders' Committee regularly, and in a timely and comprehensive fashion, of all relevant issues concerning business policy, corporate planning, profitability, the business development of the corporation and major affiliated companies, and also matters relating to risk exposure, risk management, and compliance. It also discusses the status of strategy implementation.

During their tenure, members of the Management Board are subject to a comprehensive ban on competition. They are obligated to act in the interests of the corporation and must not be guided by personal interest when making decisions. In particular, they must not make personal use of business opportunities owing to the corporation. Any ancillary professional activities – particularly supervisory board mandates outside the Henkel Group – may only be accepted with the prior approval of the Supervisory Board of Henkel Management AG. The Supervisory Board of Henkel Management AG decides whether and to what extent any compensation for ancillary activities is to be offset. All members of the Management Board must immediately notify the Chair of the Supervisory Board of Henkel Management AG and their Management Board colleagues of any conflicts of interest.

For transactions of fundamental significance, the Shareholders' Committee has established a right of veto in the procedural rules governing the actions of Henkel Management AG in its function as sole Personally Liable Partner (Art. 26 of the Articles of Association). This covers, in particular, decisions or measures that materially

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change the net assets, financial position or results of operations of the corporation. The Management Board complies with these rights of consent of the Shareholders' Committee and also duly submits to the decision authority of the corporation's Annual General Meeting.

Our vision and values, Code of Conduct, Code of Corporate Sustainability and other codes and policies governing our stewardship of the corporation are publicly accessible on our website **www.henkel.com**.

Activities of the Supervisory Board and Shareholders' Committee in the year under review

The activities of the Supervisory Board and its committees are described in the Report of the Supervisory Board to the Annual General Meeting.

The Shareholders' Committee continued to discharge its duties diligently in fiscal 2022 in accordance with the legal statutes and Articles of Association. In compliance with the Articles of Association, the Shareholders' Committee engaged in the management of the corporation and carefully and regularly monitored the work of the Management Board, advising and supporting it in its stewardship and in the strategic development of the corporation. It also discussed and ruled on those transactions that required its approval.

Six scheduled meetings took place in the year under review, together with a conference with the Management Board of several days' duration. Likewise, the Personnel and Finance Committees each met six times. Some members attended the meetings; others took part by video conference. In addition, five extraordinary meetings were held, three of which as a mixture of personal attendance and video conferences, and two as video conferences. The election of a new Vice Chair necessitated by changes in the Shareholders' Committee and the appointment of members to the Committees following the Annual General Meeting 2022 were implemented by written procedure.

Participation in the meetings of the Shareholders' Committee and its subcommittees was 95.9 percent. For details of individual members' attendance at meetings, please refer to the remuneration report.

At all ordinary meetings, the reports submitted by the Management Board were discussed, and the general development of the corporation, the status of acquisitions and divestments, and other matters of strategic importance were analyzed together with the Management Board. The overall economic situation and Henkel's business performance were also discussed. Since the war in Ukraine started, a situational report in each case detailed the measures implemented to protect our employees in Ukraine and the impacts of the war on Henkel. Areas of particular focus included the new strategic alignment of the corporation and its implementation status – particularly the merger of the business units Laundry & Home Care and Beauty Care into the new business unit, Consumer Brands, and the respective progress updates – together with the strategic directions of the business units, financial reporting, overall performance by the business units and in the

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regions, options for advancing business unit development, capital expenditures and innovations, the sustainability strategy of the Group and business units, and the short- and mid-term plans of both the Group and the individual business units.

The extraordinary meetings examined both issues relating to planning and the outlook for the current year, and in particular the implications of the war in Ukraine and how Henkel intended to proceed.

Business transactions requiring the approval of the Shareholders' Committee were discussed in detail together with the Management Board and appropriate resolutions adopted, some of which required preliminary consultation with the relevant committees. The issues involved focused mainly on strategy and financial planning, major capital expenditures, acquisitions and divestments, fundamental HR issues and Henkel's funding and financing strategy. The Shareholders' Committee and the Personnel Committee also submitted appropriate recommendations with regard to Management Board matters to the Supervisory Board of Henkel Management AG.

Efficiency audit

In adoption of Recommendation D.12 GCGC, the Supervisory Board and the Shareholders' Committee hold an internal review every two years to determine the efficiency with which they and their committees carry out their duties. The efficiency of the activities of the Supervisory Board and Shareholders' Committee and their respective committees, and the required impartiality of their members, were confirmed in the efficiency audit performed in 2021/2022. Improvement opportunities were discussed. The next efficiency audit is scheduled to take place in 2023/2024.

Supervisory Board of Henkel Management AG

The corporation holds all shares in Henkel Management AG. The voting rights to which the corporation is entitled at the general meetings of Henkel Management AG are exercised by the Shareholders' Committee, which therefore also elects the members of the Supervisory Board of Henkel Management AG. Members are appointed for five-year terms unless otherwise specified at election. At the last election by the Annual General Meeting 2020, the term of office was set at four years.

The Supervisory Board of Henkel Management AG consists of three members who are also members of the Shareholders' Committee. At December 31, 2022, the following were members of the Supervisory Board: Dr. Simone Bagel-Trah (Chair), Johann-Christoph Frey (Vice Chair) and Dr. Dr. Norbert Reithofer. Electing certain members to both corporate bodies ensures that the Shareholders' Committee not only appoints Henkel Management AG as the Personally Liable Partner, but also (through the members of the Supervisory Board of Henkel Management AG) appoints its Management Board and therefore the individuals who are

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responsible for managing the corporation. Effective control of management – i.e. of the Management Board of Henkel Management AG – is therefore also assured:

- The Supervisory Board of Henkel Management AG can oversee and monitor the Management Board in accordance with laws governing joint stock corporations.
- Henkel Management AG as the Personally Liable Partner and therefore (also) its Management Board can also be overseen and monitored
  - by the Shareholders' Committee which, in doing so, exercises the powers of the corporation's shareholders, and
  - by the Supervisory Board at KGaA level in accordance with laws governing joint stock corporations.

Members of the corporate bodies

Details of the composition of the corporate bodies of Henkel and its committees, of the other offices held by the members of the corporate bodies that are subject to mandatory disclosure under Section 285 No. 10 HGB and of the tenures on said corporate bodies can be found in the presentation on pages 343 to 348. Members' vitae are publicly accessible on the website: **www.henkel.com**.

5. Targets for the proportion of women in the first two management levels below the Management Board/Adherence to minimum requirements when composing Management and Supervisory Boards

Targets for the proportion of women in the first two management levels below the Management Board

Pursuant to Section 76 (4) AktG, management boards of companies that are listed or subject to codetermination must set targets for the proportion of women in the first two management levels below the management board. If the proportion of women is below 30 percent at the time the targets are set, the targets may not be below the proportion already achieved. At the same time, the deadlines to be set for achievement of the targets must not be longer than five years in each case.

Based on the current personnel mix, the Management Board had established the following targets for the first two levels of management below the Management Board. These targets were expected to be achieved by December 31, 2026:

- First management level: Proportion of 30 percent women
- Second management level: Proportion of 35 percent women

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In accordance with the legal requirements, the point of reference for the definition of the management levels and the proportion of women was based exclusively on Henkel AG & Co. KGaA and not the Henkel Group – notwithstanding Henkel's globally aligned management organization. As a result, the figures include only employees of Henkel AG & Co. KGaA with management responsibility who report directly to the Management Board (management level 1) and those who report to management level 1 (management level 2).

As of December 31, 2022, women accounted for 32.0 percent of the first management level, and for 40.2 percent of the second management level.

Separately from the targets for the first two levels of management below the Management Board of Henkel AG & Co. KGaA – and mindful of the globally aligned management organization – it is our goal to increase the ratio of women at all levels of management within the Henkel Group to 50 percent by 2025. In 2022, we were again able to raise the proportion of women in management worldwide – to 38.7 percent as of December 31, 2022 (previous year: 38.1 percent).

Statutory gender quota for Management Board composition

If its Management Board comprises more than three people, a listed company that is subject to the Codetermination Act must appoint at least one woman and at least one man to that executive body (participation requirement pursuant to Section 76 (3a) AktG).

In compliance with this requirement, the Management Board of Henkel Management AG – the sole Personally Liable Partner of Henkel AG & Co. KGaA, which is a listed company subject to the Codetermination Act – must include at least one woman and at least one man as it comprises more than three members.

Compliance with this legislation governing the composition of the Management Board was assured throughout the year under review.

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Statutory gender quota for Supervisory Board composition

Given Henkel's position as a listed corporation subject to Germany's Codetermination Act of 1976, the Supervisory Board of the corporation must consist of at least 30 percent women and at least 30 percent men (Section 96 (2) AktG).

As of December 31, 2022, the Supervisory Board was comprised of nine men and seven women. Shareholder representatives consisted of five men and three women, while the employee representatives consisted of four men and four women. This represents an overall ratio on the Supervisory Board of around 56 percent men and 44 percent women. Throughout the entire year under review, the statutory minimum quota of both women and men was represented among both the shareholder representatives and the employee representatives.

6. Diversity considerations regarding composition of the Management Board of Henkel Management AG and of the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA

Diversity considerations governing Management Board composition/Succession planning

Notwithstanding the key requirements of qualification, competence and professional excellence for the relevant areas of responsibility on the Management Board, the Supervisory Board of Henkel Management AG has specified the following criteria – after consultation in the Shareholders' Committee and its Personnel Committee – that must be considered when making Management Board appointments to ensure as broad a spectrum as possible of knowledge, skills and professional experience (diversity) on the Management Board:

- Education/Career experience
  Overall, the members of the Management Board must demonstrate knowledge, skills and professional experience in the following areas in particular:

  - Management/Leadership experience: Experience with managing globally operating entities, involvement of employee representative bodies, leading and motivating employees, succession planning.
  - Understanding of the business: Knowledge of/experience in industrial/consumer business areas and key markets, including the social environment in which Henkel operates, as well as knowledge of/experience in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management.

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- Strategic expertise: Experience in developing and implementing prospects and strategies for the future.
- Financial expertise: Experience in accounting, auditing financial statements, issues surrounding funding and capital markets.
- Financial control/Risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance/Compliance/Ethics: Experience with interaction among corporate bodies (governance) and in compliance with statutory/in-house requirements; modern understanding of corporate ethics and how to implement them.

- Internationality
  The international activities of the corporation in both emerging and mature markets should be appropriately reflected in the composition of the Management Board. Henkel therefore strives to ensure that several members of different nationalities or with international backgrounds (who have spent several years working abroad or supervising foreign business activities, for example) are included on the Management Board.
- Gender
  A reasonable proportion of both genders shall be represented in the Management Board. The Management Board must include at least one woman and at least one man.
- Seniority
  Change and continuity are two issues that must be taken into reasonable account when composing the Management Board. Henkel therefore aims to include members with different levels of seniority on the Management Board. Irrespective of this requirement, members of the Management Board should generally not be older than 63.

Implementation progress
We believe that the aforementioned requirements were met in full in the reporting period.

Overall, the Management Board, which includes one woman, has the knowledge, skills and professional experience needed to properly and effectively perform its duties. Several members of the Management Board have international business experience with both emerging and mature markets. No individual on the Management Board exceeds the suggested maximum age.

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Succession planning

The Shareholders' Committee and the Supervisory Board of Henkel Management AG work with the Management Board to ensure long-term succession planning with regard to Management Board composition. Although both in-house and external candidates are considered for future appointment, every effort is made to select candidates from within the organization who have proven their aptitude for such duties.

In keeping with the requirements of the AktG and the GCGC, long-term succession planning takes account of the corporate strategy and the aforementioned diversity considerations. Key elements of the systematic management development process include:

- Early identification of suitable candidates
- Systematic development of managers by giving them tasks involving increasing levels of responsibility and in different areas of the corporation, regions and functions, where possible
- Proven ambition to successfully shape strategy and operations; strong leadership skills
- Role model in implementing our corporate values

Each year, the members of the first management level below the Management Board undergo corresponding assessment, during which the issue of potentially taking on Management Board responsibility and measures to secure succession are also considered. Management potential within the individual business units is likewise discussed.

When a Management Board vacancy requires filling, a corresponding profile is developed that incorporates the specific qualification requirements and the aforementioned criteria and which is used as the basis for shortlisting available candidates. Corresponding interviews are held with these candidates. Where necessary, external consultants are engaged to help develop the profile and to assist with selecting and evaluating candidates. The Shareholders' Committee then submits an appropriate recommendation to the Supervisory Board of Henkel Management AG.

Diversity considerations governing Supervisory Board composition

Bearing in mind the statutory requirements and the recommendations of the GCGC, and taking into account the specific situation and global reach of the corporation's activities in industrial and consumer business areas, the Supervisory Board has specified the following objectives governing its composition. When proposing candidates to the Annual General Meeting for both routine re-election and replacement election, the Supervisory Board considers these objectives, whereby the particular regulations of Germany's 1976 Codetermination Act must be observed with regard to the employee representative candidates.

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- Education/Career experience
  Overall, the Supervisory Board must demonstrate knowledge, skills and professional experience in the following areas in particular:
  - Entrepreneurship/Leadership experience: Experience in the management of companies, associations, organizations and networks.
  - Understanding of the business: Knowledge of/experience in the fields of research and development, production/engineering, marketing, selling and distribution, digitalization/e-commerce, as well as knowledge of/experience in industrial/consumer business areas and in the key markets in which Henkel operates.
  - Sustainability: Experience in sustainable management.
  - Financial expertise: Experience in the fields of accounting/accounting processes and with auditing financial statements, knowledge of financial instruments and funding strategies.
  - HR/Society/Communication/Media: Experience in the field of HR, in managing employees and in the areas of society, communication and media.
  - Financial control/Risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
  - Governance/Compliance: Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory/in-house requirements.

- Impartiality, integrity
  To ensure the impartiality of its counseling activities and supervision of the Management Board, the shareholder representatives on the Supervisory Board must include what they believe to be a reasonable number of independent members, bearing in mind the corporation's ownership structure. According to Recommendation C.6 GCGC, a member of a supervisory board is considered independent if they are independent from the corporation and its management board and independent from a controlling shareholder. Pursuant to Recommendation C.7 GCGC, more than half the shareholder representatives should be independent from the corporation and the Management Board. Supervisory Board members are considered independent from the corporation and its Management Board if they have no personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest. Assessing the independence of shareholder representatives from the corporation and its Management Board requires particular consideration of whether the respective Supervisory Board member or a close family member
  - was a member of the company's Management Board in the two years prior to appointment,
  - is or was in the past three years a partner of or in the employ of the present or previous external auditors of the corporation,

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- receives or has received over the past three years not inconsiderable remuneration of any nature from Henkel AG & Co. KGaA or one of its affiliates (excluding remuneration for Supervisory Board or Shareholders' Committee membership),
- is currently involved in, maintains, or has maintained in the year prior to appointment by Henkel AG & Co. KGaA or one of its affiliates, a material business relationship – either directly or indirectly – as a partner, shareholder, member of management or in a leading position of the entity maintaining the business relationship (e.g. as customer, supplier, lender or advisor),
- is a close family member of a member of the Management Board or
- has been a member of the Supervisory Board for more than twelve years.

If one or more of the aforementioned indicators apply and a shareholder representative is still considered independent from the corporation and/or the Management Board, the reasons for this assessment must be given in the corporate governance statement.

In keeping with the ownership structure and the corporation's tradition as an open family business to which the Henkel family has been committed ever since the company was founded in 1876, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that could create a substantial and not merely temporary conflict of interest as defined in the GCGC recommendation. Membership of the Shareholders' Committee or of the Supervisory Board of Henkel Management AG is compatible with membership of the corporation's Supervisory Board. As a rule, however, three, but at least two, of the shareholder representatives on the Supervisory Board or close members of their families should be neither members of the share-pooling agreement nor members of the Shareholders' Committee nor members of the Supervisory Board of Henkel Management AG, and they must be named accordingly in the corporate governance statement.

Moreover, no more than two former members of the Management Board should be elected to the Supervisory Board, nor people

- who – if not members of a management board of a listed company – exercise more than five supervisory board mandates in total for non-Group listed companies or for non-Group companies with similar requirements (chairing a supervisory board counts twice),

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- who – if members of a management board of a listed company – exercise more than two supervisory board mandates in total for non-Group listed companies or for non-Group companies with similar requirements, or chair the supervisory board of a non-Group listed company,
- or who perform management or advisory tasks for material competitors.

Members of the Supervisory Board should, moreover, be capable of duly upholding Henkel's reputation in the public domain.

- Availability
  When proposing new candidates to the Annual General Meeting for election to the Supervisory Board, the Supervisory Board must make sure that the relevant candidates can devote the anticipated time required to the task.
- Internationality
  The international activities of the corporation should be appropriately reflected in the composition of the Supervisory Board. Henkel therefore strives to ensure that several members with international backgrounds (who have spent several years working abroad or supervising foreign business activities, for example) are included on the Supervisory Board.
- Gender
  A reasonable proportion of women shall be appointed to the Supervisory Board. The statutory minimum requirement of 30 percent is deemed to be reasonable. Henkel strives to increase the proportion of women when new or replacement members are elected.
- Age and length of service
  The Supervisory Board should appropriately include representatives from different generations/age groups. Henkel therefore aims to include members from different generations/age groups on the Supervisory Board. Irrespective of the aforementioned, nobody should, as a rule, be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already reached their 70th birthday. Also, as a rule, nobody should be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already served more than ten years on the Supervisory Board. However, to ensure continuity, members may also serve on the Supervisory Board for longer periods of time in individual cases. In keeping with the ownership structure and the corporation's tradition as an open family business, this applies particularly to members of the Henkel family share-pooling agreement.

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Implementation progress

In addition to the statutory minimum quota specified in Section 96 (2) AktG, the Supervisory Board believes that the aforementioned requirements were met in full in the reporting period.

Overall, the Supervisory Board believes it has the knowledge and skills needed to properly and effectively perform its duties. Several of the shareholder representatives on the Supervisory Board are or were members of management boards in relevant corporations and are experienced and skilled in managing globally operating corporations and in leading employees. Equally, several shareholder representatives have in-depth knowledge in the fields of research and development, production, marketing, selling and distribution, digitalization/e-commerce and sustainable management. The same applies for the fields of finance/accounting, financial control/risk management and governance/compliance.

In addition, several shareholder representatives on the Supervisory Board offer international business experience or other international expertise.

No shareholder representative exceeded the specified maximum age at the time of their election.

The GCGC recommendations on impartiality have been adopted.

None of the shareholder representatives nor close family members of a shareholder representative is a former Management Board member, or performs board or committee functions or acts as a consultant for major competitors, and none are persons whose business or personal relationship with the corporation or members of the Management Board could create a substantial and not merely temporary conflict of interest.

Dr. Simone Bagel-Trah, Supervisory Board Chair, and Prof. Dr. Michael Kaschke, Audit Committee Chair, have both been members of the Supervisory Board for more than twelve years. According to the GCGC, this could indicate a lack of impartiality. After exercising their due discretion, the shareholder representatives judged that – despite this indication – Dr. Bagel-Trah and Prof. Dr. Kaschke may be regarded as independent from the corporation and its Management Board as seen from an overall perspective. Dr. Bagel-Trah and Prof. Dr. Kaschke maintain the necessary impartiality toward the corporation and the Management Board in the performance of their office and their respective functions. Their conduct of office demonstrates a critical approach to the issues and questions to be assessed, while safeguarding the interests of the corporation.

The other shareholder representatives had been members of the Supervisory Board for less than twelve years in the year under review and had not been in any other personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest. According to the precepts of Recommendation C.7 GCGC, these shareholder representatives are

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therefore independent from the corporation and the Management Board. The shareholder side therefore believes that all shareholder representatives on the Supervisory Board are independent from the corporation and the Management Board.

Four of the eight shareholder representatives – Barbara Kux, Simone Menne, Prof. Dr. Michael Kaschke and Poul Weihrauch – are not party to the Henkel family share-pooling agreement; under GCGC Recommendation C.9, they are therefore independent from the controlling shareholder. Apart from Dr. Simone Bagel-Trah, none of the shareholder representatives in office is a member of the Shareholders' Committee or the Supervisory Board of Henkel Management AG.

As such, the shareholder representatives on the Supervisory Board include what they believe to be a reasonable number of independent members as recommended by the GCGC.

Qualifications matrix for the Supervisory Board

The members of the Supervisory Board believe they have the following skills and experience required according to the Supervisory Board's objective:

Shareholder representatives

Skills and experience of the shareholder representatives serving on the Supervisory Board as of December 31, 2022

	Independence		Skills/Experience						
	from the corporation and Management Board[1]	from the controlling shareholder[2]	Entrepreneurship/ Leadership experience	Understanding of the business	Sustainability	Financial expertise	HR/ Society/ Communication/ Media	Financial control/ Risk management	Governance/ Compliance
Dr. Simone Bagel-Trah (Chair)	X	–	X	X	X	–	X	X	X
Lutz Bunnenberg	X	–	X	X	–	–	–	X	–
Benedikt-Richard Freiherr von Herman	X	–	X	X	X	–	–	X	X
Prof. Dr. Michael Kaschke	X	X	X	X	X	X	X	X	X
Barbara Kux	X	X	X	X	X	X	X	X	X
Simone Menne	X	X	X	X	X	X	–	X	X
Philipp Scholz	X	–	X	–	X	–	X	–	X
Poul Weihrauch	X	X	X	X	X	X	X	X	X

[1] Shareholder representatives opinion, based on the criteria of Recommendation C.7 (2) GCGC 2022.
[2] As defined in Recommendation C.9 GCGC 2022.

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Employee representatives

Skills and experience of the employee representatives serving on the Supervisory Board as of December 31, 2022

	Skills/Experience						
	Entrepreneurship/ Leadership experience	**Understanding of the business**	**Sustainability**	**Financial expertise**	**HR/ Society/ Communication/ Media**	**Financial control/ Risk management**	**Governance/ Compliance**
Birgit Helten-Kindlein (Vice Chair)	X	X	–	–	X	X	–
Michael Baumscheiper	X	X	–	–	X	–	X
Jutta Bernicke	X	X	–	–	X	–	–
Andrea Pichottka	X	–	–	X	X	X	X
Dr. Martina Seiler	X	X	X	–	X	–	–
Dirk Thiede	X	X	–	–	X	–	–
Edgar Topsch	X	X	–	–	X	–	X
Michael Vassiliadis	X	X	X	–	X	X	X

Proposals to the Annual General Meeting for the election of shareholder representatives

Shareholder representatives are elected by the Annual General Meeting, both as part of routine re-elections and replacement elections. For this, the Supervisory Board must submit appropriate proposals for adoption by the Annual General Meeting.

When elections are required, the Nominations Committee defines appropriate profiles that consider the requirements of the AktG and the GCGC and the aforementioned objective for Supervisory Board composition. This forms the basis for shortlisting available candidates who are then interviewed. Where necessary, external consultants are engaged to help develop the profile and to assist with selecting and evaluating candidates. Finally, the Nominations Committee submits its recommendation to the Supervisory Board of Henkel AG & Co. KGaA for its election proposal to the Annual General Meeting.

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Diversity considerations governing the composition of the Shareholders' Committee

Requirements profile
Given the tasks of the Shareholders' Committee, its members should generally demonstrate knowledge, skills and experience in the following areas particularly:

- Management/Leadership experience: Experience in managing and leading globally operating corporations.
- Managing executives: Experience in managing and remunerating executives; succession planning.
- Understanding of the business: Knowledge of/experience in industrial and/or consumer business areas and Henkel's key markets, as well as knowledge of/experience in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, and production/engineering.
- Sustainability: Experience in sustainable management.
- Strategic expertise: Experience in developing and implementing prospects and strategies for the future.
- Financial expertise: Experience in accounting, auditing financial statements, issues surrounding funding and capital markets.
- Financial control/Risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance/Compliance: Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory/in-house requirements.

Members of the Shareholders' Committee should not have any personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest.

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In keeping with the ownership structure and the corporation's tradition as an open family business to which the Henkel family has been committed ever since the company was founded in 1876, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that could create a substantial and not merely temporary conflict of interest. Membership of the corporation's Supervisory Board or of the Supervisory Board of Henkel Management AG is compatible with membership of the Shareholders' Committee. As a rule, however, five, and at least four, members of the Shareholders' Committee or their close families should be neither members of the share-pooling agreement nor members of the corporation's Supervisory Board, and they must be named accordingly in the corporate governance statement.

Implementation progress

Overall, the Shareholders' Committee believes it has the knowledge and skills needed to properly and effectively perform its duties. Several of the Shareholders' Committee members are or were members of management boards in relevant corporations and are experienced and skilled in managing globally operating businesses, developing and implementing visions and strategies, and the management and remuneration of executives. Equally, several members have in-depth knowledge in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management. The same applies for the fields of finance/accounting, financial control/risk management and governance/compliance.

None of the Shareholders' Committee members has a business or personal relationship with the corporation or members of the Management Board that could create a substantial and not merely temporary conflict of interest.

Five of the ten members in office as of December 31, 2022 – Dr. Paul Achleitner, Alexander Birken, Dr. Dr. Norbert Reithofer, James Rowan and Jean-François van Boxmeer – are not party to the Henkel family share-pooling agreement; under GCGC Recommendation C.9, they are therefore independent from the controlling shareholder. Apart from Dr. Simone Bagel-Trah, none of the members currently in office is a member of the corporation's Supervisory Board.

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Qualifications matrix

The members of the Shareholders' Committee believe they have the following skills and experience required according to the Shareholders' Committee's objective:

Members of the Shareholders' Committee

Skills and experience of the members serving on the Shareholders' Committee as of December 31, 2022										
	Independence		Skills/Experience							
	from the corporation and Management Board[1]	from the controlling shareholder[2]	Management/ Leadership experience	Managing executives	Understanding of the business	Sustainability	Strategic expertise	Financial expertise	Financial control/ Risk management	Governance/ Compliance
Dr. Simone Bagel-Trah (Chair)	X	–	X	X	X	X	X	–	X	X
Konstantin von Unger (Vice Chair)	X	–	X	X	X	X	X	X	–	–
Dr. Paul Achleitner	X	X	X	X	X	X	X	X	X	X
Alexander Birken	X	X	X	X	X	X	X	X	X	X
Kaspar von Braun, Ph.D.	X	–	–	–	X	X	X	X	–	X
Johann-Christoph Frey	X	–	–	X	X	X	X	X	–	X
Dr. Christoph Kneip	X	–	–	–	X	X	X	X	X	X
Dr. Dr. Norbert Reithofer	X	X	X	X	X	X	X	X	X	X
James Rowan	X	X	X	X	X	X	X	X	X	X
Jean-François van Boxmeer	X	X	X	X	X	X	X	–	–	X

[1] No personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest.
[2] As defined in Recommendation C.9 GCGC 2022.

Proposals to the Annual General Meeting for the election of members of the Shareholders' Committee

Members of the Shareholders' Committee are elected by the Annual General Meeting, both as part of routine re-elections and replacement elections. For this, the Shareholders' Committee and the Supervisory Board must submit appropriate proposals for adoption by the Annual General Meeting.

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When elections are required, appropriate profiles are defined that consider the aforementioned diversity objective for Shareholders' Committee composition and which serve as the basis for shortlisting available candidates. Corresponding interviews are then held with these candidates. Where necessary, external consultants are engaged to help develop the profile and to assist with selecting and evaluating candidates. Following internal consultations, the Shareholders' Committee and the Supervisory Board then approve the corresponding proposals for resolution by the Annual General Meeting.

7. Other disclosures

Managers' transactions

In accordance with Article 19 (1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation), members of the Management Board, the Supervisory Board and the Shareholders' Committee, and parties related to same, are obligated by law to disclose notifiable transactions involving shares in Henkel AG & Co. KGaA or their derivative financial instruments where the value of such transactions by the member, or a party related to the member, attains or exceeds 20,000 euros in a calendar year. The transactions reported to the corporation in the past fiscal year were properly disclosed and are publicly accessible on the website: **www.henkel.com/ir**.

Disclosures relating to the external auditor

The contract to audit the annual and consolidated financial statements of Henkel AG & Co. KGaA in fiscal 2020 onward was publicly tendered in accordance with Regulation (EU) No. 537/2014 of April 16, 2014 (EU-APrVO). Based on the outcome of the tender process, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC), has been the external auditor for the Henkel Group since fiscal 2020. The Financial Market Integrity Strengthening Act permits the proposal to the Annual General Meeting of PwC for election as the external auditor up to and including fiscal 2029 without the need for a new tender process.

The auditors who have signed off the consolidated financial statements and the annual financial statements of Henkel AG & Co. KGaA since fiscal 2020 are Dr. Peter Bartels and Michael Reuther (auditors responsible for the engagement).

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FUNDAMENTAL PRINCIPLES OF THE GROUP

Operational activities

Overview

Henkel was founded in 1876. Therefore, the year under review marks the 146th in our corporate history. At the end of 2022, Henkel employed around 51,200 people worldwide. We hold globally leading market positions in our consumer and industrial businesses.

1876
Year of foundation

Our purpose expresses what unites everyone at Henkel: Pioneers at heart for the good of generations. It is firmly anchored in our DNA and continues our success story of innovation, responsibility and sustainability as we move forward.

Organization and business units

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. As such, it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. Henkel AG & Co. KGaA performs its tasks within the legal scope afforded to it as part of the Henkel Group, with the affiliated companies otherwise operating as legally independent entities.

Operational management and control is the responsibility of the Management Board of Henkel Management AG in its function as sole Personally Liable Partner. The Management Board is supported in this by the central, corporate functions.

Until the end of fiscal 2022, Henkel was organized in three operational business units: Adhesive Technologies, Beauty Care and Laundry & Home Care. The Adhesive Technologies business unit is global market leader in the field of adhesives. In our Beauty Care and Laundry & Home Care consumer businesses, we also hold leading positions in numerous markets and categories.

Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings. The business unit is composed of four business areas: Automotive & Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

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In our Automotive & Metals business area, we supply our global customers in the automotive and metal processing industries with tailor-made, high-impact and future-oriented system solutions along the value chain, a comprehensive technology portfolio and specialized technical services.

Our Packaging & Consumer Goods business area serves both small and medium-sized branded goods manufacturers, as well as major international companies operating in the consumer goods, packaging and furniture industries. We lead the way in developing innovative solutions to address global consumer trends, such as the growing demand for more sustainable products, and thus aim to actively foster a circular economy.

In our Electronics & Industrials business area, we are globally leading, offering major customers a specialized portfolio of innovative high-technology adhesives, materials for the manufacture of microchips and electronic assemblies, and for industrial fabrication. Building on our strong technical knowledge and extensive research expertise, we support our customers to realize innovative designs for products that are world-renowned. Our solutions are also deployed in the expansion of digital infrastructures.

In our Craftsmen, Construction & Professional business area, we distribute a comprehensive range of brand-name products for private consumers, DIYers, craftspeople and retailers, as well as serving maintenance and installation experts in more than 800 different branches of industry. We supply our customers and consumers with adhesives and sealants for home use, with adhesive, sealant and insulating systems and building materials for use in construction, and with a comprehensive portfolio of high-impact solutions for machinery assembly and maintenance.

The **Beauty Care** business unit is globally active in the Consumer business area with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as in the Professional business area serving the hair salon sector. In both business areas, we hold leading positions in numerous markets and categories. Both our Consumer and Professional businesses offer strong brand portfolios featuring consumer-relevant innovations that create added value for our customers and consumers. We distribute our products through brick-and-mortar stores, hair salons and digital channels.

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The **Laundry & Home Care** business unit occupies leading market positions in both its Laundry Care and Home Care business areas. Our strong brands and consumer-relevant innovations play a key role in the everyday lives of our consumers. Our product portfolio ranges from heavy-duty and specialty detergents, laundry additives and dishwashing products to hard surface and toilet cleaners. Our products are sold in brick-and-mortar stores and via digital and teleshopping channels.

As announced in January 2022, we are merging the Beauty Care and Laundry & Home Care business units to create the integrated Consumer Brands business unit. As of beginning of fiscal year 2023, Henkel has therefore been organized in two business units: Alongside the Adhesive Technologies business unit, the Consumer Brands business unit forms a multi-category platform featuring the consumer goods brands and businesses centered around the global categories Laundry & Home Care and Hair.

Henkel around the world: Regional Centers

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The business activities of our **business units** are supported by the central functions of Henkel AG & Co. KGaA, our Global Supply Chain organization and our Global Business Solutions organization with its Shared Service Centers, thus enabling optimum utilization of corporate network synergies.

Implementation of the business activities at the country and regional level is the responsibility of the national affiliated companies whose operations are supported and coordinated by regional centers. The executive bodies of these national affiliates manage their businesses in line with the relevant statutory regulations, supplemented by their own articles of association, internal procedural rules and the principles incorporated in our globally applicable management standards, codes and guidelines.

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Strategic framework for purposeful growth

We shape our future on the basis of a long-term strategic framework that builds on our purpose and our values.

With this strategic framework, we want to be successful in the current decade – with a clear focus on purposeful growth. This means: We aim to create superior value for customers and consumers to outgrow our markets, to strengthen our leadership in sustainability, and to enable our employees to grow both professionally and personally at Henkel.

Our mid- to long-term financial ambitions

The implementation of our growth agenda supports us to achieve our mid- to long-term financial ambitions:

- For the **Group**, we are aiming to achieve organic sales growth of 3 to 4 percent, adjusted return on sales (adjusted EBIT margin) of around 16 percent and adjusted earnings per preferred share growth in the mid- to high single-digit percentage range (at constant exchange rates and including acquisitions). At the same time, Henkel places a continuous focus on free cash flow expansion.
- For the **Adhesive Technologies** business unit, we are aiming for organic sales growth of 3 to 5 percent and adjusted return on sales (adjusted EBIT margin) in the high-teens percentage range.
- For the integrated **Consumer Brands** business unit, we are aiming for organic sales growth of 3 to 4 percent and adjusted return on sales (adjusted EBIT margin) in the mid-teens percentage range.

Our strategic framework

The key elements of our strategic framework are a winning portfolio, clear competitive edge in the areas of innovation, sustainability and digitalization, and future-ready operating models – underpinned by a strong foundation of a collaborative culture and empowered people.

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Rigorously shape a winning portfolio

A successful portfolio is the key to sustainably profitable business performance. This is why we are consistently evolving our portfolio of brands and businesses as part of our active portfolio management. In a first step, between the start of 2020 and the end of 2021, we had already divested or discontinued – mainly consumer-goods-related – businesses representing total sales of around 0.5 billion euros. Moving forward, we will keep driving the continuous optimization of our portfolio – not least in light of the creation of the integrated business unit Consumer Brands (for further details, see pages 95 to 97). At the same time, M&A activities remain an integral part of our strategy, supported by our strong balance sheet. We follow a clear approach: Our assessment of potential acquisitions is based on whether the targets are available, fit Henkel's strategy, and are financially attractive.

Accelerate impactful innovations

We want to accelerate impactful innovations and also adopt an enhanced innovation approach, for example by utilizing digital applications and data to gain faster and better insights into consumer behavior and market trends. Decision-making across the organization is increasingly taking place closer to the market. In our collaboration with external partners, we are increasingly leveraging the potential of open innovation, using agile methods and continuing to invest in incubators and innovation centers. We consistently invest in innovations and brands in core categories and regions.

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Boost sustainability as a true competitive differentiator
Building on our progress to date, we want to boost sustainability as a true competitive differentiator. To drive sustainable development, we have set ourselves ambitious goals as part of our 2030+ Sustainability Ambition Framework which we are rigorously pursuing (for further details, see pages 97 and 98).

Enhance value creation for customers and consumers through digitalization
We take advantage of the opportunities offered by digitalization to increase the value added for our customers and consumers, interacting directly with our consumers and growing our digital sales. In the process, we are building a digital talent pool backed up by targeted support. Finally, we want to strengthen our digital business focus and increase efficiency. In this respect, our digital unit Henkel dx, which was created in 2019 to bring together the digital and IT teams at Henkel, is of key importance.

Continuously optimize operating models
We are striving to continuously optimize our operating models and, in doing so, to steadily improve the competitiveness of our processes and structures. We want to step up customer and consumer proximity, establish faster decision-making processes and realize further efficiency gains. Here, again, the merger of our Beauty Care and Laundry & Home Care business units will make an important contribution (for further details, see pages 95 to 97).

Strengthen our collaborative culture
A strong corporate culture, shared values and a clear understanding of collaboration as a strong team are essential to continue to successfully drive our growth agenda. Important cornerstones of this are our purpose – Pioneers at heart for the good of generations – and our Leadership Commitments uniting all employees worldwide. We believe that cultural transformation is an ongoing process in which we focus on collaboration and empowerment, foster the upskilling of our employees for future capabilities and enable them to constantly develop further.

Strategic focus topics in fiscal 2022
In 2022, we pushed ahead with key changes within our organization by merging our Laundry & Home Care and Beauty Care business units into the integrated Consumer Brands unit and launching our 2030+ Sustainability Ambition Framework. In doing so, we have made significant progress in implementing our strategic framework for purposeful growth.

Creation of the Consumer Brands business unit

In January 2022, Henkel announced its plan of merging the two business units Laundry & Home Care and Beauty Care into an integrated business unit named Consumer Brands by the beginning of 2023 at the latest. Through this new business unit, we are creating a multi-category platform with the global categories Laundry & Home Care and Hair, representing around 10 billion euros in total sales. The business unit brings together all the consumer brands across all categories under one roof – including many iconic brands such as Persil and Schwarzkopf – and also incorporates the Hair Professional business. This step lays the foundation for further profitable growth of our entire consumer goods business.

Through the merger, we want in a first step to raise the profitability of our consumer goods business and thus of the Group as a whole. In a second step, we want to create additional positive growth stimulus. We are focusing our portfolio on strategic core brands and businesses with attractive growth and margin potential. The integration is expected to create significant synergies to facilitate targeted investment in strategic priorities such as innovation, sustainability and digitalization, and to strengthen the business unit's margin profile. The initiatives to increase profitability will also lead to stronger growth potential.

In detail, the creation of the Consumer Brands business unit is linked to the following strategic objectives:

Strong platform: Focus on attractive growth and margin potential

The integrated Consumer Brands business unit will allow Henkel to better capture the full potential for organic and inorganic growth. To achieve this, we are focusing the portfolio around the global categories Laundry & Home Care and Hair on attractive growth potential and on high gross margins. Investments will focus on core platforms offering higher margins in relevant markets.

The combined size of our consumer businesses offers improved options for even more targeted implementation of portfolio measures. These include the divestment or discontinuation of brands and businesses that do not meet our expectations – in respect of growth prospects, gross margin or market attractiveness, for example. In this respect, Henkel had announced to review businesses and brands with a total sales volume of up to 1 billion euros. Related to that, in January 2022, Henkel had already announced plans to discontinue businesses representing a sales volume of around 200 million euros in the Beauty Care business unit over the course of the year.

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As a multi-category platform, the Consumer Brands business unit offers additional opportunities for targeted acquisitions – in existing core categories or in other new consumer goods categories. This will be our approach to optimize the portfolio and further strengthen the growth dynamics in our consumer businesses as we move forward.

Leveraging scale: Significant synergies and efficiency gains

By integrating both business units, Henkel will create more scale, allowing the company to leverage significant efficiency gains. It will also help us to act faster and more flexibly in a highly volatile environment.

Over the medium term, we aim to generate significant gross savings (before reinvestments) totaling around 500 million euros. These savings will emerge primarily from optimizing sales and administrative structures, from a stronger focus in advertising and marketing, and from optimizing the supply chain (production and logistics). Implementation will take place in two phases. In the first phase, measures will be implemented up to the end of 2023. Through these measures, we aim at generating net savings of around 250 million euros on an annualized basis – with full impact on earnings expected from 2024 onwards. Related to this, Henkel announced in May 2022 that, among other effects, around 2,000 positions globally – mainly in sales and administration – would be affected. In a second phase, the focus will be on optimizing the supply chain – the production and logistics network – of the new integrated business unit. Measures in this phase are expected to be mostly implemented by the end of 2025. The savings resulting from both phases will be partly used to strengthen the business unit's margin profile.

The targeted efficiency and cost advantages will also increasingly enable additional and more targeted investments in innovations and in more sustainability and digitalization, enabling us to further expand our competitive edge. They will, moreover, facilitate focused, effective marketing support, aimed at further strengthening our attractive and leading brands.

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Integrated approach: Leaner structures and faster decision-making processes
The new business unit will be organized around customer and channel centricity – with an integrated approach for trade partners across all consumer categories. Under one leadership, the combined team will focus on advancing the entire consumer business, with leaner structures and faster decision-making throughout the entire integrated organization. In the combined business, we want to offer employees roles with greater responsibility and development opportunities, thus becoming an even more attractive employer.

2030+ Sustainability Ambition Framework

We want to boost sustainability as a true competitive differentiator. Sustainability is essential to create a competitive edge, enable business growth, and generate value for our customers, consumers, and all of our stakeholders.

We are building on our progress to date and on our corporate culture. We can look back over more than 30 years of successful sustainable development: Already in 1991, Henkel signed the International Chamber of Commerce's Charter for Sustainable Development. Assessments in the relevant sustainability ratings provide important independent confirmation and recognition of our achievements and progress.

Building on the progress we have made and on our previous sustainability strategy, we presented our 2030+ Sustainability Ambition Framework in 2022. It sets the framework for our global sustainability strategy, with clear ambitions and targets that we want to achieve over this decade. We have included different ESG dimensions and defined key areas of focus:

- Regenerative Planet: We strive to achieve a circular economy and climate-neutral future and the regeneration of nature. To this end, we are further developing our business activities to drive solutions in the areas of climate protection, circular economy and natural resource conservation.
- Community: We actively contribute to people being able to lead a better life through our business and brands. To this end, we focus on equity, education and wellbeing.
- Trusted Partner: We are committed to product quality and safety while ensuring business success with integrity. Our focus here is on performance, transparency and collaboration.

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We will build on our particular strengths, such as the innovation capabilities of our business units and the comprehensive knowledge of our employees, as well as various contact points of our products and technologies with customers and consumers. We recognize that we can only achieve our ambition of transformational change by thinking systemically and collaborating with our partners along the entire value chain and beyond. To this end, we have also defined three central levers that will help us achieve and scale the progress we need:

- Products and technologies are at the heart of everything we do. We create more value for our customers and consumers by constantly innovating to offer better performance with a reduced environmental footprint.
- People are the key for our business- and our sustainability-related activities. Our employees contribute to sustainable development through their engagement. Our suppliers, shareholders, business partners and consumers, and our neighbors play an important role in driving impactful change together.
- Partnerships are decisive for implementing and scaling sustainable advancements. We share knowledge and drive systemic solutions forward by working together with our partners along the value chain, and also with experts, universities, civil society and other companies.

Consistent implementation of our growth agenda in fiscal 2022

In 2022, we again consistently implemented our growth agenda and made further progress in all areas – despite the manifold macroeconomic and geopolitical challenges.

We continued to consistently evolve our **portfolio** in all business units in 2022. In the Beauty Care business unit, we discontinued businesses representing a sales volume of around 0.2 billion euros. We have also already made significant progress with further portfolio measures relating to our consumer businesses. For instance, we have sold our European oral care business and the European consumer goods business of our skin care brand Diadermine.

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In addition, we have effectively strengthened our portfolio by acquiring the hair salon business of Shiseido in Asia-Pacific and with that significantly expanded our position in this attractive market. The complementary portfolio featuring premium hair care, hair coloration and hair styling products includes leading hair salon brands such as Sublimic or Primience, which are marketed under the umbrella brand Shiseido Professional exclusively to salons.

Selected acquisitions in fiscal 2022

Business	Key countries	Contract signed on	Completion on	Purchase price in million euros	For further information, see pages
Acquisition of Shiseido's Hair Professional business in Asia-Pacific	Japan, China, South Korea	2/9/2022	7/1/2022	81	131–132, 215–218

In addition, we expanded our expertise for innovative surface technologies and thermal management solutions in the Adhesive Technologies business unit.

We also made advancements in the area of **innovations**. Our innovation and customer centers play a key role in this respect. With the new global innovation center of Adhesive Technologies – the Inspiration Center Düsseldorf – we aim to boost our innovative strength.

We have developed and launched numerous innovative products and solutions across all business units that address important trends and offer relevant added value to customers and consumers.

In our Adhesive Technologies business unit, for example, we have developed high-performance sealants for battery housings in electric vehicles, which protect the battery against moisture, corrosion and dust, and enhance safety. Moreover, our innovative solvent-free adhesives enable more sustainability in the packaging industry and increase recyclability at the end of the value chain.

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In the Beauty Care business unit, we comprehensively relaunched our Schauma brand – with particular focus on sustainable product design. In our Professional business, we expanded the portfolio to include the hair colorant innovation The Unseen: Colour Alchemy. We also launched a hyper-personalized hair care solution under the new Schwarzkopf Professional brand SalonLab&Me, which offers hair stylists a new business model combining direct-to-consumer sales and in-salon experiences. In the Laundry & Home Care business unit, we strengthened our detergent brand Perwoll through a comprehensive relaunch, and we introduced a range of innovative dishwasher cleaning gels under our Somat brand.

In 2022 again, we further anchored **sustainability** within our business operations. As part of our 2030+ Sustainability Ambition Framework, we worked on a more sustainable product portfolio, for example by increasing our use of renewable and recycled raw materials. We also made significant progress toward our goal of achieving a climate-positive carbon footprint for our production sites by 2030 by further expanding our use of renewable energy.

We collaborated with partners to drive sustainable improvements along our value chain, with a focus placed on the area of supplier financing. In May 2022, Henkel joined forces with Deutsche Bank to add sustainability metrics to an existing supplier financing program for the first time in Europe. The metrics are linked to the sustainability performance of Henkel's suppliers. Sustainability criteria have therefore now been added to all Henkel supplier programs in the five regions.

In addition, we expanded our sustainability training program for employees with the launch of our holistic sustainability engagement program "Sustainability at Heart."

We also made important progress in the area of **digitalization** in 2022 – including a further increase in digital sales across all business units. We have continued to drive the strategic alignment of our digital unit Henkel dx by steadily optimizing internal structures, strengthening the development of digital expertise and promoting a culture of innovation. The acceleration of digital innovations, our platform strategy and the close collaboration of all business units and functions have enabled us to further improve our efficiency in IT and to create new business opportunities for Henkel – in the area of business-to-business marketplaces, for example.

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To establish future-ready **operating models**, our focus in 2022 was on merging the Laundry & Home Care and Beauty Care business units. Wolfgang König, who has been responsible for the new Consumer Brands business unit since January 2023, had already taken on responsibility in the Management Board for the Laundry & Home Care business unit back in October 2022, in addition to his existing responsibility for the Beauty Care business unit. The new organizational structure of the integrated Consumer Brands business unit had been implemented in nearly all regions by the end of 2022 – ahead of the originally announced schedule. Related to this, the number of employees in our consumer businesses in fiscal 2022 decreased by around 1,000 year on year.

Moreover, the structure of the Adhesive Technologies business unit with four business areas overseeing eleven strategic business units proved itself in a volatile environment.

We have also further strengthened our **corporate culture**, building on our purpose – Pioneers at heart for the good of generations – and our Leadership Commitments. The creation of the integrated Consumer Brands business unit has also helped to strengthen our cultural transformation. In light of the associated changes to the organization, we focused on strengthening trust and responsibility in staying close to our Leadership Commitments. We also implemented new training and upskilling programs for employees, executives and teams. This included our comprehensive 360-degree feedback program for senior executives. Further areas of focus were the implementation of our holistic Smart Work concept – this provides the global framework for areas such as mobile working, digital workplace or employee health – and further global diversity, equity and inclusion (DEI) initiatives.

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Management system and performance indicators

Our management system and key performance indicators are derived from our ambition to generate purposeful growth. The key performance indicators are organic sales growth, adjusted return on sales, and growth in adjusted earnings per preferred share at constant exchange rates.

In the mid- to long-term, Henkel is aiming to achieve organic sales growth of 3 to 4 percent and adjusted return on sales of around 16 percent. For adjusted earnings per preferred share, Henkel is targeting growth in the mid- to high single-digit percentage range at constant exchange rates and including acquisitions.

The key performance indicators are represented in both our year and our medium-term plans. A regular comparison of these plans with current developments and the regular reporting of expected figures enable focused management of the company based on the described performance indicators.

Moreover, we report further key performance indicators, such as adjusted earnings per preferred share, net working capital as a percentage of sales, return on capital employed (ROCE), and free cash flow, which we are aiming to further expand, as described in our mid- to long-term financial ambition.

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Cost of capital

The cost of capital is calculated as a weighted average of the cost of equity and debt capital (WACC).

We regularly review our cost of capital in order to reflect changing market conditions. In addition, we apply different WACC rates depending on the business unit involved. These are based on business-unit-specific beta factors determined from a peer group benchmark.

The following two tables indicate the WACC rates before and after tax for the Henkel Group and each business unit.

7.00%
Group WACC before tax in fiscal 2022

WACC before tax by business unit

in percent	2022		2023
Adhesive Technologies	9.00	Adhesive Technologies	11.00
Beauty Care	6.75	Consumer Brands	7.50
Laundry & Home Care	6.75		
Henkel Group	**7.00**	**Henkel Group**	**8.75**

WACC after tax by business unit

in percent	2022		2023
Adhesive Technologies	6.75	Adhesive Technologies	8.25
Beauty Care	5.00	Consumer Brands	5.75
Laundry & Home Care	5.00		
Henkel Group	**5.25**	**Henkel Group**	**6.50**

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Takeover-relevant information, corporate governance statement

With regard to the disclosures and explanations

- pursuant to Sections 289a (1) and 315a (1) German Commercial Code [HGB] – takeover-relevant information – please refer to pages 44 to 50,
- and pursuant to Sections 289f and 315d HGB – Corporate governance declaration – please refer to pages 51 to 85.

According to Section 317 (2) sentence 6 HGB, any audit of the disclosures pursuant to Sections 289f and 315d HGB – Corporate governance statement – is limited to the auditor ensuring the relevant information has actually been disclosed.

Separate non-financial report

With regard to the reports pursuant to Sections 289b and 315b HGB, please refer to our Sustainability Report 2022. This also constitutes the separate, combined non-financial report for the Henkel Group and Henkel AG & Co. KGaA for fiscal 2022 within the meaning of Sections 315b, 315c in conjunction with 289b to 289e HGB, and contains the information required by the EU Taxonomy Regulation. The Sustainability Report is made publicly available through publication on our website: **www.henkel.com/sustainabilityreport**

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ECONOMIC REPORT

Macroeconomic development

The general economic development described in this section is based on data published by S&P Global Market Intelligence.

Overview: Slowing dynamics of global economic growth

Following the pronounced economic recovery in 2021, global economic growth continued in 2022, albeit at a much slower pace. Economic development was characterized by the impacts of Russia's war in Ukraine, ongoing protective measures to combat COVID-19, high inflation rates and significantly higher interest rate levels compared to the prior year. Substantial supply chain problems, logistics and material shortages and exceptionally steep increases in commodity and energy prices continued to negatively impact the overall economy.

Worldwide, gross domestic product increased by approximately 3 percent. The mature markets recorded an increase of approximately 2.5 percent, while the emerging markets grew by approximately 3.5 percent year on year.

Over the year, the economies in North America and Western Europe expanded by approximately 2 percent and approximately 3.5 percent respectively. Japan recorded an increase of approximately 1 percent. Economic growth was approximately 3.5 percent in Asia (excluding Japan). Economic output increased by approximately 6 percent in the Africa/Middle East region, and by approximately 3.5 percent in Latin America. Economic growth in Eastern Europe was approximately 0.5 percent.

Unemployment: Moderate global unemployment

Global unemployment was at around 7 percent which is below prior year. The unemployment rate in North America decreased to approximately 4 percent. In Western Europe, the unemployment rate decreased to approximately 6 percent. Unemployment was approximately 7.5 percent in Latin America, and around 10 percent in Africa/Middle East. In the regions Asia (excluding Japan) and Eastern Europe, the unemployment rate was approximately 6 percent.

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Inflation: Significant rise in global price levels

Global inflation was approximately 7.5 percent in 2022, the highest it has been in more than two decades. The inflation rate in the mature markets was approximately 7 percent. In Western Europe and North America, inflation was significantly higher year on year at approximately 8 percent. In Japan, the rate of price increases was, by comparison, lower at approximately 2.5 percent. Prices in Asia (excluding Japan) rose by around 4 percent. The inflation rate in the emerging markets was approximately 7.5 percent. Both Latin America and Eastern Europe experienced a significant increase in the inflation rate versus prior year – to around 14 percent and approximately 21 percent respectively. At approximately 10.5 percent, inflation in Africa/Middle East decreased year on year.

Direct materials: Substantial increase versus prior year

Prices for direct materials (raw materials, packaging, and purchased goods and services) rose exceptionally steeply in 2022, with an average increase in the mid-twenties percentage range compared to the previous year. This trend was driven by the impacts of the ongoing COVID-19 pandemic and of the war in Ukraine – which included unprecedented increases in energy prices – and by the ongoing recovery of industrial demand, especially in the first half of the year. At the same time, supply chains remained extremely strained, with logistics costs rising. Prices inflated significantly not just for petrochemical feedstocks across the board but also for inorganic substances, synthetic resins, washing-active substances (surfactants) and packaging.

Currencies: Mainly positive trend in currencies

Most of the currencies of relevance for Henkel in the emerging markets appreciated on average over the year – with a few exceptions. The Turkish lira experienced the strongest devaluation. The US dollar closed at 1.07 US dollars to the euro at year-end. Averaged out over the year, the US dollar appreciated versus the euro. Changes in the average exchange rates of the currencies of relevance for Henkel are indicated in the following table:

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Average rates of exchange versus the euro

	2021	2022	Appreciation (+)/ Depreciation (-)
Chinese yuan	7.63	**7.08**	7.8%
Mexican peso	23.99	**21.19**	13.2%
Polish zloty	4.57	**4.69**	-2.6%
Russian ruble	87.16	**73.65**	18.3%
Turkish lira	10.50	**17.41**	-39.7%
US dollar	1.18	**1.05**	12.4%

Source: ECB daily foreign exchange reference rates.

Development by sector

Noticeable slowdown in global consumption

The increase in global private consumption spending, at approximately 3.5 percent, was less pronounced compared to the previous year. In the year under review, consumer spending in the mature markets rose by approximately 3.5 percent, with North America experiencing an increase of approximately 3 percent and Western Europe a rise of approximately 4 percent. In the emerging markets, private consumer spending increased by approximately 4 percent, which is also below prior year level.

Slower growth in industrial production

At approximately 3 percent globally, the increase in the industrial production index (IPX) was significantly lower year on year. Industrial production slowed considerably in both the mature and emerging markets. In the mature markets, it grew by approximately 2 percent and in the emerging markets by approximately 4 percent.

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Review of overall business performance

Henkel delivered a robust performance overall in a challenging 2022, a year characterized by an increasingly inflationary environment with surging commodity, logistics and energy prices, by the ongoing COVID-19 pandemic and by the impacts of the war in Ukraine. Our industrial business benefited from the continued recovery in demand from key customer industries, especially in the first half of the year. With only local and temporary limitations caused by pandemic-related restrictions, the Professional business showed positive performance across all regions, continuing the recovery started in the previous year. At the same time, our consumer businesses continued to return to normal following the changes in demand and consumer behavior caused by the pandemic. This had both a positive and negative impact on business performance.

Sales totaled 22,397 million euros in the year under review, representing significant organic sales growth of 8.8 percent, driven by higher prices across all business units. The emerging markets achieved double-digit organic sales growth of 13.3 percent. Our businesses in the mature markets recorded a very strong organic sales performance of 5.2 percent.

Year on year, adjusted[1] gross margin decreased by 2.9 percentage points to 42.3 percent. Positive price effects as well as ongoing measures to reduce costs and enhance production and supply chain efficiency were unable to fully offset negative impacts on Group profitability from substantially higher prices for direct materials (raw materials, packaging and purchased goods and services) and logistics. Adjusted[1] return on sales was also down year on year at 10.4 percent (2021: 13.4 percent).

Adjusted[1] earnings per preferred share (EPS) decreased year on year by -14.5 percent to 3.90 euros (2021: 4.56 euros). At constant exchange rates, adjusted earnings per preferred share decreased by -17.8 percent.

8.8%
Organic sales growth

10.4%
Adjusted[1] EBIT margin

€ 3.90
Adjusted[1] EPS

-17.8%
Development of adjusted[1] EPS at constant exchange rates

€ 1.85
Dividend per preferred share[2]

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
[2] Proposal to shareholders for the Annual General Meeting on April 24, 2023.

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Net working capital expressed as a proportion of sales increased to 4.5 percent, up 2.3 percentage points compared to the previous year. This increase in net working capital was attributable above all to significantly higher prices for direct materials.

Free cash flow totaled 653 million euros, a significant decrease versus the previous year (2021: 1,478 million euros). This was partly due to the higher net working capital and also to lower cash flow from operating activities as a result of the decline in operating profit. Our net financial position came in at -1,267 million euros (December 31, 2021: -292 million euros). It also reflects expenditures relating to the share buyback program launched in February of the year under review, and the dividend payment in the second quarter.

Results of operations of the Group

Sales

Sales in fiscal 2022 increased nominally by 11.6 percent to 22,397 million euros. Foreign exchange effects increased sales by 3.9 percent and included the impacts of the mandatory application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye from the start of the reporting period onward. Adjusted for foreign exchange effects, sales grew by 7.7 percent. Acquisitions/divestments had a slightly negative effect of -1.1 percent on sales. Since the beginning of the second quarter of 2022, this figure has also included organic sales development in Russia against the background of the announced exit of the business activities there. Organic sales growth, i.e. adjusted for foreign exchange and acquisitions/divestments, was significant at 8.8 percent. This development was driven by double-digit percentage price increases, while volumes declined.

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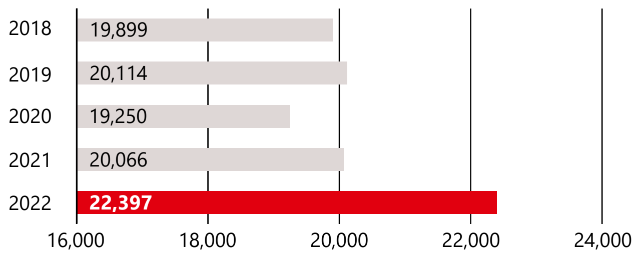
Sales development

in percent	2022
Change versus previous year	**11.6**
Foreign exchange[1]	**3.9**
Adjusted for foreign exchange	**7.7**
Acquisitions/divestments[2]	**-1.1**
Organic	**8.8**
Of which price	**12.6**
Of which volume	**-3.8**

[1] Including the effects of the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye.
[2] Including organic sales development in Russia since the beginning of the second quarter against the background of the announced exit of the business activities there.

Sales

in million euros



The Adhesive Technologies business unit achieved double-digit organic sales growth of 13.2 percent, to which all business areas contributed. Organic sales development in the Beauty Care business unit was slightly negative at -0.5 percent. While the ongoing recovery in the Professional business area had a positive effect, the Consumer business area recorded a decrease in sales, due in particular to the announced measures to improve the portfolio. The Laundry & Home Care business unit generated very strong organic sales growth of 6.3 percent, driven particularly by significant growth in the Laundry Care business area.

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Price and volume effects

in percent	Organic sales development	Of which price	Of which volume
Adhesive Technologies	**13.2**	13.8	-0.6
Beauty Care	**-0.5**	8.9	-9.4
Laundry & Home Care	**6.3**	12.9	-6.6
Henkel Group	**8.8**	**12.6**	**-3.8**

In the Western Europe region, we were able to increase sales to 6,064 million euros. Organic sales growth was good at 2.3 percent. At 27 percent, the share of sales from the region decreased year on year.

Sales in the Eastern Europe region totaled 3,474 million euros, up versus prior year. Organic sales growth was in the double-digit percentage range at 22.4 percent. At 16 percent, the share of sales from the region was on a par with the prior-year level.

Our sales in the Africa/Middle East region were up year on year at 1,272 million euros. Organically, the region posted sales growth of 7.0 percent. The share of sales from the region remained flat at 6 percent.

Sales in the North America region increased significantly to 5,984 million euros. Organically, sales grew by 8.2 percent. Year on year, the share of sales from the region increased to 27 percent.

Sales in the Latin America region were also significantly higher year on year at 1,548 million euros. Organic sales growth was in the double-digit percentage range, at 17.7 percent. The share of sales from the region increased to 7 percent.

Sales in the Asia-Pacific region increased significantly to 3,827 million euros. Organically, the region recorded sales growth of 6.8 percent. At 17 percent, the share of sales from the Asia-Pacific region was on a par with the prior-year level.

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Sales in the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) were significantly higher year on year at 9,455 million euros. Organically, sales grew by 13.3 percent. The share of sales from emerging markets increased slightly versus prior year to 42 percent.

Key financials by region

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales 2022[1]	**6,064**	**3,474**	**1,272**	**5,984**	**1,548**	**3,827**	**228**	**22,397**
Sales 2021[1]	5,990	3,114	1,208	5,028	1,211	3,374	142	20,066
Change versus previous year	1.2%	11.6%	5.2%	19.0%	27.9%	13.4%	–	11.6%
Organic	2.3%	22.4%	7.0%	8.2%	17.7%	6.8%	–	8.8%
Proportion of Group sales 2022	**27%**	**16%**	**6%**	**27%**	**7%**	**17%**	**1%**	**100%**
Proportion of Group sales 2021	30%	16%	6%	25%	6%	17%	1%	100%
Operating profit (EBIT) 2022	**878**	**319**	**-38**	**111**	**106**	**583**	**-149**	**1,810**
Operating profit (EBIT) 2021	1,544	171	33	27	66	557	-185	2,213
Change versus previous year	-43.2%	86.4%	-216.4%	307.9%	60.8%	4.8%	–	-18.2%
Adjusted for foreign exchange	-43.4%	86.2%	-197.6%	135.1%	44.4%	-1.2%	–	-22.9%
Return on sales (EBIT margin) 2022	**14.5%**	**9.2%**	**-3.0%**	**1.9%**	**6.9%**	**15.2%**	**–**	**8.1%**
Return on sales (EBIT margin) 2021	25.8%	5.5%	2.7%	0.5%	5.5%	16.5%	–	11.0%

[1] By location of company.

Operating profit

The following explanations relate to results adjusted for one-time expenses and income, and for restructuring expenses, so as to present operational performance before exceptional items.

Adjusted operating profit (adjusted EBIT)

in million euros	2021	2022	+/-
EBIT (as reported)	**2,213**	**1,810**	**-18.2%**
One-time income	-13	**-32**	–
One-time expenses	259	**137**	–
Restructuring expenses	227	**405**	–
Adjusted EBIT	**2,686**	**2,319**	**-13.7%**

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One-time expenses amounted to 137 million euros, of which 73 million euros is attributable to an impairment of a European consumer goods business in Beauty Care. The figure for one-time expenses also includes 49 million euros relating to the merger of the Beauty Care and Laundry & Home Care business units. This expenditure is essentially attributable to external consultancy services and project management costs.

Of the one-time income of 32 million euros, 26 million euros relate to the sale by our Adhesive Technologies business unit of its global soldering agents business.

In order to adapt our structures to our markets and customers, we spent 405 million euros on restructuring (previous year: 227 million euros). A significant portion of this amount is attributable to the merger of our two consumer goods business units. Restructuring expenses were also incurred for the optimization of our production, logistics and sales and distribution structures. Please refer to pages 319 and 320 for more details of our restructuring expenses and an explanation of the one-time expenses and income.

Adjusted operating profit (adjusted EBIT) decreased by 13.7 percent to 2,319 million euros (2021: 2,686 million euros). Positive price effects as well as ongoing measures to reduce costs and enhance production and supply chain efficiency were unable to fully offset negative impacts on Group profitability from substantially higher prices for direct materials and logistics. Adjusted return on sales was down year on year at 10.4 percent (2021: 13.4 percent).

All business units recorded a decline in this metric, with adjusted return on sales coming in at 13.6 percent in the Adhesive Technologies business unit (2021: 16.2 percent), at 7.8 percent in the Beauty Care business unit (2021: 9.5 percent) and at 8.6 percent in the Laundry & Home Care business unit (2021: 13.7 percent).

Expense items

The following explanations relate to our operating expenses adjusted for one-time expenses and income, and for restructuring expenses. The reconciliation statement and the allocation of the restructuring charges between the various expense items of the consolidated statement of income can be found on pages 319 and 320.

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Cost of sales was 17.5 percent higher year on year at 12,921 million euros. Gross profit increased by 4.5 percent to 9,476 million euros. Year on year, adjusted gross margin decreased by 2.9 percentage points to 42.3 percent. Positive price effects as well as ongoing measures to reduce costs and enhance production and supply chain efficiency were unable to fully offset negative impacts on Group profitability from substantially higher prices for direct materials (raw materials, packaging and purchased goods and services) and logistics.

Reconciliation from sales to adjusted operating profit

in million euros	2021	%	2022	%	+/-
Sales	**20,066**	**100.0**	**22,397**	**100.0**	**11.6%**
Cost of sales	-10,999	-54.8	**-12,921**	**-57.7**	17.5%
Gross profit	**9,067**	**45.2**	**9,476**	**42.3**	**4.5%**
Marketing, selling and distribution expenses	-5,087	-25.4	**-5,682**	**-25.4**	11.7%
Research and development expenses	-504	-2.5	**-543**	**-2.4**	7.7%
Administrative expenses	-921	-4.6	**-1,010**	**-4.5**	9.6%
Other operating income/expenses	132	0.7	**77**	**0.3**	-41.2%
Adjusted operating profit (adjusted EBIT)	**2,686**	**13.4**	**2,319**	**10.4**	**-13.7%**

At 5,682 million euros, marketing, selling and distribution expenses were above the prior-year figure of 5,087 million euros. The ratio to sales remained flat at 25.4 percent. We spent a total of 543 million euros for research and development. The ratio to sales, at 2.4 percent, decreased slightly year on year. Administrative expenses in fiscal 2022 totaled 1,010 million euros following 921 million euros in the previous year. At 4.5 percent, administrative expenses as a percentage of sales were slightly lower versus 2021.

Other operating income and expenses

At 77 million euros, the balance of adjusted other operating income and expenses decreased year on year (2021: 132 million euros). The change versus prior year was essentially attributable to lower gains from the divestment of various business activities, a reduction in release of provisions, and lower income from insurance claim payouts.

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Financial result

The financial result – adjusted for the first time for the effects of the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) to Türkiye – decreased from -64 million euros in 2021 to -83 million euros in the year under review. The change resulted mainly from increased US dollar financing costs due to higher interest rates.

€1,253 m

Net income

Net income and earnings per share (EPS)

Income before tax decreased from 2,149 million euros in the previous year to 1,689 million euros. Taxes on income amounted to 436 million euros. The tax rate of 25.8 percent was higher year on year (2021: 24.2 percent). At 25.2 percent, the adjusted tax rate was slightly above the prior-year level. Net income decreased by -23.1 percent to 1,253 million euros (2021: 1,629 million euros). After allowing for -5 million euros attributable to non-controlling interests, net income attributable to shareholders of Henkel AG & Co. KGaA amounted to 1,259 million euros, -23.0 percent below the prior-year figure (2021: 1,634 million euros). Adjusted net income after deducting non-controlling interests was 1,664 million euros compared to 1,973 million euros in fiscal 2021, representing a decrease of -15.7 percent year on year. A condensed version of the annual financial statements of the parent company of the Henkel Group – Henkel AG & Co. KGaA – can be found on pages 161 to 169.

At 2.95 euros, earnings per preferred share were below the prior-year figure of 3.78 euros. Earnings per ordinary share decreased to 2.93 euros (2021: 3.76 euros).

Adjusted earnings per preferred share decreased by -14.5 percent to 3.90 euros (2021: 4.56 euros). At constant exchange rates, adjusted earnings per preferred share decreased by -17.8 percent. In calculating adjusted earnings per preferred share, figures are adjusted for one-time expenses and income, and for restructuring expenses.

Dividend

According to our dividend policy, dividend payouts of Henkel AG & Co. KGaA shall, depending on the company’s asset and profit positions, as well as its financial requirements, amount to 30 to 40 percent of net income after non-controlling interests and adjusted for exceptional items.

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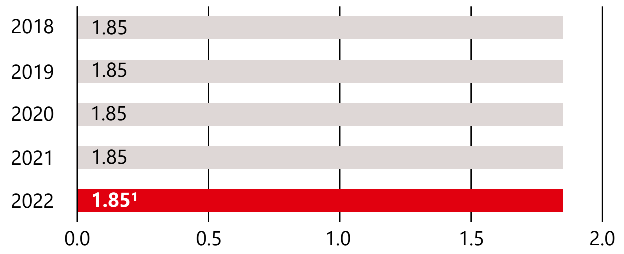
We will propose to the Annual General Meeting a stable dividend relative to the previous year of 1.85 euros per preferred share and 1.83 euros per ordinary share for the fiscal year just ended. This equates to a payout ratio of 46.6 percent[1], which is above the target range of 30 to 40 percent and reflects the unusual burden on earnings caused in particular by considerably higher commodity prices and logistics costs. This payout is possible thanks not least to the strong financial base and low net indebtedness of the Henkel Group. Thus we are able to maintain dividend continuity for our shareholders.

Dividend per preferred share

in euros



[1] Proposal to shareholders for the Annual General Meeting on April 24, 2023.

Return on capital employed (ROCE)

At 8.2 percent, return on capital employed (ROCE) was below the prior-year figure of 11.0 percent, mainly as a result of the lower operating profit.

Economic Value Added (EVA®)

Economic Value Added (EVA®) decreased to 267 million euros (2021: 852 million euros).

[1] Calculation based on the number of shares qualifying for dividends as of December 31, 2022.

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Comparison between actual business performance and guidance

Based on the business development in the first nine months of 2022 and assumptions regarding the business performance in the fourth quarter, the Management Board of Henkel AG & Co. KGaA updated its guidance for fiscal 2022 on November 8, 2022.

We expected the Henkel Group to generate organic sales growth of 7.0 to 8.0 percent. For the Adhesive Technologies business unit, Henkel forecasted organic sales growth of 11.0 to 12.0 percent. For the Beauty Care business unit, Henkel anticipated organic sales development in the range between -1.0 and 0.0 percent. Organic sales growth in the Laundry & Home Care business unit was expected to be between 5.5 and 6.5 percent.

We anticipated adjusted return on sales (adjusted EBIT margin) for the Henkel Group of 10.0 to 11.0 percent in fiscal 2022. We expected adjusted return on sales (adjusted EBIT margin) in a range between 13.5 and 14.5 percent for the Adhesive Technologies business unit. And our expectations with regard to adjusted return on sales (adjusted EBIT margin) were between 7.5 and 8.5 percent for Beauty Care, and between 8.0 and 9.0 percent for Laundry & Home Care.

Adjusted earnings per preferred share (EPS) at constant exchange rates were expected to decline in the range between -25 and -15 percent.

At 8.8 percent, organic sales growth of the Henkel Group was above our forecast range of 7.0 to 8.0 percent. This was essentially due to the performance of our Adhesive Technologies business unit which achieved organic sales growth of 13.2 percent, driven by double-digit price increases, thus surpassing the anticipated range. At -0.5 percent, organic sales development in the Beauty Care business unit was at the midpoint of the forecast range. The Laundry & Home Care business unit generated organic sales growth of 6.3 percent, which was also within the anticipated range.

Adjusted return on sales (adjusted EBIT margin) for the Henkel Group was 10.4 percent, which was within the guidance range of between 10.0 and 11.0 percent. Adjusted return on sales in Adhesive Technologies was 13.6 percent and therefore in the lower half of our guidance range of between 13.5 and 14.5 percent. In Beauty Care, adjusted return on sales, at 7.8 percent, was within the forecast range of between 7.5 and 8.5 percent. With an adjusted return on sales figure of 8.6 percent, Laundry & Home Care was in the upper half of the forecast range of between 8.0 and 9.0 percent.

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Adjusted earnings per preferred share at constant exchange rates decreased by -17.8 percent, which was at the upper end of the expected bandwidth of -25.0 to -15.0 percent.

Beyond these key indicators, our expectations for restructuring expenses in 2022 had been 450 to 500 million euros. At 405 million euros, the figure was slightly below this range. Cash outflows from investments in property, plant and equipment and intangible assets were expected to be around 650 million euros. At 600 million euros, this figure was also slightly below forecast.

Guidance versus performance 2022

	Original guidance for 2022	Guidance for 2022 as updated on April 29	Guidance for 2022 as updated on August 15	Guidance for 2022 as updated on September 20	Guidance for 2022 as updated on November 8	Results 2022
Organic sales growth						
Henkel Group:	2.0 to 4.0 percent	3.5 to 5.5 percent[2]	4.5 to 6.5 percent[2]	5.5 to 7.5 percent[2]	7.0 to 8.0 percent[2]	8.8 percent[2]
Adhesive Technologies:	5.0 to 7.0 percent	8.0 to 10.0 percent[2]	8.0 to 10.0 percent[2]	10.0 to 12.0 percent[2]	11.0 to 12.0 percent[2]	13.2 percent[2]
Beauty Care:	-5.0 to -3.0 percent	-5.0 to -3.0 percent[2]	-3.0 to -1.0 percent[2]	-3.0 to -1.0 percent[2]	-1.0 to 0.0 percent[2]	-0.5 percent[2]
Laundry & Home Care:	2.0 to 4.0 percent	2.0 to 4.0 percent[2]	4.0 to 6.0 percent[2]	4.0 to 6.0 percent[2]	5.5 to 6.5 percent[2]	6.3 percent[2]
Adjusted[1] return on sales (adjusted EBIT margin)						
Henkel Group:	11.5 to 13.5 percent	9.0 to 11.0 percent	9.0 to 11.0 percent	9.0 to 11.0 percent	10.0 to 11.0 percent	10.4 percent
Adhesive Technologies:	15.0 to 17.0 percent	13.0 to 15.0 percent	13.0 to 15.0 percent	13.0 to 15.0 percent	13.5 to 14.5 percent	13.6 percent
Beauty Care:	7.5 to 10.0 percent	5.0 to 7.0 percent	5.0 to 7.0 percent	5.0 to 7.0 percent	7.5 to 8.5 percent	7.8 percent
Laundry & Home Care:	10.5 to 13.0 percent	7.0 to 9.0 percent	7.0 to 9.0 percent	7.0 to 9.0 percent	8.0 to 9.0 percent	8.6 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	Development in the range of -15 to +5 percent	Decrease in the range of -35 to -15 percent	Decrease in the range of -35 to -15 percent	Decrease in the range of -35 to -15 percent	Decrease in the range of -25 to -15 percent	-17.8 percent

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
[2] Excluding organic sales development in Russia since the beginning of the second quarter of 2022 against the background of the announced exit of the business activities there.

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Results of operations of the business units

ADHESIVE TECHNOLOGIES

13.2%
Organic sales growth

€ 1,530 m
Adjusted[1] EBIT

13.6%
Adjusted[1] EBIT margin

Overview

The economic environment in which the Adhesive Technologies business unit operates was characterized by an overall positive trend in industrial demand. By contrast, drastically higher material prices and inflation-based headwinds on the global procurement and logistics markets had an adverse effect. These challenges were further exacerbated by the impacts of the war in Ukraine and by COVID-19-related restrictions on business operations in China.

Year on year, the global industrial production index (IPX) increased by around 3 percent, a less dynamic performance overall than expected at the start of the year. Automotive production increased compared to the previous year – which had witnessed a significant decline in the wake of the global shortage of semi-conductors – but remained at a low level overall.

Under these challenging economic conditions, the organic sales development and adjusted return on sales of the Adhesive Technologies business unit showed an overall robust performance in 2022.

Key financials

in million euros	2021	2022	+/-
Sales	9,641	**11,242**	16.6%
Proportion of Henkel sales	48%	**50%**	–
Operating profit (EBIT)	1,524	**1,500**	-1.6%
Adjusted operating profit (adjusted EBIT)	1,561	**1,530**	-2.0%
Return on sales (EBIT margin)	15.8%	**13.3%**	-2.5pp
Adjusted return on sales (adjusted EBIT margin)	16.2%	**13.6%**	-2.6pp
Return on capital employed (ROCE)	17.2%	**15.4%**	-1.8pp
Economic Value Added (EVA®)	747	**622**	-16.7%

pp = percentage points

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

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Sales

Sales generated by the Adhesive Technologies business unit rose nominally by 16.6 percent to 11,242 million euros in the year under review. Foreign exchange effects increased sales by 4.8 percent. Acquisitions/divestments reduced sales by -1.4 percent.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 13.2 percent. This sales growth was driven by a double-digit development in price. We were able to continually adjust our price levels over the course of the year to the overall extraordinarily steep rise in material prices, and achieved double-digit price increases in each quarter. Volumes decreased slightly, due particularly to the decline in the fourth quarter.

Sales development

in percent	2022
Change versus previous year	**16.6**
Foreign exchange[1]	**4.8**
Adjusted for foreign exchange	**11.8**
Acquisitions/divestments[2]	**-1.4**
Organic	**13.2**
Of which price	**13.8**
Of which volume	**-0.6**

[1] Including the effects of the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye.
[2] Including organic sales development in Russia since the beginning of the second quarter against the background of the announced exit of the business activities there.

Organic sales development by business area

All business areas contributed to organic sales growth in 2022. The growth was driven predominantly by price increases across all business areas.

The double-digit organic sales growth in the **Automotive & Metals** business area was supported by a recovery in demand in the Automotive business. The ongoing global shortage of semiconductors continued to negatively impact automotive production, particularly in the first half of the year. Although this effect eased as the year progressed, production levels in the automotive industry remained below the pre-crisis level of 2019. Growth stimulus was in particular generated in the field of electromobility. The Metals business posted significant sales growth.

Top brands

LOCTITE

TECHNOMELT

BONDERITE

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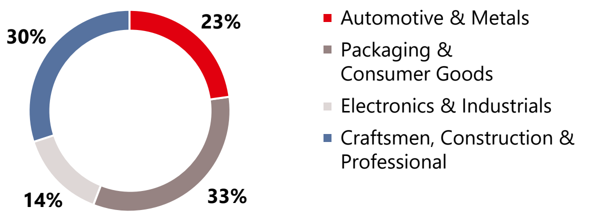
In the **Packaging & Consumer Goods** business area, all businesses contributed to the double-digit organic sales increase. The growth was driven by double-digit percentage price rises and continuing high demand. In addition, we expanded our portfolio of flexible packaging products to include, for example, new solvent-free solutions offering a greater degree of recyclability.

The **Electronics & Industrials** business area generated very strong sales growth, mainly driven by double-digit growth in the Industrials business where we registered strong demand particularly for our aerospace solutions. Growth in the Electronics business area was positive.

The overall significant organic sales growth in the **Craftsmen, Construction & Professional** business area was driven primarily by double-digit growth in the General Manufacturing & Maintenance and the Consumers & Craftsmen businesses. Drivers of this growth included, in particular, our maintenance, repair and overhaul solutions for machinery, plant and equipment in addition to our broad range of high-impact and sustainable products for consumers and craftsmen. The Construction business showed a slowing dynamic over the course of the year and achieved good growth overall.

For details of the activities of the individual business areas, please refer to pages 88 and 89.

Sales by business area 2022



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Organic sales development by region

The **emerging markets** delivered the strongest performance with double-digit organic sales growth, supported in particular by clear double-digit increases in the Eastern Europe and Latin America regions. Year on year, sales growth in the Africa/Middle East region was double-digit, the Asia (excluding Japan) region recorded significant growth. The **mature markets** likewise generated double-digit sales growth. Here, the North America region recorded the strongest increase with double-digit organic sales growth. Sales in Western Europe were significantly above the prior-year level, while the mature markets of the Asia-Pacific region generated very strong organic sales growth.

In 2022, we generated more than 80 percent of total sales with our five technology-based brand clusters for industrial customers and our four strong brands for consumers. The proportion of sales from products successfully launched onto the market in the last five years was around 25 percent.

Operating profit

Adjusted operating profit was slightly lower year on year at 1,530 million euros (2021: 1,561 million euros). Adjusted return on sales, at 13.6 percent, was 260 basis points down versus prior year. This was due mainly to a declining gross margin adversely affected by the substantial increase in prices for direct materials, especially in the first half of the year. We were able to partly offset the decrease in gross margin, primarily by successively implementing price adjustments and through ongoing measures to reduce costs and enhance production and supply chain efficiency. At 12.6 percent, net working capital as a percentage of sales was higher compared to prior year. Return on capital employed (ROCE) decreased to 15.4 percent as a result of the change in capital employed and the lower operating profit. Economic Value Added (EVA®) decreased year on year to 622 million euros.

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BEAUTY CARE

-0.5%
Organic sales growth

€ 296 m
Adjusted[1] EBIT

7.8%
Adjusted[1] EBIT margin

Overview

In 2022, the development of the global cosmetics markets and categories of relevance for the Beauty Care business unit was characterized both by rising consumer prices – due to higher production costs and an overall inflationary environment – and by declining volumes.

Performance in the markets of relevance for the unit's Consumer business area was positive overall. In particular, the North America region generated very strong growth and the Western Europe region strong growth after both experiencing a decline the year before. All emerging market regions achieved double-digit growth – with the exception of the Asia-Pacific region, which was severely affected by the restrictive measures implemented in China in order to contain the COVID-19 pandemic.

The various categories in the Consumer business area were affected to differing degrees as demand continued to return to normal. Performance in the relevant Hair Cosmetics markets was good overall. Performance was positive in both the Hair Colorants category and the markets of relevance for the Hair Care category. The Hair Styling category achieved double-digit market growth in the wake of ongoing recovery following a sharp decline in 2020 as a result of the pandemic. Performance in the relevant hygiene and soap product markets was positive – following a sharp drop in demand in the prior year as the market returned to normal.

With only local and temporary limitations caused by pandemic-related restrictions, the global hair salon market showed positive performance across all regions, continuing the recovery started in the previous year.

Due to the implementation of the announced portfolio measures in the Consumer business area and in light of a market environment that remained challenging, organic sales development in the Beauty Care business unit was slightly negative overall. The Professional business area achieved very strong sales growth while the Consumer business area was down organically year on year, mainly due to the aforementioned portfolio measures. Adjusted return on sales in the Beauty Care business unit decreased.

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

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Key financials

in million euros	2021	2022	+/-
Sales	3,678	**3,775**	2.6%
Proportion of Henkel sales	18%	**17%**	–
Operating profit (EBIT)	77	**3**	-95.5%
Adjusted operating profit (adjusted EBIT)	351	**296**	-15.7%
Return on sales (EBIT margin)	2.1%	**0.1%**	-2.0pp
Adjusted return on sales (adjusted EBIT margin)	9.5%	**7.8%**	-1.7pp
Return on capital employed (ROCE)	1.8%	**0.1%**	-1.7pp
Economic Value Added (EVA®)	-208	**-302**	–

pp = percentage points

Top brands

Schwarzkopf

Dial

syoss

Sales

Sales generated by the Beauty Care business unit increased nominally by 2.6 percent to 3,775 million euros in the year under review. Acquisitions/divestments reduced sales by -0.7 percent. Currency effects had a positive impact of 3.8 percent on sales.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -0.5 percent.

Sales development

in percent	2022
Change versus previous year	**2.6**
Foreign exchange[1]	**3.8**
Adjusted for foreign exchange	**-1.2**
Acquisitions/divestments[2]	**-0.7**
Organic	**-0.5**
Of which price	**8.9**
Of which volume	**-9.4**

[1] Including the effects of the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye.

[2] Including organic sales development in Russia since the beginning of the second quarter against the background of the announced exit of the business activities there.

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Organic sales development by business area

In 2022, organic sales performance in the **Consumer** business area was down year on year, due mainly to the measures announced to improve the portfolio, which include the discontinuation of activities not destined to be part of the future core business. As part of this portfolio optimization, business activities representing a volume of around 0.2 billion euros were discontinued over the course of this year. These activities accounted for around 5 percent of Beauty Care sales in 2021.

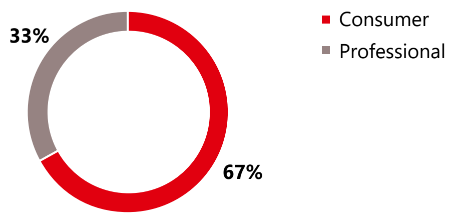
Organic sales development was slightly negative overall in the Hair Cosmetics category – although performance differed among the individual businesses. The Hair Styling business generated double-digit organic sales growth, thus continuing the recovery that started in the prior year following the decline caused by the pandemic. By contrast, sales performance in the Hair Colorants business was negative as demand – which had increased significantly in the prior-year period due to the COVID-19 pandemic – continued to return to normal. Sales in the Hair Care business were also below the prior year due to a negative development in the mature markets.

Sales performance in the Body Care category was significantly lower compared to the prior year, mainly due to the announced portfolio optimization measures.

The **Professional** business area was able to build on its positive performance from the previous year and generated very strong organic sales growth, driven in particular by a double-digit increase in the emerging markets.

For details of the activities of the individual business areas, please refer to page 89.

Sales by business area 2022



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Organic sales development by region

In regional terms, performance differed within the **emerging markets**. Growth was significant in the Eastern Europe, Asia (excluding Japan) and Latin America regions, while performance in the Africa/Middle East region was down year on year due to the portfolio optimization measures in the Consumer business area. Sales performance was negative overall in the **mature markets**. The Western Europe region was down year on year – due to negative performance in the Consumer business area being only partially offset by growth in the Professional business area. By contrast, sales performance in the North America region was positive. The mature markets in the Asia-Pacific region generated very strong sales growth, driven by the Consumer business area.

In 2022, the business unit generated around 85 percent of its sales with its top 10 brands. The proportion of sales from products successfully launched onto the market in the last three years was around 50 percent.

Operating profit

The Beauty Care business unit generated an adjusted operating profit of 296 million euros, down from the prior-year figure (351 million euros). Gross margin declined. Positive effects, in particular from price increases and ongoing measures to reduce costs and enhance production and supply chain efficiency, were unable to fully offset the negative impact of significantly higher material prices. Overall, adjusted return on sales decreased to 7.8 percent (previous year: 9.5 percent). In addition to the decline in gross margin, this was partly due to a slight increase in investments in marketing and advertising.

At 0.2 percent, net working capital as a percentage of sales was higher year on year. Return on capital employed (ROCE) was at 0.1 percent and thus below the prior-year level, mainly due to exceptional charges for restructuring measures in connection with the merger of the consumer businesses into the new Consumer Brands business unit. Economic Value Added (EVA®) totaled -302 million euros.

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LAUNDRY & HOME CARE

6.3%
Organic sales growth

€614 m
Adjusted[1] EBIT

8.6%
Adjusted[1] EBIT margin

Overview

The global market for laundry detergents and household cleaners relevant for the Laundry & Home Care business unit showed very strong growth in 2022. This market growth was characterized by significant price increases in an overall inflationary environment while volumes declined.

Year on year, performance in the mature markets was positive across all regions, with the mature markets of the Asia-Pacific region showing the biggest growth. The emerging markets achieved double-digit growth. All regions contributed to this increase, whereby the relevant markets in Eastern Europe and Africa/Middle East achieved the strongest growth.

Our relevant markets were still partly characterized by a continued normalization of demand and consumer behavior influenced by the COVID-19 pandemic – among others in the hygiene products sector.

Despite a persistently difficult market environment, the Laundry & Home Care business unit continued on its growth path in 2022 and recorded very strong organic sales growth. Adjusted return on sales for the business unit was down year on year, due in particular to considerably higher raw materials and logistics prices, and production costs.

Key financials

in million euros	2021	2022	+/-
Sales	6,605	**7,152**	8.3%
Proportion of Henkel sales	33%	**32%**	–
Operating profit (EBIT)	797	**455**	-42.9%
Adjusted operating profit (adjusted EBIT)	904	**614**	-32.0%
Return on sales (EBIT margin)	12.1%	**6.4%**	-5.7pp
Adjusted return on sales (adjusted EBIT margin)	13.7%	**8.6%**	-5.1pp
Return on capital employed (ROCE)	11.4%	**6.0%**	-5.5pp
Economic Value Added (EVA®)	326	**-61**	–

pp = percentage points

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

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Sales

Sales generated by the Laundry & Home Care business unit increased nominally by 8.3 percent to 7,152 million euros in the year under review. Foreign exchange effects increased sales by 2.7 percent, whereas acquisitions/divestments reduced sales by -0.7 percent.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 6.3 percent. The sales growth was driven by prices, while volumes declined.

Sales development

in percent	2022
Change versus previous year	**8.3**
Foreign exchange[1]	**2.7**
Adjusted for foreign exchange	**5.6**
Acquisitions/divestments[2]	**-0.7**
Organic	**6.3**
Of which price	**12.9**
Of which volume	**-6.6**

[1] Including the effects of the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye.
[2] Including organic sales development in Russia since the beginning of the second quarter against the background of the announced exit of the business activities there.

Organic sales development by business area

Our **Laundry Care** business area achieved significant organic sales growth versus prior year. The Heavy-Duty Laundry Detergents category achieved significant growth, due primarily to a double-digit increase in the sales generated by our core brand Persil. The Specialty Detergents category recorded double-digit growth, particularly driven by our brand Perwoll.

Organic sales development in the **Home Care** business area was positive overall compared to the prior year where demand was higher as a result of the pandemic. While the Dishwashing Products and Toilet Cleaners categories achieved very strong and positive organic growth respectively – driven in particular by our Pril, Bref and Somat brand families – the Hard Surface Cleaners category was down year on year. This was due to the demand for hygiene products continuing to return to normal following the significant increase in the prior-year period in response to the COVID-19 pandemic.

For details of the activities of the individual business areas, please refer to page 90.

Top brands

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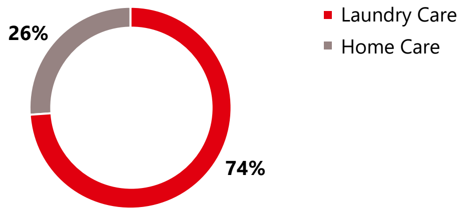
Sales by business area 2022



Organic sales development by region

The **emerging markets** registered double-digit organic sales growth and were the biggest driver of organic growth in the Laundry & Home Care business unit. The Africa/Middle East, Eastern Europe, and Latin America regions each contributed to this performance with double-digit percentage sales growth. Organic sales development in the Asia (excluding Japan) region was negative. Sales performance in the **mature markets** was good overall. The North America region recorded strong organic sales growth, while sales increased by a double-digit percentage rate in the mature markets in the Asia-Pacific region. By contrast, organic sales development in the Western Europe region was slightly negative.

In 2022, we generated around 70 percent of our sales with our top 10 brand clusters. A brand cluster comprises individual global and local brands that share a common brand positioning internationally. The proportion of sales from products successfully launched onto the market in the last three years was around 50 percent.

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Operating profit

Adjusted operating profit was down year on year, at 614 million euros (2021: 904 million euros). Gross margin declined. In particular, positive effects from price increases and ongoing measures to reduce costs and enhance production and supply chain efficiency were unable to fully offset the negative impact of significantly higher raw material prices. Adjusted return on sales in the Laundry & Home Care business unit decreased to 8.6 percent, largely due to the decline in gross margin in the wake of considerably higher raw material and logistics prices and increased investments in marketing and advertising.

Net working capital as a percentage of sales increased to a level of -5.5 percent. Return on capital employed (ROCE) was down year on year, at 6.0 percent, due to the lower adjusted operating profit and exceptional restructuring expenses incurred in connection with the merger of the consumer businesses into the new Consumer Brands business unit. At -61 million euros, Economic Value Added (EVA®) was also down year on year.

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Net assets and financial position

Acquisitions and divestments

Effective July 1, 2022, Henkel acquired Shiseido's hair salon business in Asia-Pacific. The acquisition included leading hair salon brands such as Sublimic or Primience, which are marketed under the licensed umbrella brand Shiseido Professional. In fiscal 2022, the acquired business generated sales revenues of 112 million euros.

Effective March 31, 2022, Henkel acquired all the outstanding shares in our US-American subsidiary eSalon.com LLC from the former minority shareholder.

In addition, we expanded our expertise for innovative surface technologies and thermal management solutions in the Adhesive Technologies business unit.

Active portfolio management continues to be an essential element in determining the future strategic direction of the Henkel Group. Both the acquisition and sale of trademark rights and businesses are integral to our strategy.

As part of our active portfolio management in our Adhesive Technologies business unit, we sold the global soldering agents business effective June 1, 2022.

In the Beauty Care business unit, the Henkel Group sold the Latin American Consumer business with Hair Care brands Pert, Funk and Linea Natural, effective June 1, 2022. Effective December 7, 2022 the European Oral Care business, which essentially comprised the brands Vademecum, Theramed, Licor del Polo, Denivit and Antica Erboristeria, was sold, as was the European Consumer business involving the Diadermine Skin Care brand, effective December 31, 2022.

On February 15, 2022, the Laundry & Home Care business unit sold the cleaning wipes business of its brand Ballerina, which is distributed in Europe, and on May 2, 2022, its European air freshening business with the brands Croc odor and Iba. Effective September 1, 2022, the North American stain remover business comprising the brands Zout and Fels-Naptha was sold.

The acquisitions and divestments undertaken in the year under review did not result in any material changes in the business and organizational structure of the Henkel Group, nor did they have any material effect on our net assets, financial position and results of operations. For detailed information on our organization and business activities, please refer to the disclosures on pages 88 to 91.

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Additional disclosures relating to our acquisitions and divestments can be found on pages 215 to 218 of the notes to the consolidated financial statements.

Capital expenditures

In the reporting period, capital expenditures (excluding acquisitions) amounted to 600 million euros (previous year: 640 million euros). At 549 million euros, investments in property, plant and equipment for existing operations came in below the 2021 figure of 576 million euros.

Capital expenditures on property, plant and equipment totaled 237 million euros (previous year: 252 million euros) in the Adhesive Technologies business unit, 67 million euros (previous year: 83 million euros) in Beauty Care, and 232 million euros (previous year: 227 million euros) in Laundry & Home Care. We invested 51 million euros in intangible assets (previous year: 64 million euros).

Most of the expenditure was channeled into expansion projects, innovations and streamlining measures, which included, for example, increasing our production capacities, introducing innovative product lines and optimizing our supply chain.

The major projects of 2022 were as follows:

- Expansion of sulfation capacities for surfactant production in the USA (Laundry & Home Care)
- Conversion of liquid detergent packaging to recycled plastic (Laundry & Home Care)
- Construction of innovation centers in Düsseldorf and Shanghai (Adhesive Technologies)
- Optimization and functional expansion of our IT system architecture

In regional terms, capital expenditures focused primarily on Europe and North America.

The acquisitions resulted in additions to intangible assets and property, plant and equipment in the amount of 117 million euros. Details of these additions can be found on pages 235 to 245 of the notes to the consolidated financial statements.

€600 m

Investments in property, plant and equipment and intangible assets

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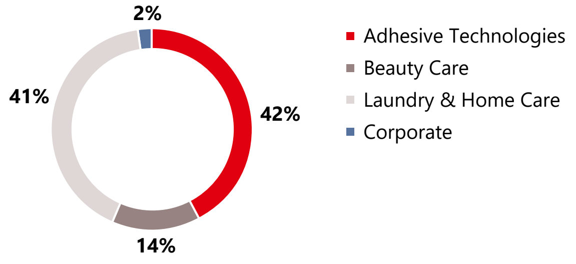
Capital expenditures by business unit in 2022[1]



[1] Existing operations

Capital expenditures 2022

in million euros	Existing operations	Acquisitions	Total
Intangible assets	51	113	**164**
Property, plant and equipment	549	3	**553**
Total	**600**	**117**	**716**

Right-of-use assets

In the course of its business operations, Henkel enters into various lease agreements as a lessee. In 2022, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 204 million euros in total (previous year: 151 million euros). Acquisitions accounted for additions of 3 million euros in the year under review (2021: - million euros). Additional disclosures relating to leases can be found on pages 244 and 245 of the notes to the consolidated financial statements.

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Net assets

At 33.2 billion euros, total assets increased compared to year-end 2021 (32.7 billion euros).

Under **non-current assets**, intangible assets increased by 471 million euros in total to 17,117 million euros. Additions of 164 million euros from acquisitions and capital expenditures and of 632 million euros from positive currency effects were offset in particular by scheduled amortization (145 million euros) and impairment (185 million euros). At 3,911 million euros, property, plant and equipment was on a par with year-end 2021. The additions described under "Capital expenditures" and "Right-of-use assets" were essentially offset by scheduled depreciation (599 million euros, of which 145 million euros is attributable to right-of-use assets) and impairment (131 million euros).

At 10.4 billion euros, **current assets** were on a par with year-end 2021. Inventories and trade accounts receivable increased by 551 million euros and 79 million euros respectively in fiscal 2022. We also recorded an increase of 673 million euros in assets held for sale, mainly as a result of the planned disposal of our business activities in Russia. Cash and cash equivalents decreased year on year by 1,028 million euros. The development of cash and cash equivalents is discussed in the section on our financial position, starting on page 138.

Compared to year-end 2021 **equity** including non-controlling interests increased by 0.4 billion euros to 20.2 billion euros. Equity rose primarily through the addition of net income for the year of 1,259 million euros, with currency translation of our subsidiaries' financial statements adding a further 520 million euros. Equity was reduced by a total of 800 million euros by the dividend distribution to shareholders of Henkel AG & Co. KGaA in April 2022 and dividend payments to non-controlling interests. Following purchases as part of our share buyback program, the value of treasury shares rose in 2022 by 812 million euros, offset by the acquisition cost of 32 million euros for the issuance of treasury shares to fulfill share-based payment plans. The individual components influencing equity development are shown in the consolidated statement of changes in equity on pages 206 and 207.

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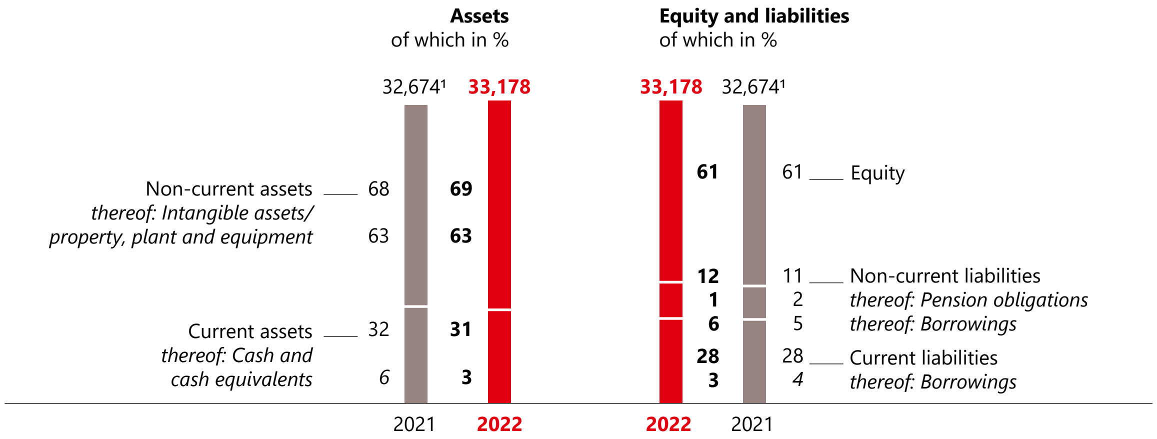
Financial structure
in million euros



[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

Non-current liabilities increased by 0.3 billion euros to 3.9 billion euros. The rise derives from the issuance of our fixed-rate bond in September 2022 carrying a nominal volume of 650 million euros. Countervailing this increase, non-current liabilities were reduced by the reclassification of a bond with a nominal volume of 330 million Swiss francs from non-current borrowings to current borrowings to reflect its residual term.

Compared to year-end 2021, **current liabilities** decreased by 0.1 billion euros to 9.2 billion euros in total. This was mainly due to the redemption of three bonds representing a total volume of 0.9 billion euros. The decrease was offset by the addition from the reclassification of the bond from non-current borrowings and the increase in liabilities held for sale in an amount of 177 million euros, mainly due to the planned disposal of our business activities in Russia.

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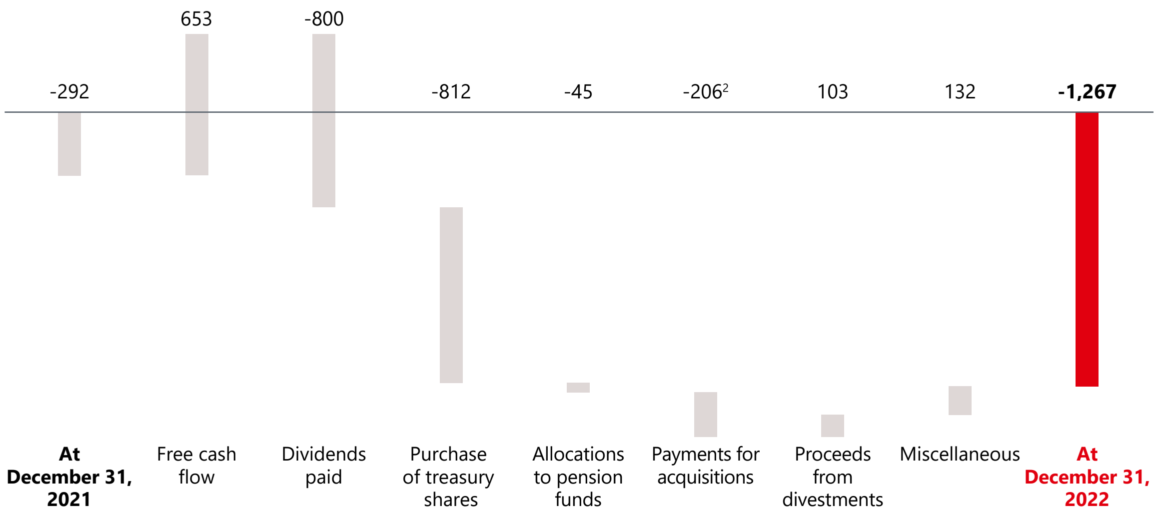
Effective December 31, 2022, our **net financial position**[1] amounted to -1,267 million euros (previous year: -292 million euros).

€-1,267 m
Net financial position

Net financial position
in million euros



[2] Including purchase of non-controlling interests with no change of existing control.

[1] The net financial position is defined as cash and cash equivalents, including cash and cash equivalents held for sale, plus readily monetizable securities and time deposits and financial collateral provided, less borrowings, plus positive and minus negative fair values of derivative financial instruments.

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Net financial position 2017 to 2022

in million euros	
2017	-3,222
2018	-2,895
2019	-2,047
2020	-888
2021	-292
2022	**-1,267**

Financial position

Cash flow from operating activities in fiscal 2022 came in at 1,247 million euros, representing a decline versus fiscal 2021 (2,141 million euros). The decrease in cash flow was primarily the result of the 403 million euros decline in operating profit year on year, and an increase in net working capital[1] as a result, in particular, of a price-driven rise in inventories. Year on year, the ratio of net working capital to sales increased by 2.3 percentage points to 4.5 percent.

In fiscal 2022, **cash flow from investing activities** showed a cash outflow of -217 million euros, while in the prior-year period the Henkel Group recorded a cash outflow of -479 million euros. Slightly lower investments in intangible assets and property, plant and equipment, and lower acquisition payments, coupled with higher proceeds from the realization of short-term money investments resulted in a lower cash outflow versus the previous year. Further discussion of the acquisitions and divestments in 2022 can be found in the "Acquisitions and divestments" section on pages 131 and 132.

At -1,888 million euros in fiscal 2022, **cash flow from financing activities** was higher year on year (2021: -1,294 million euros). The cash outflow in the prior-year period had been mainly due to the repayment of commercial paper liabilities, whereas this year payments affecting cash flow from financing activities related primarily to the acquisition of treasury shares.

[1] Inventories plus payments on account, trade accounts receivable and receivables from suppliers, less liabilities to customers, trade accounts payable and current sales provisions.

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Cash and cash equivalents decreased compared to December 31, 2021 by -1,028 million euros to 1,088 million euros.

At 653 million euros, **free cash flow** was significantly down year on year (2021: 1,478 million euros), due in particular to the lower cash flow from operating activities in the period under review.

The development of our financial position is indicated in detail in the consolidated statement of cash flows on pages 208 and 209.

Financing and capital management

The financing of the Group is centrally managed by Henkel AG & Co. KGaA. Funds are, as a general rule, obtained centrally and distributed within the Group. Our financial management is based on the financial ratios defined in our financial strategy (see table of key financial ratios on page 140). We pursue a conservative and flexible investment and borrowings policy with a balanced investment and financing portfolio. The primary goals of our financial management are to secure the liquidity and creditworthiness of the Group, together with ensuring access at all times to the capital market, and to generate a sustainable improvement in shareholder value.

Measures deployed in order to achieve these aims include optimization of our capital structure, adoption of an appropriate dividend policy, equity management and long-term debt reduction. Our capital needs and capital procurement activities are coordinated to ensure that requirements with respect to earnings, liquidity, security and independence are taken into account and properly balanced.

In fiscal 2022, Henkel paid the same dividends as in 2021 on both ordinary and preferred shares. Cash flows not required for capital expenditures, dividends and interest payments were used to acquire treasury shares under our share buyback program, and to fund acquisitions. We covered our short-term financing requirement primarily through commercial paper. Our multi-currency commercial paper program is additionally secured by a syndicated credit facility. In addition, the Henkel Group had access to credit lines of 1.6 billion euros that remained unutilized as of December 31, 2022 (previous year: 1.6 billion euros).

Our credit rating is regularly assessed by the rating agencies Standard & Poor’s, Moody’s and Scope Ratings. As in previous years, our ratings remain within the “single A” target corridor, at A/A–1 (Standard & Poor’s), A2/P-1 (Moody’s) and A/S-1+ (Scope Ratings). This is a good rating in the prime investment grade segment.

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Credit ratings

	Standard & Poor's	Moody's	Scope Ratings
Long term	A	A2	A
Outlook	Stable	Stable	Stable
Short term	A–1	P-1	S-1

At December 31, 2022

Our long-term ratings remain at A flat (Standard & Poor's), A2 (Moody's) and A (Scope Ratings). We intend to maintain a solid "A" rating to ensure our continued unrestricted access to the money and capital markets and to favorable financing terms and conditions.

As of December 31, 2022, our borrowings totaled 2,907 million euros (previous year: 2,838 million euros). They mainly comprised bonds issued and commercial paper.

Henkel's financial risk management activities are explained in the risks and opportunities report on pages 170 to 194. Further detailed information on our financial instruments can be found in the financial instruments report on pages 275 to 307 of the notes to the consolidated financial statements.

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Key financial ratios

Leverage in fiscal 2022 was 0.8 compared to 0.4 in 2021. The interest coverage ratio in the year under review was 35.0, following 62.5 in fiscal 2021. The method of calculating the interest coverage ratio was adjusted to enable better comparison with other companies. In fiscal 2022, the interest coverage ratio was derived from the ratio of EBITDA to interest expense and pension interest. In the prior year, the interest coverage ratio was derived from the ratio of EBITDA to financial result excluding investment result. The equity ratio as of December 31, 2022 was 60.8 percent (previous year: 60.6 percent).

Key financial ratios

	2021	2022
Leverage		
Net financial position extended[1]*(-1)/EBITDA	0.4	**0.8**
Interest coverage ratio		
EBITDA/(interest expenses + pension interest)[2]	62.5	**35.0**
Equity ratio		
Equity/total assets	60.6%	**60.8%**

[1] For the extension, provisions for pensions and similar obligations, lease liabilities and sundry financial liabilities are subtracted. The receivables from Henkel Trust e.V. and external pension funds are added.

[2] Prior-year figure amended (see top of page).

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Employees

Our employees shape our company through their commitment, knowledge and skills. They are crucial for driving our long-term success. This is why strengthening a corporate culture characterized by close collaboration and empowered people is an integral element of our strategic framework for purposeful growth. Building on shared values and a clear understanding of collaborating as one team, we want to accelerate our cultural transformation, drive the upskilling of our employees regarding future capabilities, and enable our people to continuously develop. We continued to make further progress in 2022 and have together successfully driven forward the cultural journey.

Open and appreciative leadership culture

At Henkel, we promote a corporate culture that is shaped by close collaboration, the sharing of knowledge, and dedicated employees. The Leadership Commitments that we introduced in 2019 form the framework defining the behavior of our employees for bringing our purpose – Pioneers at heart for the good of generations – to life. The Leadership Commitments are at the center of our initiatives and are firmly anchored in our HR processes and systems.

We firmly believe that cultural change requires the commitment of all our people, which is why we support our employees and teams by offering various learning formats – such as the "Iceberg Learning Module" – to help them to reflect on, and modify, their behavior. At the same time, cultural change requires greater transparency across all areas of leadership development. Hence, since 2021, we have been guiding our top executives through a 360-degree coaching process – a key element for supporting executives as role models in creating an inspiring and modern work environment.

Payroll cost and average employee numbers

	2021	2022
Payroll cost in million euros	3,450	**3,729**
Average employee numbers	52,700	**51,950**

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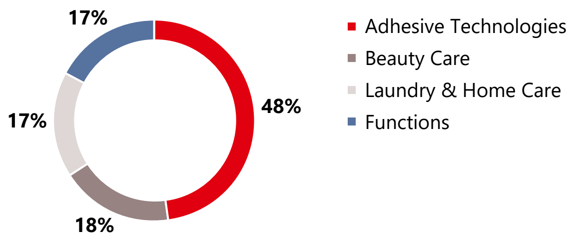
Employees by organizational unit



At December 31, 2022

As of year-end 2022, around 51,200 people were employed at Henkel. As part of the merger of the two business units Beauty Care and Laundry & Home Care into the integrated Consumer Brands business unit, Henkel had announced that around 2,000 positions around the globe will be affected in the first phase of integration. Related to this, the number of employees in our consumer businesses in fiscal 2022 decreased by around 1,000 compared to the previous year.

During this process, Henkel worked closely with the employee representative organizations in each country to identify socially responsible solutions. A comprehensive action plan was defined to minimize the social impacts on the relevant employees. This included a process throughout the entire Henkel Group to reassign employees wherever possible to suitable jobs outside the newly created Consumer Brands organization. If this proved impossible, the employees were offered assistance through a structured outplacement process. The contract termination offers took the personal situation of each employee into consideration. At all times during the entire change process, our support was based on open exchange with the relevant employees.

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Promoting diversity

Diversity, equity and inclusion are strategically important for Henkel and are an integral part of our corporate culture. We are convinced that a diverse workforce as well as an open and appreciative corporate culture are important success factors in a globalized world. Different viewpoints, cultures and mindsets enable us to meet the needs of increasingly diverse markets and stakeholders with creative and innovative products, services and solutions. Our ambition is to promote a culture of integration and to create equal opportunities to leverage the full potential of our diversity. Thereby, we pursue a holistic approach which encompasses different dimensions of diversity.

One of our strategic dimensions of diversity is gender diversity. We have set ourselves the goal of steadily increasing the proportion of women at all levels of the company, and are pursuing the ambition of achieving gender parity across all management levels by 2025. The proportion of women in management positions was around 39 percent in 2022, which represents another increase year on year.

Women in management

in percent	2018	2019	2020	2021	2022
Henkel	34.4	35.5	36.1	36.7	**37.1**
Managers	34.7	35.7	36.9	38.1	**38.7**
Top managers[1]	22.9	24.3	25.2	27.6	**29.6**

[1] Corporate Senior Vice Presidents, management circles I and IIa.

Internationality is also a natural part of the world of work at Henkel: We are represented by 124 nationalities operating in 79 countries. Around 85 percent of our workforce operates outside Germany.

To strengthen our open and appreciative corporate culture, we launched the campaign “I Am Unique. We Are Henkel” in 2022 and expanded our existing training program focusing on unconscious biases. We also organized various events and activities to raise awareness for the different dimensions of diversity, such as for the LGBTQ+ community. At the same time, we promote equal opportunities by identifying obstacles our employees are facing and by enabling individualized solutions to match their respective life circumstances. For example, we help families to achieve a balance between career and personal life by offering childcare facilities, while our social services provide support to overcome the challenges that occur at the various phases of people’s lives. We are endeavoring to actively embrace demographic change by offering three different partial retirement plans.

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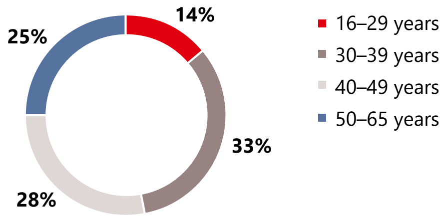
Employees by age group



At December 31, 2022

Energized and empowered teams

We enhance our employees' skills and knowledge and help them to reach their full potential. To foster the targeted development of our employees, we make use of regular development meetings and individualized career planning. This enables us to systematically identify and develop talents within the company and ensure internal succession planning. Our globally standardized assessment process includes an annual evaluation of the potential of our employees and, independently of this, an appraisal of their performance against pre-agreed role expectations. Individual training programs and potential career moves are also discussed.

Regular and transparent feedback helps us to define individual development measures that address both the company's needs and the employees' potential. We also use digital learning programs and encourage the development of digital skills. By year-end 2022, we had reached more than 40,000 employees through our digital training courses. Our existing sustainability upskilling offerings for employees were expanded to include our holistic engagement program "Sustainability at Heart."

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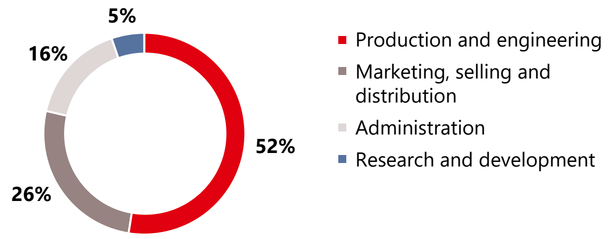
Employees by activity



At December 31, 2022

Shaping the future of work

At Henkel, we measure performance by results, not by physical presence. This is why we have been promoting flexible working models for years. Based on a culture of trust, part-time work, flexible working hours, new workplace concepts and mobile working are a natural part of our work.

We are shaping the future of work with the holistic Smart Work concept that we developed in 2021. The concept forms the global framework for mobile working, but also shows potential how our office landscapes might better support collaboration among our people, what improvements our health program can bring and which additional opportunities are offered by digitalization.

Recruiting, developing and retaining talents

As an employer, we want our employees as well as applicants and people interested in Henkel to be inspired and convinced by our culture and our career opportunities. As part of our global social media campaigns in 2022, we provided more authentic insights into the day-to-day work of our employees around the world. The positive response to these formats and the high level of transparency are reflected by the growing numbers of followers on our social media channels and by our employer rankings and ratings. We are continuously improving our job application process to make sure it appeals to interested talents.

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We place great importance on the in-house training and professional development of our people, giving due consideration to locally different training paths. We offer 25 apprenticeship and five dual-track study programs in Germany. In 2022, we welcomed 140 new apprentices and dual-track students as they began working toward a professional qualification at Henkel. We also offer a range of trainee programs in selected emerging markets.

Employees per region over time

	2018	%	2019	%	2020	%	2021	%	**2022**	**%**
Western Europe	14,750	27.8	14,750	28.1	14,900	28.1	14,750	28.1	**14,400**	**28.1**
Eastern Europe	9,800	18.5	9,800	18.7	10,150	19.2	10,350	19.7	**10,150**	**19.8**
Africa/Middle East	4,200	7.9	3,900	7.4	3,850	7.3	3,650	7.0	**3,150**	**6.2**
North America	9,000	17.0	8,950	17.1	8,850	16.7	8,250	15.7	**8,300**	**16.2**
Latin America	5,800	11.0	5,900	11.3	6,150	11.6	6,300	12.0	**5,500**	**10.7**
Asia-Pacific	9,450	17.8	9,150	17.4	9,050	17.1	9,150	17.5	**9,700**	**18.9**
Total	53,000	100.0	52,450	100.0	52,950	100.0	52,450	100.0	**51,200**	**100.0**

Basis: permanent employees excluding apprentices; figures rounded.
(at December 31)

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Procurement

We use externally sourced materials (raw materials, packaging and purchased goods) and services to produce our finished products. These items all fall under the general category of direct materials. Examples include washing-active substances (surfactants), adhesive components, cardboard boxes and external bottling services.

Aside from supply and demand, the prices of **direct materials** are mainly determined by the prices of the input materials used to manufacture them.

Prices for direct materials (raw materials, packaging and purchased goods and services) rose exceptionally steeply in 2022, with an average increase in the mid-twenties percentage range compared to the previous year. This trend was driven by the impacts of the COVID-19 pandemic and of the war in Ukraine – which include unprecedented increases in energy prices – and by the ongoing recovery of industrial demand, especially in the first half of the year. At the same time, supply chains remained extremely strained, while logistics costs were rising. Prices inflated sharply not just for petrochemical feedstocks across the board but also for inorganic substances, synthetic resins, washing-active substances (surfactants) and packaging.

Direct material expenditures were up year on year at 10.8 billion euros (2021: 9.0 billion euros), mainly driven by higher prices on the commodity markets. Savings from our global procurement strategy and cost reduction measures combined with improvements in production and supply chain efficiency were unable to fully offset the significantly higher material prices and negative currency effects.

The five most important categories of direct materials are washing-active substances (surfactants), raw materials for use in hotmelt and water-based adhesives, polyurethanes, and inorganic raw materials. These account for 39 percent of all direct material expenditures. Our five largest suppliers represent 14 percent of purchasing volume in direct materials.

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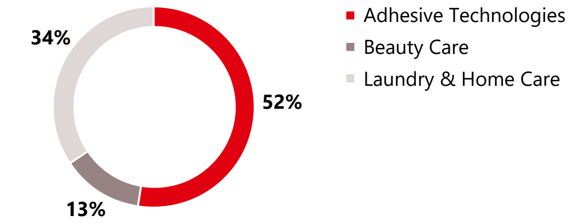
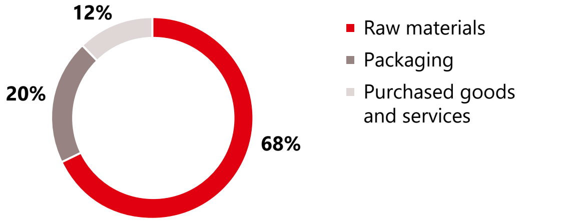
Direct material expenditures by business unit in 2022



Within the category of **indirect materials and services**, we procure items and inputs that are not directly used in the production of our finished products – such as maintenance materials, or logistics, marketing and IT services. At 6.5 billion euros, expenditures for indirect materials and services in 2022 were significantly above the level of the previous year (2021: 5.7 billion euros). This increase was mainly due to higher logistics expenses and an inflationary environment with higher energy prices.

Direct material expenditures by type of material in 2022



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We continuously optimize our value chain to further improve our level of quality and efficiency and to secure material supplies. In addition to negotiating new, competitive contract terms and conditions, our ongoing measures to lower total procurement expenses is a major factor in the success of our global purchasing strategy. We enter into long-term business relationships with selected suppliers to foster the development of innovations, and to optimize manufacturing costs and logistics processes. At the same time, we ensure the risk of supply shortages is reduced. We also agree and implement individual targets with our strategic suppliers aimed at optimizing the supply of direct and indirect materials.

Risk management is an important component of our purchasing strategy, especially against the backdrop of recently heightened uncertainties with regard to supply security on the procurement markets and movements in raw material prices. The emphasis here is on reducing price and supply risks while maintaining consistently high quality. If any supply shortages do occur, established interdisciplinary crisis management processes are triggered to ensure a high degree of supply reliability to our customers. Complementing the objectives and contracts discussed above, supplier diversification also constitutes a key element of our risk management strategy. As part of our active price management approach, we employ strategies to safeguard prices over the longer term. These are implemented both by means of contracts and, where appropriate and possible, through financial hedging instruments. In order to minimize the risk of supplier default, we perform detailed risk assessments of suppliers to determine their financial stability, and stipulate supplier default clauses. With the aid of an external, independent financial services provider, we continuously monitor important suppliers whose financial situation is regarded as critical. If a high risk of supplier default is identified, we systematically prepare back-up plans in order to ensure uninterrupted supply. In 2022, we identified more than 900 disruptions to the supply chains (previous year: more than 1,400) – including a large number of force-majeure cases – that required the fastest of responses based on the crisis management approach outlined above.

Sustainability plays a major role in our procurement strategy. Since 2011, we have been involved as co-founders of "Together for Sustainability – Chemical Supply Chains for a Better World (TfS)," an initiative spawned by the chemical industry with the goal of harmonizing the ever more complex supplier management processes in the field of sustainability, and improving environmental and social standards within the supply chain. As part of this initiative, we regularly perform sustainability assessments and audits of our strategic suppliers.

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Production

In 2022, Henkel manufactured products at 166 sites in 56 countries. Our largest production facilities are located in Bowling Green, USA, and in Düsseldorf, Germany. In Bowling Green, we manufacture laundry detergents and household cleaners. In Düsseldorf, we produce not only laundry detergents and household cleaners but also adhesives for consumers and craftsmen, and products for our industrial customers.

In the year under review, the COVID-19 pandemic again posed particular challenges for the production and logistics structures, as did the impacts of the war in Ukraine. Thanks to a very robust supply chain structure, our global production network did not suffer any major long-lasting adverse effects despite high levels of pressure.

Number of production sites

	2021	2022
Adhesive Technologies	131	**124**
Beauty Care	13	**13**
Laundry & Home Care	30	**29**
Total	**174**	**166**

(at December 31)

In 2022, we further aligned the global production network of our **Adhesive Technologies** business unit to the changing requirements of the markets. Our current 124 production sites around the globe (previous year: 131) use cutting-edge manufacturing technologies to secure cost and quality benefits in production and to meet the requirements of our customers. We invest in improving our manufacturing and warehouse footprint in line with market development – in both emerging and mature markets.

In the course of 2022, a new factory for hotmelt adhesives was opened in Mexico and another plant for electronics solutions in South Korea. We also invested in expanding capacities and establishing next-generation technologies at several of our sites around the globe. For example, we are expanding manufacturing capacities in North America and Germany in order to follow the structural changes in the automobile industry and to offer innovative e-mobility solutions. At the same time, we have further optimized our production network by consolidating sites and selling a plant in Malaysia.

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The number of production sites in our **Beauty Care** business unit remained constant overall at 13. We are focusing particularly on the further expansion of our dedicated "Centers of Excellence" for our three key technologies – hair colorants, liquid products and aerosols – especially in Latin America, Eastern Europe and Middle East. "Centers of Excellence" are being established at our plant in Wassertrüdingen, Germany, for liquid products and aerosols, and at our plants in Maribor, Slovenia, Guadalajara, Mexico, and Bogotá, Colombia, for colorants.

We continued to expand the insourcing of production volumes from toll manufacturers in 2022. In addition, we made progress with digitalizing the supply chain and expanding the support for e-commerce distribution channels. We also concentrated on improving the sustainability of our production and logistics where focus remains on our successful initiatives, such as the "From road to rail" project.

The production network of our **Laundry & Home Care** business unit encompassed 29 sites overall in 2022 (previous year: 30). In the context of the further product technology development of our Colour Catcher product category, we completed the closure of the Laundry & Home Care plant in Cork, Ireland, thus further optimizing our production network in Europe.

The commissioning of the sulfation plant with its expanded capacity in St. Louis, USA, marked the completion of one of the largest investment projects in the Laundry & Home Care business unit this year. Cutting-edge production technology is enabling us to further optimize the production of liquid detergents in the North American market.

As part of our strategy development, we also concentrated on the global roll-out of a comprehensive program to assure our resilience to external influences, such as raw material supply bottlenecks, energy supply restrictions, impacts of pandemics and geopolitical crises ("Resilience Framework"). This involved comprehensive risk analyses in the production domain, from which action plans were derived.

Pooling the purchasing, production and logistics activities of **all business units** in one Global Supply Chain organization enables us to develop our global processes more quickly.

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In all three business units, we have made substantial advancements in the fields of sustainability and digitalization as essential cornerstones in the shaping of a future-ready production and logistics network. For example, we are currently expanding our wastewater treatment and photovoltaic facilities at several plants. We also continue to implement various Industry 4.0 initiatives.

Investment projects for new plants and factories are pursued according to the latest standards in terms of both building design and technical equipment. Our plants also encompass comprehensive operating data acquisition, enabling us to ensure their operational efficiency and environmentally compatibility. We have the environmental management systems at numerous sites externally certified. As of the end of 2022, around 85 percent of our production volume was from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

Given the strained supply chains and substantially higher raw material prices, our procurement and supply chain management activities in the year under review focused particularly on ensuring the supply of sufficient raw materials from our suppliers, as well as on production and delivery to our customers. To this end, we have established task forces and continuously monitor all processes and structures along the entire supply chain. This has enabled us to avoid protracted adverse effects in our production network.

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Research and development

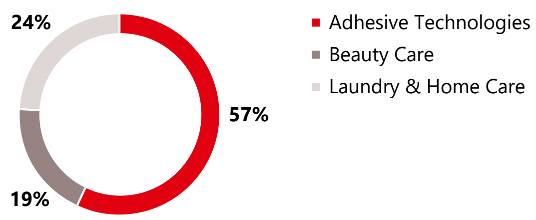
Expenditures by the Henkel Group for research and development (R&D) in fiscal 2022 amounted to 570 million euros and thus were below the prior-year level of 727 million euros. The ratio of R&D expenses to sales was 2.5 percent. Adjusted R&D expenditures totaled 543 million euros, following 504 million euros the year before. The ratio of adjusted expenses to sales was 2.4 percent (previous year: 2.5 percent).

In 2022, R&D expenditures were mainly attributable to internal personnel expenses. Our research and development costs were fully expensed; no product- or technology-related development costs were capitalized in accordance with International Financial Reporting Standards (IFRSs).

On an annual average, around 2,700 employees worked in research and development (previous year: around 2,600). This corresponds to approximately 5 percent of the total workforce. Our teams are composed of natural scientists – predominantly chemists – as well as material scientists, engineers and technicians.

The capabilities of our employees and our investments form the foundation on which the success of our R&D activities is built. We continue to focus on highly efficient innovations and steadily reducing our resource consumption while maintaining or improving performance. Our open innovation approach ensures the successful integration of external partners in our project delivery. We are also expanding our corporate venture capital activities. Beyond that, we are committed to increasing the use of digitalization in research and development.

R&D expenditures by business unit in 2022



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Key R&D figures

	2018	2019	2020	2021	2022
R&D expenditures (in million euros)	484	499	501	727	**570**
R&D expenditures (in percent of sales)	2.4	2.5	2.6	3.6	**2.5**
Adjusted[1] R&D expenditures (in million euros)	471	487	495	504	**543**
Adjusted[1] R&D expenditures (in percent of sales)	2.4	2.4	2.6	2.5	**2.4**
Employees[2] (annual average)	2,750	2,650	2,600	2,600	**2,700**

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
[2] Figures rounded.

Strengthening research and development together

The research and development experts in the three business units align their project portfolios to the specific needs of their individual businesses. They work together on fundamental processes, basic innovations, evaluation of partners for innovation, and on sustainability. The Research and Development Committee is responsible for Group-wide coordination. The business units continually exchange on innovations in common areas of knowledge. Activities in 2022 focused on the areas sustainability and digitalization, as was also the case in the previous year.

Contributing to sustainability

Worldwide, growth and quality of life need to be decoupled from resource use and emissions. Our contribution here lies in the development of innovative products and processes that consume ever less resources while offering the same or better performance. It is therefore our ambition to ensure that each new product contributes to sustainable development.

We want to offer consistently better solutions, products and services that also have a positive impact on the environment and society and thus contribute to creating value. Our focus in this respect is on three goals: We want to continuously improve, in collaboration with our suppliers, the sustainability profile of the raw materials we use. We want to help our customers and consumers reduce their energy use and greenhouse gas emissions through our innovations. And we want to ensure that our packaging fulfills consumers' performance expectations yet uses the least possible quantity of materials and the most sustainable solutions, and that it can be recycled once the product has been used.

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In our innovation process, we use various tools to systematically analyze, measure and evaluate new products. Life cycle analyses, profiles of potential raw materials and packaging materials, and our many years of sustainability expertise enable us to identify and utilize improvement potential right from the start of the product development process.

Open innovation

Our innovations come from both internal and external sources. The concept of open innovation therefore holds great significance for us. Accordingly, we continue to intensify our efforts to involve external partners such as universities, research institutes, suppliers or startups in many of our development projects.

Corporate venture capital

By partnering with and investing in startups with digital or technological expertise, we are striving to gain access to strategically relevant new technologies, applications and business models. In 2022, we further expanded our activities and strengthened our expertise by investing in startup companies and venture capital funds. Henkel supported its operational business in the field of printed electronics by investing in Smartz. The Swiss medical technology startup develops and markets an innovative smart solution for the growing market of adult nursing care. We also invested in the sustainable packaging innovation fund that is run by Emerald Technology Ventures in Switzerland, and participated in further financing rounds of the startups Feelit and Copprint, which are already part of our venture capital portfolio.

Research and development worldwide

In addition to its central research laboratories, Henkel maintains research and development sites in all regions around the world as hubs for innovative solutions. Worldwide research and development activities are managed globally by the business units. Research-intensive base technologies are developed at a central location with optimal access to external resources. These base technologies are then applied in the regional research and development sites in the creation of customer- and market-specific innovations. At the same time, the research and development staff in the regional sites obtain information about specific problems for the next generation of innovations, while working in close contact with customers and consumers. New base technologies needed for the relevant solutions are, in turn, developed centrally.

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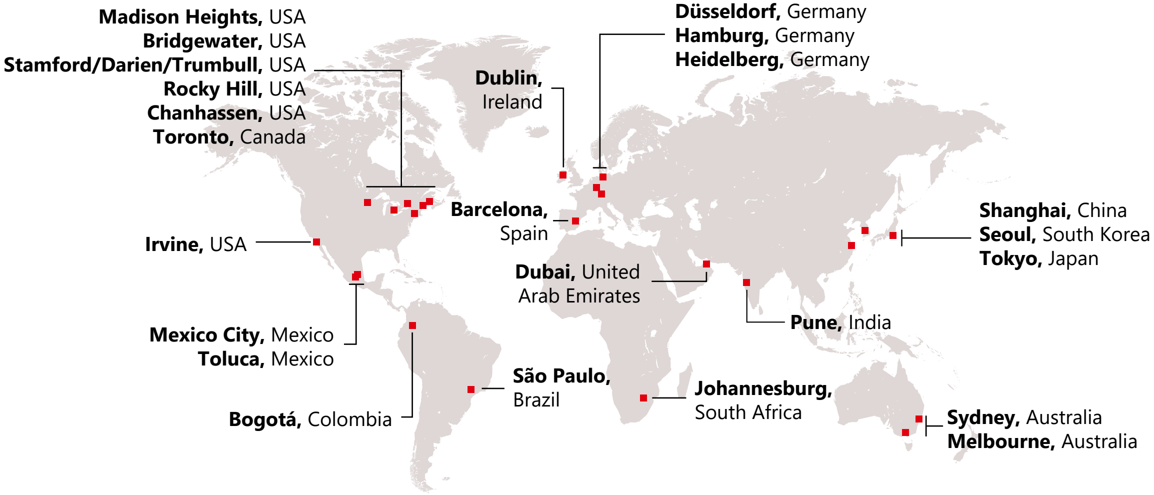
Selected research and development sites



The **Adhesive Technologies** business unit supports its customers around the globe with customized solutions based on a comprehensive portfolio of products, applications and services. The success of Adhesive Technologies is founded in particular on our broad technology portfolio, the outstanding expertise of our global innovation teams, an in-depth understanding of the market, and its proximity to its customers as the reward from years of working in close collaboration with them.

Again in 2022, the business unit focused its innovation activities and resources on technology development and expanding its partnerships with industry, science and startups engaging with key innovation trends. These trends include urbanization, mobility, connectivity, digitalization and sustainability.

Our Inspiration Center Düsseldorf (ICD) fosters the innovation strength of the Adhesive Technologies business unit. The ICD, where more than 650 Henkel experts work, houses 30 labs and four technology centers. At the same time, the ICD serves as a global customer center in which Adhesive Technologies showcases its entire technology portfolio of adhesives, sealants and functional coatings, and partners with customers from more than 800 industrial segments to work on new solutions.

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In our consumer businesses **Beauty Care** and **Laundry & Home Care**, we develop technologies and formulations that form the basis for product innovations in our markets across all regions. These innovations cater to global trends and specific local consumer needs. Our research and development activities also focus on sustainable innovations in the fields of raw materials, formulations, packaging concepts and production methods.

Innovations of particular technological relevance in 2022 included, in Beauty Care, the Gliss Kur Aqua Revive series providing intensive care for damaged and dry hair, and Colour Alchemy, a novel temporary hair colorant for our Professional business area. Our portfolio of sustainable formulations and packaging was also expanded. We now also offer solid shampoo bars in a recyclable folded paper box under the Schauma brand. And throughout our innovation portfolio, we have developed an increasing number of formulations that are free from artificial colorants, and also free from animal-derived ingredients and therefore vegan.

In the Laundry & Home Care business unit, we expanded our portfolio of sustainable products and launched all free clear eco in North America – an ultra-concentrated liquid detergent with a bio-based formula and packaging made of 100 percent recycled plastic. Further innovations introduced in 2022 include the new Pril Power Gel Cold Active formulation that allows the temperature of the dishwashing water to be lowered to 20 degrees Celsius, and Pril Strong & Natural, which also contributes to sustainability through the use of recyclable refill bags.

Patents and registered designs

We hold around 11,000 patents to protect our technologies around the world. Approximately 5,000 patents are currently pending. And we have registered more than 2,800 design patents to protect our intellectual property.

Further information on our research and development activities can be found on our website at **www.henkel.com/brands-and-businesses**

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Marketing and distribution

We put our customers and consumers at the center of what we do. We offer them maximum benefit, quality and service, together with attractive innovations of our brands and technologies. In doing so, we create sustainable value.

The business success of our **Adhesive Technologies** business unit builds on groundbreaking innovations, tailor-made products and strong brands. Working closely with our customers and partners, we combine our innovation and technology leadership to create high-impact and sustainable solutions that are indispensable components in innumerable industrial and consumer goods around the world.

We develop global and regional marketing strategies for our brands and technologies. The resulting measures are implemented locally. Our branding strategy is strictly aligned to our five technology-based brand clusters for industrial customers and our four global core brands for consumers.

Our customer base of more than 100,000 direct industry and retail customers is managed primarily by our own sales teams. With our team of more than 6,500 technical experts, we foster close, long-term relationships with our customers and partners from more than 800 manufacturing and processing sectors, thus acquiring and offering in-depth understanding of an exceptionally wide range of markets and applications. Since many of our solutions and technologies are integrated into technically highly complex processes and products, excellent technical customer service and thorough user training worldwide are of key importance.

Retail customers and distributors service the needs of private users, craftsmen and smaller industrial customers.

We want to further expand our innovation and technological strength through our Inspiration Center Düsseldorf, which was officially opened in 2022. The integrated, state-of-the-art customer center showcases our entire range of Adhesive Technologies solutions and applications to customers and partners from around the globe. For example, during our “Innovation & Sustainability Days” we further intensified our innovation- and sustainability-focused collaboration with more than 100 customers and suppliers from various industries along the value chain.

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Not only in personal exchange but also in digital interaction, we consistently focus on outstanding customer experiences at all contact points around the globe. We have further expanded our virtual offerings and technologies. These include not just digital remote analysis and troubleshooting by our customer service experts, but also a growing program of online training courses and seminars as well as other interactive formats. Our digital “Sustainability Days 2022,” for example, offered representatives from the global packaging and consumer goods industry a platform for exchange and discussion.

We are continuously upgrading the range of products offered by our digital marketplace “Henkel Adhesives e-shop” to give customers from meanwhile more than 60 countries a user-friendly option for ordering online from our broad portfolio of specific product solutions that are tailored to their needs.

We strive to optimize our approach to consumers and craftsmen through the continued use of classic advertising campaigns coupled with measures to attract customers at the point of sale and with digital marketing formats. Leveraging our close customer relationships and our comprehensive technical expertise, we continue to offer tailored solutions and innovative branded products with sustainable added value for our customers.

In the **Beauty Care** business unit, we want to help our consumers to look and to feel better through the development of our products, services and brands. We focus on further developing those markets, categories and brands in which we have strong expertise and where we see clear growth opportunities. Our portfolio of brands with distinct brand equities forms the basis for leading, consumer-relevant innovations offering clear product benefits.

In terms of distribution channels, both brick-and-mortar retail and e-commerce are strategically relevant for Henkel. Given our leading market positions and global customer and consumer expertise, we serve as a strong partner for both brick-and-mortar and online retailers, offering considerable added value in both areas.

In 2022 again, we welcomed customers to our “Beauty Care Lighthouse” in Düsseldorf. This customer center offers our trade partners from around the world an interactive experience of all our competencies in the field of Beauty Care, with a strong focus on digitalization and sustainability. We are also committed to regular and close cooperation with our customers in our Professional business. In our globally established Schwarzkopf Academies, we offer hairdressers value-adding services in the form of customer-focused seminars and continuous professional upskilling programs, which are used by around 900,000 hairdressers around the world every year.

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In the **Laundry & Home Care** business unit, we develop global marketing strategies and product innovations for our strong laundry detergent and household cleaner brands. We then adapt these strategies and innovations to regional consumer needs and market conditions, and implement them at local level. We thus ensure central, efficient management of our brands aimed at strengthening their core equities and responding to our consumers' desire for both functional benefits and emotional added value. We focus on an innovation process that enables us to systematically identify global consumer trends early on, especially through digital data analytics, and to translate them quickly into new products.

We are convinced that the best way to solve the challenges of the future is to work together with our customers, industrial partners and other key stakeholders. We use strategic partnerships with key accounts, startups, industrial partners and influencers in the areas of innovation, shopper marketing, digitalization including smart home solutions, e-commerce, sustainability, supply chain and new technologies. The data-based understanding of our customers and consumers that we gain through surveys and data collection enables us to craft customized solutions and to create shared value-adding potential for our partners across all distribution channels.

The "Global Experience Centers" – our customer centers – in Düsseldorf and in Stamford, USA, help us to further deepen our relationships with customers both in brick-and-mortar retail and in the field of e-commerce. More than 400 customers have so far visited the centers to explore the latest trends, products and sustainability concepts in the field of Laundry & Home Care.

The importance of sustainability in our relationships with customers and consumers continues to grow in **all three business units**. Our customers expect their suppliers – and that includes Henkel – to ensure compliance with global environmental, safety, and social standards. Our standards and management systems, our many years of experience in sustainability reporting, and leading positions in the assessments of external rating agencies all help us to convince our audience of our credentials in this domain. At the same time, the consistent implementation of our sustainability strategy strengthens both our brands and the reputation of our company in the marketplace. With our many years of experience in the field of sustainability, we are able to position ourselves as a leading partner for our customers in industry and commerce, to offer them solutions fit for the future and thereby to support them in achieving their own sustainability goals.

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HENKEL AG & CO. KGAA (CONDENSED VERSION ACCORDING TO THE GERMAN COMMERCIAL CODE [HGB])[1]

The annual financial statements of Henkel AG & Co. KGaA have been prepared in accordance with the rules and regulations of the German Commercial Code [HGB] and the German Stock Corporation Act [AktG]. Deviations from the International Financial Reporting Standards (IFRSs) applicable to the Group arise particularly with respect to the methods of recognition and measurement of intangible assets, financial instruments and provisions.

Operational activities

Until the end of fiscal 2022, Henkel AG & Co. KGaA was operationally active in the three business units Adhesive Technologies, Beauty Care and Laundry & Home Care, as well as being the parent company of the Henkel Group. As such, it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. As of year-end 2022, some 8,600 people were employed at Henkel AG & Co. KGaA.

The operating business of Henkel AG & Co. KGaA represents only a portion of the business activity of the entire Henkel Group, which is managed across the corporation by the business units, primarily on the basis of the financial performance indicators: organic sales growth, adjusted return on sales (adjusted EBIT margin), and growth in adjusted earnings per preferred share at constant exchange rates. Only the Group approach can provide complete insight into these key financials (see the discussion of the management system and performance indicators applicable to the Henkel Group on page 102).

[1] The full financial statements of Henkel AG & Co. KGaA with the auditor's unqualified opinion are filed with the commercial register and accessible on the internet at www.henkel.com/reports.

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Unappropriated profit, the metric that determines a corporation's ability to pay dividends, is a financial performance indicator specifically of Henkel AG & Co. KGaA with its declared aim to ensure the reasonable participation of its shareholders in the net income of the Henkel Group.

The profit generated by Henkel AG & Co. KGaA is dictated by its own operations, which are reflected in the sales figures, among other metrics. Profit levels are also influenced to a large degree by the operations of its subsidiaries. Income from subsidiaries is a substantial contributor to the financial result of Henkel AG & Co. KGaA.

Thus the financial situation of Henkel AG & Co. KGaA generally corresponds to that of the Group as a whole, which is discussed in the section "Review of overall business performance" on pages 108 and 109.

Results of operations

Performance of key financial performance indicators

Henkel AG & Co. KGaA posted a very strong year-on-year performance in 2022, with sales coming in at 3,855 million euros. In spite of the difficult economic and geopolitical conditions prevailing, sales were able to exceed the growth forecast of flat or slightly higher. Higher material costs and higher restructuring expenses led to a slight decline in operating profit versus the previous year, despite the fact that the 2021 figure had been impacted by an impairment loss. The higher financial result due to improved income from investments in affiliated companies compensated for this effect, with the effect that Henkel AG & Co. KGaA achieved an increase in net income in 2022. However, the lower profit brought forward year on year resulted in an overall decrease in the unappropriated profit of Henkel AG & Co. KGaA, with the figure thus coming in below the forecast of a slight increase in unappropriated profit.

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Condensed income statement in accordance with the German Commercial Code [HGB]

in million euros	2021	2022
Sales	3,624	**3,855**
Cost of goods and services sold	-2,656	**-2,832**
Gross profit	**968**	**1,022**
Selling and general administrative expenses	-993	**-1,082**
Research and development expenses	-581	**-532**
Other operating income/expenses	329	**309**
Operating profit	**-276**	**-283**
Financial result	**944**	**1,021**
Income before tax	**668**	**738**
Taxes on income	-64	**-13**
Income after tax/Net income	**604**	**725**
Profit brought forward	1,209	**1,017**
Unappropriated profit	**1,812**	**1,742**

Sales and operating profit

The Adhesive Technologies business unit achieved sales of 1,160 million euros in 2022 (previous year: 1,069 million euros). The significant increase in revenues was attributable in particular to successful price adjustments in response to higher raw material costs.

The Beauty Care business unit achieved sales of 436 million euros in 2022 (previous year: 444 million euros). The slight decline in sales was partly due to a difficult market environment but also to the announced measures to optimize the Consumer business portfolio.

The Laundry & Home Care business unit achieved sales of 987 million euros in 2022 (previous year: 975 million euros) and thus performed well. The increase in sales was attributable to price adjustments.

Sales in the Corporate segment increased from 1,137 million euros in 2021 to 1,272 million euros in 2022, due mainly to higher income from supply services rendered to external third parties in Düsseldorf.

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The operating result of Henkel AG & Co. KGaA decreased year on year by 7 million euros to -283 million euros. In the prior year, impairment losses had had an adverse effect whereas in the fiscal year just ended a higher cost of materials and higher restructuring expenses in particular had the effect of reducing the result of operations.

Expense items

Compared to 2021, cost of sales increased by 176 million euros to 2,832 million euros, due substantially to a higher cost of materials. The impact was offset by lower licensing charges payable to affiliated companies. Gross margin decreased year on year by 0.2 percentage points to 26.5 percent.

At 775 million euros, selling and distribution expenses came in above the prior-year figure of 699 million euros. Their ratio to sales increased versus 2021 by 0.8 percentage points to 20.1 percent. The increase year on year was due among other things to higher restructuring expenses.

Compared to 2021, general administrative expenses increased by 14 million euros to 307 million euros, due mainly to higher restructuring expenses. Year on year, their ratio to sales decreased slightly by 0.1 percentage points to 8.0 percent.

Expenditures for research and development in the reporting period decreased by 49 million euros to 532 million euros. The proportion relative to sales therefore decreased compared to 2021 by 2.2 percentage points to 13.8 percent. Current research and development expenses increased in 2022, despite the significant impact of impairment losses in the prior year. The growth in current research and development expenses was mainly due to the acquisition of technologies from an affiliated company at year-end 2021. The research and development expenses relating to these technologies are to be recognized by Henkel AG & Co. KGaA from fiscal 2022 onward.

On average, approximately 1,250 employees worked in research and development at Henkel AG & Co. KGaA in 2022, supporting the development of innovative solutions for global application. The activities are managed globally by the business units. For an overview of the research and development activities, please refer to the information relating to the Henkel Group on pages 153 to 157.

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Restructuring expenses of 112 million euros, included in the expense items mentioned above, came in higher versus 2021 (69 million euros). The increase resulted primarily from the merger of the Laundry & Home Care and Beauty Care business units to create the new Consumer Brands business unit. The expenses relate primarily to personnel measures and external consultancy services.

Other operating income/expenses

In 2022, the balance of other operating income and expenses (other operating result), at 309 million euros, was lower compared to the prior-year period (329 million euros).

Other operating income in 2022 rose by 16 million euros year on year, to 448 million euros. The increase was mainly attributable to higher gains from the disposal of non-current assets.

At 139 million euros, other operating expenses in 2022 were up on the prior-year figure of 103 million euros, mainly due to higher expenses relating to cost reimbursements to affiliated companies.

Financial result

Financial result increased from 944 million euros in 2021 to 1,021 million euros in 2022. The increase was essentially due to a higher investment result stemming from higher dividend income from affiliated companies and to lower costs arising from the assumption of losses. The effect was partially offset by the negative performance year on year of the prices of securities held as plan assets and by higher write-downs of shares in affiliated companies.

Taxes on income

Taxes on income amounted to -13 million euros in 2022, compared to -64 million euros in 2021.

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Net income and unappropriated profit

Net income amounted to 725 million euros and was therefore above the prior-year figure of 604 million euros. The increase was mainly attributable to the higher financial result.

Despite the improvement in net income, unappropriated profit decreased year on year by 70 million euros to 1,742 million euros. This decrease was due to lower profit brought forward as a result of the dividend payment which exceeded the net income for 2021.

Condensed balance sheet in accordance with the German Commercial Code [HGB]

in million euros	Dec. 31, 2021	Dec. 31, 2022
Intangible assets and property, plant and equipment	2,469	**2,324**
Financial assets	13,008	**13,553**
Non-current assets	**15,478**	**15,877**
Inventories	16	**22**
Receivables and miscellaneous assets	2,023	**1,435**
Marketable securities	284	**212**
Liquid funds	1,463	**469**
Current assets	**3,787**	**2,137**
Prepaid expenses	25	**51**
Assets arising from the overfunding of pension obligations	**166**	**13**
Total assets	**19,455**	**18,078**
Equity	**7,190**	**6,368**
Special accounts with reserve element	68	**64**
Provisions	793	**940**
Liabilities/deferred income	11,404	**10,707**
Total equity and liabilities	**19,455**	**18,078**

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Net assets and financial position

In 2022, the total assets of Henkel AG & Co. KGaA decreased compared to year-end 2021 by 1,377 million euros to 18,078 million euros.

Non-current assets increased to 15,877 million euros, a rise of 399 million euros compared to 2021. The increase is due to a rise in financial assets attributable in particular to various capital measures at affiliated companies.

Substantial capital expenditures on property, plant and equipment in fiscal 2022 related to the completion of the central research center of the Adhesive Technologies business unit at the Düsseldorf site, as well as to replacement and expansion investments.

Current assets declined in 2022 from 3,787 million euros to 2,137 million euros, due mainly to lower liquid funds as of the reporting date. This decrease was primarily the result of the share buyback program commenced during the fiscal year and of the redemption of three bonds denominated in British pounds. In addition to the liquid funds, short-term money investments included under other current assets were also used for this purpose. In addition, the netting of financial receivables from and liabilities to a German affiliated company likewise had the effect of reducing current assets.

The assets arising from the overfunding of pension obligations were 153 million euros lower year on year at 13 million euros and reflect the netting of the partial retirement obligations and associated plan assets. The decrease was mainly a result of the negative performance of the financial assets held as plan assets for funding our pension obligations.

Equity declined from 7,190 million euros to 6,368 million euros, partly as a result of the share buyback program commenced during the fiscal year. By year-end 2022, Henkel had repurchased ordinary shares for a total amount of 176 million euros and preferred shares for a total amount of 636 million euros. The equity ratio decreased by 1.8 percentage points to 35.2 percent.

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Provisions increased by 147 million euros to 940 million euros, due mainly to higher provisions for pensions in the wake of the negative performance of the financial investments held as plan assets. As part of the merger of the two business units Laundry & Home Care and Beauty Care to create the new Consumer Brands business unit, restructuring provisions of 59 million euros were accrued in 2022.

For details of issued capital and treasury stock, please refer to the disclosures in the notes to the statutory financial statements of Henkel AG & Co. KGaA.

Year on year, liabilities and deferred income decreased overall in 2022 by 697 million euros to 10,707 million euros, due partly to lower financial liabilities to affiliated companies, which are affected by, among other things, the cash pool management function performed by Henkel AG & Co. KGaA within the Henkel Group. The use of cash pools allows largely centralized management of the Group's liquidity, thus facilitating a high degree of financial flexibility.

On the reporting date, Henkel AG & Co. KGaA had seven bonds on its books with a total volume of 2,179 million euros. These include one British pound-denominated bond with a total nominal volume of 350 million British pounds, one Swiss franc-denominated bond with a nominal volume of 330 million Swiss francs, two waste reduction bonds with a nominal volume of 70 million US dollars and 25 million euros respectively, and three sustainability-linked bonds representing a nominal volume of 1,150 million euros and 250 million US dollars. In 2022, three British pound-denominated bonds representing a total volume of 800 million British pounds were redeemed.

For an overview of the financing and capital management of Henkel AG & Co. KGaA, please refer to the information about the Henkel Group on pages 138 and 139.

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Risks and opportunities

The business performance of Henkel AG & Co. KGaA is essentially subject to the same risks and opportunities as that of the Henkel Group. With respect to the risks affecting its subsidiaries, Henkel AG & Co. KGaA is generally exposed in proportion to its shareholding in each case.

Due to the different accounting and measurement methods for pension obligations under the German Commercial Code [HGB] and IFRSs, the conclusion drawn from the risk assessment for the annual financial statements of Henkel AG & Co. KGaA differs from that of the Group. We assess the potential financial impact of this risk for Henkel AG & Co. KGaA as "major."

Additional information regarding risks and opportunities and the internal control and risk management system can be found on the following pages 170 to 173.

Forecast

The performance of Henkel AG & Co. KGaA in its function as an operating holding company is influenced primarily by the development and dividend distributions of the companies in which it has shareholdings.

For 2023, we forecast sales at or slightly below the level of 2022 due to an expected decline in revenues in the Corporate segment.

The performance reported for the Group also impacts Henkel AG & Co. KGaA through dividend payments from subsidiaries. Assuming steady development of the financial result, we expect the unappropriated profit generated in 2023 by Henkel AG & Co. KGaA to be flat year on year. This will enable our shareholders to participate to a reasonable extent in the Group's net income, with retained earnings also available for utilization if necessary.

The forecast for the Henkel Group can be found on pages 195 to 199.

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RISKS AND OPPORTUNITIES REPORT

Risks and opportunities

In the course of its business activities as a globally operating company, Henkel is exposed to a large number of internal and external developments and events that are inextricably linked to entrepreneurial activity and that can influence the achievement of our targets to a significant degree. We deploy an array of effective monitoring and control systems aligned to identifying risks at an early stage, evaluating the exposure, and introducing effective countermeasures. They are described below.

Entrepreneurial activity also involves identifying and exploiting opportunities as means of securing and extending the corporation's competitiveness. The reporting aspect of our risk management system, however, does not encompass entrepreneurial opportunities. Early and regular identification, analysis and exploitation of opportunities are performed at the Group level and within the individual business units. This is a fundamental component of our strategy. We perform in-depth analysis of the markets and our competitors, and study the relevant cost variables and key success factors.

Risk management system and internal control system

The risk management system at Henkel is integrated into all the planning, controlling, and reporting systems used in the subsidiaries, in the business units, and at Group level. Our early warning system and Internal Audit function are also important components of our risk management system. Furthermore, within the corporate governance framework, our internal control and compliance management systems support our risk management capability. The risk reporting system encompasses the systematic identification, evaluation, documentation and communication of risks. We have defined the principles, processes and responsibilities relating to risk management in a corporate standard that is binding on the Henkel Group. With the continuous development of our corporate standards and systems, we take into account updated findings.

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Within our risk strategy framework, the assumption of calculated risk is an intrinsic part of our business. However, risks that endanger the existence of the corporation must be avoided. When it is not possible to avoid these critical risks, they must be reduced or transferred, for example through insurance. Risks are controlled and monitored at the level of the subsidiaries, the business units, and the Group. Risk management is thus performed with a holistic, integrative approach to the systematic handling of risks. The Group-wide risk management process also includes relevant environmental and social risks. Our risk management system is continuously developed and adjusted to changing requirements.

We understand short-term risks as potential future developments or events that could lead to negative deviations from our guidance. As a rule, we estimate risks for the one-year forecast period. Risks with a probability of occurrence of over 50 percent are taken into account in our guidance and short-term planning. Risk reports therefore include risks that are not included in – or which extend beyond – short-term planning. The annual short-term risk reporting process begins with identifying material risks using checklists based on defined risk categories. We evaluate the risks according to the probability of occurrence and potential loss after effective countermeasures (net), and collect additional information about the measures. Included in the risk report are risks with a loss potential of at least 1 million euros or 10 percent of the net external sales of a country, where the probability of occurrence is considered greater than zero. This also includes tail event risks where the likelihood of occurrence is judged to be very low but which could potentially cause huge damage. The short-term risk reporting process is supported by software which ensures transparent communication throughout the entire Group. The first step entails determining gross risk to the extent that this is possible. We then calculate the net risk, taking countermeasures into account. Initially, risks are compiled on a decentralized, per-country basis, with the assistance of regional coordinators. The locally collated risks are then analyzed by experts in the business units and corporate functions. In particular areas such as Group Treasury, risks are determined with the support of sensitivity analyses including value-at-risk (VaR) computations. Risk analyses are then prepared for the respective executive committees of the business units and corporate functions, and finally assigned to an area-specific risk inventory. For the Henkel Group, we then aggregate the risks on the inventory using Monte Carlo simulation. For the purpose of determining resilience, we compare the VaR with our risk-bearing capacity.

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To supplement our short-term risk reporting process, we conduct strategic risk analysis for long-term risks with an analysis period of ten years. We understand long-term risks as possible future developments or events outside the forecasting period of one year which – separately or in combination – could potentially jeopardize the continued existence of the corporation as a going concern. Once a year, long-term risks are identified, subjected to qualitative assessment, and reviewed by selected in-house experts. The risks are then analyzed as a whole and assessed against our long-term risk-bearing capacity, keeping in mind the risk environment that is specific to Henkel.

The risk situation is subsequently reported to our Compliance & Risk Committee, the Management Board and the various oversight bodies. Material unforeseen changes are reported immediately to the CFO and the Compliance & Risk Committee. Corporate Accounting is responsible for coordinating the overall risk reporting process and analyzing the inventoried exposures.

Our Internal Audit function regularly reviews the quality and efficiency of our risk management system. During its audit of the annual financial statements for 2022, in compliance with Section 317 (4) German Commercial Code [HGB], the auditor examined whether the Management Board had put in place adequate measures as required under Section 91 (2) German Stock Corporation Act [AktG], particularly with regard to establishing a monitoring system, and whether said monitoring system was suitable in all material respects for identifying at an early point of time and with reasonable assurance any developments that might jeopardize the continued existence of the corporation.

The following describes the main features of the internal control and risk management system in relation to our accounting processes, in accordance with Section 315 (4) HGB. Corresponding with the definition of our risk management system, the objective of our accounting processes lies in the identification, evaluation and management of all risks that jeopardize the regulatory preparation of our annual and consolidated financial statements. Accordingly, the internal control system’s function is to implement relevant principles, procedures and controls so as to ensure the financial statement closing process is regulatory compliant. Within the organization of the internal control system, the Management Board assumes overriding responsibility at Group level. The duly coordinated subsystems of the internal control system lie within the responsibility of the Corporate Accounting, Controlling, Group Treasury, Compliance and Regional Finance functions. Within these functions, there are a number of integrated monitoring and control levels. These are assessed by regular and comprehensive effectiveness tests performed by our Internal Audit function. Of the multifaceted control processes incorporated into the accounting process, several are important to highlight.

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The basis for all our accounting processes is provided by our corporate standard "Accounting," which contains detailed accounting and reporting instructions covering all material circumstances, including clear procedures for inventory valuation or how transfer prices applicable for intragroup transactions should be determined. This corporate standard is binding on the entire Group and is regularly updated and approved by the CFO. The local Presidents and Heads of Finance of all consolidated subsidiaries must confirm their compliance with this corporate standard on an annual basis.

Further globally binding procedural instructions affecting our accounting practice are contained in our corporate standards "Treasury" and "Investments." Through appropriate organizational measures in conjunction with restrictive access to our information systems, we ensure segregation of duties in our accounting systems between transaction entry on the one hand, and checking and approval on the other. Documentation relating to the operational accounting and closing processes ensures that important tasks – such as the reconciliation of receivables and payables on the basis of account balance confirmations – are clearly assigned. Additionally, binding authorization regulations exist governing the approval of contracts, credit notes and the like, and the principle of dual control is a mandatory requirement for all material transactions. This is also stipulated in our Group-wide corporate standards.

The significant risks for Henkel and the corresponding controls with respect to the regulatory preparation of our annual and consolidated financial statements are collated in a central documentation pack. This documentation is reviewed and updated annually by the respective process owners. The established systems are also regularly reviewed to determine their improvement and optimization potential. We consider these systems to be appropriate and effective.

The accounting activities for subsidiaries included in the consolidated financial statements are performed either locally by the subsidiary or through a Shared Service Center, taking the aforementioned corporate standards into account. The individual subsidiaries' financial statements are transferred to our central consolidation system and checked at corporate level for correctness. After all consolidation steps have been completed, the consolidated financial statements are prepared by Corporate Accounting in consultation with the specialist departments. Preparation of the combined management report is coordinated by Investor Relations in cooperation with each business unit and corporate function. The Management Board then compiles the consolidated financial statements and annual financial statements of Henkel AG & Co. KGaA, and the combined management report for Henkel AG & Co. KGaA and the Group, and subsequently presents these documents to the Supervisory Board for approval.

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Major risk categories

Short- and long-term risks are grouped by influencing factors, based on strategic analysis methods such as PESTEL analysis or Porter's Five Forces model. A distinction is made between (geo-)political, (macro-)economic, social, technological, environmental, legal, and business-/industry-specific risks. As macroeconomic risks impact both our company- and business-unit-specific risks and our financial risks, we divide these influencing factors into two different risk categories. Long-term risks are compiled separately from the short-term risks and subjected to qualitative assessment. Short-term risks affecting our one-year forecast period are recorded and quantitatively assessed as part of the short-term risk reporting process, based on the following valuation categories.

Classification of short-term risks in ascending order

Probability	
Low	< 10%
Moderate	≥ 10% to < 25%
High	≥ 25%
Potential financial impact	
Minor	≥ 1 to < 50 million euros
Moderate	≥ 50 to < 100 million euros
Major	≥ 100 million euros

Short-term risks are presented from a net perspective, i.e. with their respective mitigation measures taken into account.

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Overview of major risk categories and quantitative evaluation of short-term risks

Risk category	Probability	Potential financial impact
Geopolitical risks	Low	Major
Business-/industry-specific risks		
Procurement market risks	Moderate	Major
Production risks	Moderate	Major
Business environment and sector-specific risks	High	Major
Financial risks		
Credit risks	Low	Major
Liquidity risks	Low	Minor
Currency risks	Moderate	Major
Interest rate risks	High	Minor
Risks from pension obligations	Low	Minor
Risks from pension obligations (impact on equity)	High	Major
Social risks		
Personnel risks	Moderate	Minor
Risks in connection with the company's reputation and its brands	Low	Major
Technological risks (IT and cyber risks)	Moderate	Major
Environmental risks (environmental, safety and health risks)	Moderate	Major
Legal and regulatory risks	Moderate	Major

In the following presentation of the risk categories, long-term risks are dealt with separately where they give rise to additional relevant assertions.

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Geopolitical risks

Description of risk: (Geo-)political risks include all risks to which Henkel is exposed in the course of its global business operations in the respective sales and procurement markets and which arise from political influencing factors, such as trade restrictions, measures to nationalize or expropriate assets, bans on capital transfers, defaults on trade accounts receivable from state-owned institutions, war, terrorist attacks, and other upheavals.

In the short-term forecast period, Henkel as a globally operating Group is exposed to the risk of major political incidents in certain countries or regions resulting in a loss of assets. Among other things, we currently see risks for our business activities in Russia, which are subject to the divestment process.

Long-term risks arise, in particular, when trade restrictions increase and a partial trend toward deglobalization and potential block formation becomes visible, in connection with future developments within the European Union (EU), if geopolitical tensions increase or regional conflicts grow – in Africa/Middle East or in Asia, for example – of if the war in Ukraine escalates further. These risks could have a substantial impact on our sales and procurement markets and are therefore classified as business-/industry-specific risks.

Measures: We closely monitor the countries concerned, taking external ratings into account, and ensure risk-optimized funding and the repatriation of liquidity that is not needed at present. Planned investments are also analyzed with regard to potential political risks, and appropriate requirements specified for the return on investment. If a major political incident occurs, early and targeted risk analysis is performed and mitigation measures are put in place.

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Business-/industry-specific risks (including macroeconomic risks)

Business-/industry-specific risks include all risks arising for Henkel from factors such as the arrival of new market participants or developments on the sales and procurement markets. Here we make a distinction between procurement market risks, production risks, business environment risks and sector-specific risks. Macroeconomic risks – such as global economic and industry-specific developments – influence these risks to a substantial extent and are therefore classified under this risk category unless they tend to have a greater impact on our financial risks.

Procurement market risks

Description of risk: We expect year-on-year average price increases for direct materials in our procurement markets to be in the low to mid-single-digit percentage range in 2023.

Unusually high inflation, rising interest rates and growing signs of a recessionary market environment could result in weaker demand in 2023. The war in Ukraine will probably jeopardize economic stability in the European area for a long time to come. Sanctions against Russia impact supply and demand, whereby higher energy prices and potential gas shortages, especially in Europe, could force manufacturers to reduce production rates or to cease production.

While prices for some raw materials have recently shown a downward trend, energy costs have risen significantly. This could have an impact along the supply chain, for example in the purchase of energy-intensive input products or indirectly through toll manufacturers. Our own energy costs in production, on the other hand, have only a minor impact on the cost of sales. We therefore see risks arising beyond the forecasted increase in the low to mid-single-digit range in relation to important raw materials, packaging materials and purchased goods.

The segments in the industrial goods sector are affected to a greater extent by price risks inherent in the development of the global raw materials markets than the individual segments in the consumer goods sector. Regional differences in market prices exist, with Europe currently facing considerable additional price and supply risks.

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Additional price and supply risks exist due to possible demand- or production-related shortages in the procurement markets, and may also have long-term impacts. The development of new business models may also produce shortages in the supply chain over the long term.

Measures: The measures taken include active supplier portfolio management through our globally engaged, cross-divisional sourcing capability, together with strategies aimed at securing price and volume both through contracts and, where appropriate and possible, through financial hedging instruments. Furthermore, we work in interdisciplinary teams within Research and Development, Supply Chain Management and Purchasing on devising alternative formulations and packaging forms so as to be able to respond flexibly to unforeseen fluctuations in raw material prices. We also avoid becoming dependent on individual suppliers to better secure the constant supply of the goods and services that we require. Finally, close collaboration with our strategic suppliers plays an exceptionally important role in our risk management. Further details regarding the assessment of supplier financial stability can be found in the section on "Procurement" on pages 147 to 149. The basis for our risk management approach is provided by a comprehensive procurement information system aimed at ensuring permanent transparency with respect to our purchasing volumes. Over the long term, we continually adapt our structures in response to developments on the procurement markets and the requirements of new business models, as well as in order to avoid shortages and bottlenecks along our supply chains.

Production risks

Description of risk: Henkel faces production risks in the event of low capacity utilization due to volume decreases and unplanned operational interruptions, especially at our single-source sites. Risks from unscheduled disruptions to operations could arise in the wake of cyber attacks on IT systems, extreme weather events, energy shortages or a regionally specific shortage of labor. In light of the COVID-19 pandemic, risks may also continue to arise from disruptions to our supply chains, regional and national restrictions on production workflows and also reduced workforce availability. The risk of insolvency among key suppliers could also impair our production processes in the short term. The development of new business models may also produce shortages and bottlenecks in the production chains over the long term.

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Measures: We can offset the negative effects of possible production outages through flexible production control and additionally, where economically viable, insurance policies. Production risks are minimized by ensuring high employee qualification, clearly defined safety and hygiene standards, and regular plant and equipment maintenance. Capital expenditure decisions on property, plant and equipment are made in accordance with defined, differentiated responsibility procedures and approval processes. They incorporate all relevant specialist functions and are regulated in an internal corporate standard. Investments are analyzed in advance on the basis of detailed risk aspects. Further audits accompanying projects provide the foundation for project management and risk reduction. In terms of production, too, we continually adapt our structures in response to the requirements of new business models, as well as to avoid shortages. Moreover, we have formed interdisciplinary task forces – in connection with a possible shortage of energy in Europe, for example – to enable early identification and specific mitigation of the risks – with the aid of alternative procurement strategies, for example. Accordingly, we have suspended the shutdown of the coal boilers in our power plant in Düsseldorf for the time being to ensure we have all alternative energy sources available to us.

Business environment and sector-specific risks

Description of risk: We remain exposed to macroeconomic risks emanating from the uncertainties of the current geopolitical and economic environment. Geopolitical risks have increased substantially following, in particular, Russia's invasion of Ukraine. The impacts of global trade conflicts are also jeopardizing the global economic climate. In addition, risks continue to exist in connection with the COVID-19 pandemic in China, which could possibly spill over into the global economy. Supply bottlenecks and temporary failures of critical infrastructure also represent the potential fallout from the current geopolitical environment. Risks arise for our business especially in connection with any long-term adverse effect on economic development. A slowdown in production at our industrial customers could lead to less demand for our solutions. In the consumer goods businesses, declining volumes in the wake of weaker demand or changing consumer behavior – as a result of inflation dampening purchasing power, for example – could pose a risk for our sales. A further significant risk is posed by an increasingly competitive environment, as this could result in stronger price and promotional pressures in the consumer goods sector. In addition, we intend to raise our retail prices in response to the sharp increase in material prices, which could result in lower demand and/or further increase promotional pressure. As consolidation in the retail sector continues and private labels occupy a growing share of the market, crowding-out competition in the consumer goods sector could further intensify. Moreover, the risk of product substitution could, in principle, affect all business units. Technological change associated with digitalization may involve risks for the success of our products and processes. Acquisitions, and the integration of same, could also pose risks for our businesses. During the integration of our consumer businesses, temporary delays in the performance of necessary structural adjustments and process or project alignments may occur in places.

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The risks described above are also relevant when analyzing long-term trends. Long-term economic developments, in particular – such as recessions in China or within the EU – impact our future business performance. New business models, new competitors or changing demand behavior could also pose risks for our business.

Measures: Our focus is on continuously monitoring the market environment to enable flexible adjustment of our portfolio and our cost structures to dynamic trends. In addition, we concentrate on strengthening our brands (see separate risk description on page 185) and on consistently driving the development of further innovations. We consider innovative products and processes to be a significant success factor for our company, enabling us to differentiate ourselves from the competition. We also pursue specific marketing and sales initiatives, for example advertising and promotional activities. Another central aspect is the advancement of digitalization, for example through the targeted marketing of our products via a dedicated e-commerce platform for our industrial customers. In our consumer businesses, we are also striving to strengthen and expand our share of e-commerce and direct-to-consumer business (for further details, please refer to "Marketing and distribution" on pages 158 to 160). In addition, we have the capability to react quickly to potential sales declines through flexible production control. We respond to the emergence of new business models or new competitors, or changing demand behavior by taking strategic measures such as adapting our structures and portfolio, as well as through acquisitions and divestments. We mitigate the risks associated with acquisitions and integration by performing economic feasibility analyses and ensuring comprehensive project and integration management.

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Financial risks (macroeconomic influence)

Credit risks

Description of risk: Credit risk is the risk of a debtor failing to meet interest and redemption payment obligations in full and on time. The Henkel Group is exposed in particular to the risk of default by customers in the course of its operating activities and to the risk of non-performance by a contracting party in the context of financial investments. Furthermore, depending on economic developments, defaults may increase, particularly on trade receivables.

Measures: In order to reduce the credit risk resulting from the operating activities of the Henkel Group, the default risks that our customers might represent are permanently monitored by our credit risk management team, which operates on the basis of a globally valid Customer Credit Management Standard. In addition to minimizing losses on receivables through the application of fixed credit limits, use of customer-specific creditworthiness analyses, risk classifications, and continuous monitoring of risks associated with the receivables concerned, we also implement hedging measures both globally and also selectively on a country- and customer-specific basis. Risk-mitigating instruments include credit insurance cover such as global excess-of-loss policies, letters of credit for the export business, plus for example sureties, guarantees and cover notes.

Default risks from financial investments are mitigated by selecting counterparties with good credit ratings and by capping investment amounts. Credit ratings and investment limits are continuously monitored so as to enable intervention in the event that fixed thresholds for ratings and credit default swaps (CDS) are exceeded. Our financial investments are broadly diversified across various counterparties and various financial assets. In addition, netting arrangements are in place to offset bilateral receivables and obligations, and collateral agreements are entered into with key banking partners.

Liquidity risks

Description of risk: Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time.

Measures: We mitigate this risk through our long-term management strategy of using financing instruments in the form of bonds issued with variously staggered terms of originally up to eleven years, and in different currencies. Supported by our existing debt issuance program and our “Sustainable Finance Framework” for issuing sustainable financing instruments, this is also possible on a short-term and flexible basis. Our credit rating is regularly assessed by the rating agencies Standard & Poor’s, Moody’s and Scope. We intend to maintain our ratings within a “single A” target corridor. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to receive liquid funds or to manage

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liquidity in the short term. We also use our US dollar and euro commercial paper program for short-term liquidity management. In order to ensure the financial flexibility of Henkel at any time, the liquidity within the Group is largely centralized and managed through the use of cash pools. In addition, the Henkel Group has at its disposal confirmed credit lines.

Currency risks

Description of risk: Because of the global nature of our business, we are exposed to two types of currency risk. Transaction risks arise from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. Translation risks arise from changes caused by foreign exchange fluctuations to items on the statement of financial position and the income statement of a subsidiary, and the effect these changes have on the translation of individual company financial statements into Group currency. We anticipate continued high volatility in the currency markets in 2023.

Measures: Transaction risks arising from our operating business are partially avoided by the fact that we manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Group Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of currency hedging is to ensure protection from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk from significant operating receivables and liabilities and from financial receivables and liabilities as recognized in the statement of financial position is hedged as far as possible. In order to manage these risks, we primarily utilize currency forwards and cross-currency interest rate swaps. The risks arising from the translation of the earnings results of subsidiaries in foreign currencies and from net investments in foreign operations are only hedged in exceptional cases.

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Interest rate risks

Description of risk: Interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. The cash funding and cash investment activities of the Henkel Group mainly take place on international money and capital markets. The resultant financial liabilities and our cash deposits are exposed to the risk of changing interest rates.

Measures: The aim of our centralized interest rate management is to reduce the risk by choosing fixed or floating interest rate contracts and by using interest rate derivatives. Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the bonds, liabilities to banks and commercial paper put in place to secure Group liquidity, the securities and time deposits used for cash investments, and other interest-bearing financial instruments. Depending on forecasts with respect to interest rate developments, Henkel issues fixed- or floating-rate notes or enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure.

Risks from pension obligations

Description of risk: Our pension obligations are exposed to various market risks. The risks relate primarily to changes in market interest rates, inflation, and life expectancy. The risks to which the plan assets are exposed are general market price risks.

Measures: We counteract these risks by managing the funding level and the structure of pension commitments. Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines mainly govern funding levels, portfolio structure and actuarial assumptions. We also consider sustainability criteria when selecting external asset managers. The funds earmarked for covering pension obligations are invested in line with an asset-liability study based on the respective expected cash flows of the country-specific pension obligations. The objective of the financing strategy within the Group is to ensure that plan assets cover 90 to 100 percent of the present value of the funded pension obligations.

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Social risks

Social risks are risks arising from population trends or changes in lifestyles that are reflected, for example, in competition for labor, changes in consumer behavior or increasing pressure on healthcare and pension systems. They also include reputational risks.

Personnel risks

Description of risk: The motivation and the qualification of our employees are key drivers of Henkel's business success. Therefore, it is strategically important to attract highly qualified professionals and executives and ensure they stay with the company. When it comes to selecting and recruiting talent, we are facing increased global competition for the best candidates – especially over the long term – and we are noticing the effects of demographic change in many of our markets. These developments expose us to the risk of losing valuable employees or of being unable to recruit relevant qualified professionals and executives.

Measures: We combat the risk of losing valuable employees through specifically devised personnel development programs and incentive systems. Supporting this is an established, thorough annual review process from which we derive individually tailored and future-viable qualification programs as well as performance-related remuneration systems. The Leadership Commitments form the focal point of our efforts to advance our leadership culture and to drive our cultural change. Further areas of our HR management focus include a global health management system and support for flexible work models to ensure better work-life flexibility.

We reduce the risk of not being able to recruit qualified professionals and executives by expanding our employer reputation initiatives and through targeted cooperation with colleges and universities in all regions where we conduct business. In addition, talent is targeted through social media with authentic posts relating to the day-to-day activities and experiences of our employees. Our attractiveness as an employer is reinforced by our focus on promoting talent and specialized development programs.

Further information relating to our employees can be found on pages 141 to 146.

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Risks in connection with the company's reputation and its brands
Description of risk: As a globally active corporation, Henkel is exposed to potential damage to the reputation of its corporate brand – Henkel – or of our product brands, particularly in the consumer goods sector, in the event of negative reports in the media, including social media. These could lead to a negative impact on sales or the pace of growth.

Measures: We minimize these risks through the measures described under legal and regulatory risks (see pages 188 to 191). On the one hand, this is to ensure that our production facilities and products are safe; on the other, our active communications work strengthens the reputation of the corporate brand and our product brands. These measures are supported by a global communication network and international and local crisis management systems with regular training sessions.

Technological risks (IT and cyber risks)

Technological risks arise, in particular, from increasing digitalization.

Description of risk: Information technology (IT) has strategic significance for Henkel. Our business processes rely to a great extent on internal and external IT services, applications, networks, and infrastructure systems. The failure or disruption of key IT services and the manipulation or loss of data – as a result of unauthorized access, for example – constitute material risks for Henkel. We analyze different potential in-house and external perpetrators and types of threat, such as intent, error or natural phenomena. The failure or disruption of important IT services can impair critical business processes. The loss of confidential data, for example formulations, customer information or price lists, could put us at a disadvantage with our competitors or give rise to legal consequences. Henkel's reputation could also be damaged by such loss.

Measures: The technical and organizational safeguards for assuring information and cyber security at Henkel are based on the international standards ISO 27001 and 27002. Major components include the classification of information and IT applications with respect to confidentiality, availability, integrity and data protection requirements, as well as commensurate measures for mitigating risk. In addition, Henkel has put technical and organizational measures in place to prevent, discover and defeat cyber attacks. Henkel maintains regular contact with other major corporations, associations and specialized service providers in order to enable the early detection of threats and implementation of effective countermeasures.

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Our critical business processes operate through redundantly configured systems designed for high availability. Our data backup procedures reflect best engineering practice. We regularly review our restore and disaster recovery processes.

Access to buildings and areas containing IT systems, as well as user authorizations for our information systems, are limited to the minimum level necessary. For critical business processes, the required segregation of duties is enforced by technological means.

Our IT services are protected against unauthorized external access and are consistently kept up to date. We develop our systems using proven project management and program modification procedures.

We instruct and train our employees in the proper and secure use and operation of information systems as part of their regular duties. We require our IT service providers to maintain a comparable level of IT and cyber security.

The implementation of our security measures is continually reviewed by our Internal Audit function, other internal departments, and independent third parties.

Environmental risks (environmental, safety and health risks)

Description of risk: Henkel is a global manufacturing corporation and, through its operating activities, is therefore exposed to risks pertaining to the environment, safety and health, manifesting in the form of personal injury, physical damage to goods, and reputational damage. For example, soil contamination and the associated remediation expense, as well as leakage or other technical failures, could give rise to direct costs for the corporation. Furthermore, indirect costs such as fines, claims for compensation or reputational damage may also be incurred.

We assign the highest priority to the health and safety of our customers, consumers and employees. Despite global progress in vaccination, staff shortages may still occur due to the COVID-19 pandemic.

Long-term risks arise in particular from accelerated climate change, water scarcity and restrictions on disposable and, in particular, non-recyclable plastic packaging and product ingredients.

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Accelerating climate change could have negative impacts on a wide range of countries, particularly through increases in the frequency and severity of extreme weather events. In addition to physical risks, this development may also give rise to socioeconomic, so-called "transition" risks, for example as a result of political measures such as regulations and taxes. A more detailed discussion of relevant potential climate-related risks can be found in our Sustainability Report 2022 on pages 36 to 38. The information is aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Population and economic growth, and also, potentially, climate change impacts, can exacerbate water scarcity in various regions. An acute, local water shortage or legal restrictions on the use of water can have a direct impact on the activities of our suppliers, our own operations, and our customers and consumers. Regulations to protect water resources, as well as changes in customer and consumer expectations, could have an impact on our raw material and product portfolio. Restrictions on disposable and, in particular, non-recyclable plastic packaging, as well as increasing requirements for distributors and manufacturers of plastic packaging, for example in the context of "extended producer responsibility," and also those governing the use of recyclate and the recyclability of packaging, could have an impact on the marketability and profitability of the current product and packaging portfolio.

Measures: We take specific measures to minimize these risks (see the measures described under legal and regulatory risks on pages 188 to 191), and organize appropriate auditing, advisory and training activities. We continually update these preventive measures in order to properly safeguard our facilities, assets and reputation. We ensure compliance with high technical standards, rules of conduct, and relevant statutory requirements as a further means of preserving our assets, and make sure that our corporate values – one of which is sustainability – are put into practice. We have established comprehensive monitoring systems and a global holistic crisis management system to manage extreme weather incidents, knock-on effects of the COVID-19 pandemic or other crises, which defines protection strategies at all our sites and for all employees. Protecting the physical and mental health of our employees is integral to securing our workflows. We achieve high uptake through extensive communication, information and support programs. Targeted measures to protect and promote health are implemented on the basis of employee surveys.

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We reduce potential long-term risks with the help of our comprehensive sustainability strategy, medium- and long-term targets, and the associated strategies and actions. For example, Henkel has defined science-based emission reduction targets for both its own greenhouse gas emissions and the greenhouse gas emissions of purchased goods and services. Our targets for our operational greenhouse gas emissions (Scope 1 and 2) are in line with the reductions required to limit global warming to 1.5 degrees Celsius. Our target for value chain emissions (Scope 3) is in line with the Science Based Targets initiative (SBTi) criteria for ambitious value chain targets. This means it is in line with best practice. We are reducing the carbon footprint of our own sites in particular by continuously improving our energy efficiency and switching to purchased electricity from renewable sources. In addition, we are increasingly replacing the fossil fuels used at our sites with lower-carbon or carbon-free alternatives. Key starting points for reducing the carbon footprint of the raw materials and packaging materials we use include switching to alternative materials with a lower footprint, such as recycled plastics, and engaging in dialog with our suppliers to reduce the footprint of the raw materials and packaging materials they supply in line with our objectives. Where relevant, weather and geohazard management procedures have been established. Clear specifications in our standards for safety, health and the environment, as well as comprehensive programs in the business units, serve to improve the environmental compatibility of our products. With a comprehensive packaging strategy, we promote the circular economy in particular by improving the recyclability of our packaging, increasing the use of recycled plastics and developing new packaging concepts. By focusing on the central challenges of sustainable development in our research and product development, we are creating an important foundation for the future viability of our company.

Legal and regulatory risks

Description of risk: As a globally active corporation, we are exposed, in the course of our ordinary business activities, to a range of risks relating to litigations and other actions, including government agency proceedings in which we are currently involved or may become involved in the future. These risks arise, in particular, in the fields of product liability, product deficiency, competition and cartel law, infringement of proprietary rights, data protection, patent law, tax law, environmental protection and legacy remediation. We also have a valuable portfolio of industrial property rights, patents and trademarks that can be the target of attacks and infringements. We cannot rule out the likelihood of negative rulings on current litigations and further litigations being initiated in the future. Even in the case of completed proceedings, it cannot be ruled out that we will still be confronted with claims by third parties on the basis of the same facts due to long or, in some cases, absent statutory limitation periods. In addition, uncertainty in the legal environment in some regions could cause us to lose our rights with or without adequate compensation, or limit our ability to enforce our rights.

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As a company with global operations, we are particularly exposed to various environmental, health or product-/safety-related regulations, laws and guidelines that affect our business activities and processes. Our business is subject to various national rules and regulations and – within the EU – increasingly to harmonized laws applicable throughout the EU. These regulations change constantly due to political requirements and can also be tightened. In addition, some of our activities are subject to rules and regulations derived from approvals, licenses, certificates or permits. Our manufacturing operations are bound by rules and regulations with respect to the registration, evaluation, usage, storage, transportation and handling of certain substances and also in relation to emissions, wastewater, effluent and other waste. The construction and operation of production facilities and other plant and infrastructure are governed by framework rules and regulations, including those relating to legacy remediation. Product-specific regulations of relevance to us relate in particular to ingredients and input materials, safety in manufacturing, the handling of products and their contents, and the packaging and marketing of these items. The control mechanisms include statutory material-related regulations, usage prohibitions or restrictions, procedural requirements (test and inspection, identification marking, provision of warning labels, etc.), and product liability law. Violation of such regulations may lead to legal proceedings or compromise our future business activities. Consequently, major losses may also result from litigations and proceedings that exceed the insurance amounts or are not covered by our insurance policies or provisions. Potential damage to our reputation is not covered by insurance, nor is there any guarantee that Henkel will acquire adequate insurance cover at economically reasonable terms and conditions in future.

Amendments to the aforementioned regulations and further changes to the regulatory environment in our relevant markets could influence our business activities or require adjustment of our operations and thus adversely affect our assets, financial position and results of operations. Such changes might involve import and export controls, customs or other trade regulations – including sanctions – or pricing and foreign exchange restrictions.

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There is also a risk that our corporate values and our ethical, compliance and sustainability requirements are not adequately mirrored by our contractual partners. Even if corresponding requirements exist for our partners in the supply chain, violations that may lead to claims by third parties or damage our reputation cannot be ruled out.

Equally, as a globally active company, we maintain business relations with customers in countries that are subject to export control legislation, embargoes, economic sanctions, exclusion policies or other forms of trade restriction. Changes to these regulations, new or extended sanctions, or corresponding initiatives by institutional investors or non-governmental organizations may result in restrictions being imposed on our business activities in these countries or, indirectly, in other countries, or may prevent us from acquiring or keeping customers and suppliers.

We see long-term risks, for example, in tax law developments and requirements arising from the increased focus on human rights. This is because national and international laws on human rights due diligence and the associated sanctions for potential violations could make international procurement and sales activities considerably more difficult and lead to significant cost increases due to the verification and documentation effort required, possible liability risks, and also contradictory requirements in different jurisdictions.

Measures: Our internal standards, guidelines, codes of conduct, and training measures are geared to ensuring compliance with the aforementioned statutory requirements and, for example, safeguarding our manufacturing facilities and products. These precepts have also been incorporated into our management systems and are regularly reviewed. This includes the early monitoring and evaluation of relevant statutory and regulatory requirements and changes.

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Ensuring compliance with laws and regulations is an integral component of our operating models and business processes. This includes the early monitoring and evaluation of relevant statutory and regulatory requirements and changes. Henkel has further established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer, which carries out appropriate risk analyses and risk-mitigating measures, such as training courses, or initiates internal audits (details can be found in the corporate governance statement on pages 51 to 85). In addition, our corporate legal department maintains constant contact with local counsel. Current proceedings and potential risks are recorded in a separate reporting system. For certain legal risks, we have concluded insurance policies with coverage that we consider to be appropriate and standard for the industry. However, the outcome of proceedings is inherently difficult to foresee, especially in cases in which the claimant is seeking substantial or unspecified damages. In view of this, we are unable to predict what obligations may arise from such litigations.

With our comprehensive approach to responsible procurement, we already promote sustainable practices and respect for human rights in our supply chain. A central element of our strategic risk management and compliance approach is our six-step Responsible Sourcing Process, which is an integral part of our procurement activities and includes pre-checks and risk assessment, review, analysis and continuous improvement both when we start collaborating with our suppliers and in a recurring cycle. Using this process to check and assess the sustainability performance of our suppliers, we currently cover more than 90 percent of our procurement volume in the areas of packaging, raw materials, and toll manufacturers.

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Major opportunity categories

Entrepreneurial opportunities are identified and evaluated at Group level and in the individual business units, and duly incorporated into the strategy and planning processes. We understand the opportunities presented in the following as potential future developments or events that could lead to a positive deviation from our guidance. We also assess the probabilities of price-related procurement market and financial opportunities.

Procurement market opportunities
Description of opportunities: Countervailing the procurement market risks listed on pages 177 and 178, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

Impact: Low probability rating, possible major impact on our earnings guidance.

Business environment and sector-specific opportunities
Description of opportunities: Additional business opportunities would arise if the uncertain geopolitical and macroeconomic situation in some regions, or the economic conditions in individual sectors, develop substantially better than expected.

Impact: The opportunities described could have a major impact on our sales and earnings guidance.

Financial opportunities
Description of opportunities: Countervailing the currency and interest rate risks indicated under financial risks, and the risks arising from pension obligations as described on pages 182 and 183, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

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Impact: We classify financial opportunities as follows:

- Currency opportunities with a moderate probability of a major impact on our earnings guidance
- Interest rate opportunities with a high probability of a minor impact on our earnings guidance
- Opportunities arising from our pension obligations with a low probability of a minor impact on our earnings guidance, and with a high probability of a major impact on our equity

Acquisition opportunities

Description of opportunities: Acquisitions are a key component of our strategy. They allow us to grow more strongly in promising markets or to gain access to new markets and technologies. In the process, we reap the benefits of both earnings and cost synergies in most cases.

Impact: Large acquisitions could have a major impact on our sales and earnings guidance.

Research and development opportunities

Description of opportunities: Opportunities arising from our extensively continuous innovation process are a key component of our strategy and are already accounted for in our guidance. There are additional opportunities in the event of product introductions that exceed our expectations of market acceptance, and in the development of exceptional innovations that have not yet been taken into account.

Impact: Innovations arising from future research and development could have a major impact on our sales and earnings guidance.

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Risks and opportunities in summary

At the time this report was prepared, there were no identifiable risks related to future developments that – separately or in combination – could endanger the existence either of Henkel AG & Co. KGaA, or a material subsidiary included in the consolidation, or the Group, as a going concern.

In the short term, we expect global economic output to weaken. There is huge uncertainty, particularly surrounding the war in Ukraine and material price trends. Taking into account the compensatory effect of selective price increases, innovations and our commitment to cost discipline, we expect gross margins to at least remain flat.

Compared to the quantitative evaluation of short-term risks in 2021, there has been an increase within the assessment categories for interest rate risks from a moderate to a high probability of occurrence, and for IT and cyber risks from a low to a moderate probability of occurrence. In addition, particularly the probability of occurrence and/or the potential financial impact of risks in the geopolitical, procurement and production risk categories have increased compared to the previous year. Apart from the aforementioned, the overall risk and opportunities situation has not altered to any significant degree. The system of risk categorization adopted by Henkel indicates that the most significant exposure currently relates to the impact of procurement market, business environment and sector-specific, as well as financial risks, to which we are responding with the countermeasures described above.

Likewise, none of the identified long-term risks within the ten-year risk horizon is classified as posing a threat to the continued existence of Henkel as a going concern. Even in the unlikely event of several of these risks occurring simultaneously, the Henkel Group's solid risk profile, geographical and portfolio diversification, and appropriate countermeasures mean that it is not exposed to any risks that could jeopardize its continued existence as a going concern.

The Management Board remains confident that the earning power of the Group forms a solid foundation for future business development and provides the necessary resources to leverage our opportunities.

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Macroeconomic development

The following assessment of future world economic development is based on data provided by S&P Global Market Intelligence.

Overview:
Gross domestic product growth of approximately 2 percent

After the pace of economic growth slowed over the course of 2022, global economic growth is expected to weaken further in 2023. Global gross domestic product is predicted to increase moderately by approximately 2 percent.

Modest growth of approximately 0.5 percent is forecasted for gross domestic product in the mature markets, with the Western European economy stagnating and economic growth in North America predicted to experience a slight increase of approximately 0.5 percent. Japan's economy is expected to grow by approximately 1 percent.

The emerging markets are expected to achieve a moderate increase in economic growth of approximately 3.5 percent in 2023. Gross domestic product is expected to increase by approximately 4.5 percent in Asia (excluding Japan), approximately 3 percent in Africa/Middle East and approximately 1.5 percent in Latin America. In Eastern Europe, economic growth is forecasted to decrease by approximately -0.5 percent.

Inflation:
Continued inflationary pressure worldwide

Global inflation is predicted to be approximately 5 percent in 2023 – below prior year, but still at a high level. Prices in the mature markets are expected to increase by approximately 4 percent. Inflation of approximately 6 percent is forecasted for the emerging markets.

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Direct materials: Continued increase in price levels

We expect price increases for direct materials (raw materials, packaging and purchased goods and services) to be in the low to mid-single-digit percentage range in 2023 compared to the previous year's average. This trend will likely be driven mainly by continued high energy prices and rising labor costs – with a high degree of uncertainty persisting.

Currencies: Continued high volatility

We anticipate continued high volatility in the currency markets. Taking the annual averages for 2023, we expect mixed developments in the major emerging market currencies in comparison to 2022. We expect the US dollar to remain relatively stable versus the euro.

Development by sector

Consumption and retail: Growth of approximately 2 percent

S&P Global Market Intelligence forecasts that global private consumption will increase by approximately 2 percent in 2023. Growth is expected to be modest in the mature markets at approximately 1 percent. An increase of approximately 3.5 percent is forecasted for the emerging markets.

Industrial production index: Growth of approximately 1.5 percent

S&P Global Market Intelligence expects the industrial production index (IPX) to grow by approximately 1.5 percent worldwide. Industrial production is expected to stagnate in the mature markets and to increase by approximately 3.5 percent in the emerging markets.

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Outlook for the Henkel Group in 2023

Following the slowdown in growth momentum, particularly toward the end of 2022, global economic growth is expected to continue to weaken in 2023. According to current estimates, the global economic environment is expected to remain inflationary in fiscal 2023, due in particular to continued high energy and commodity costs and anticipated labor cost increases. In addition, interest rates are likely to remain significantly higher than in previous years.

It is therefore assumed that industrial demand will be more subdued than in the previous year, and that the growth momentum of consumer demand in key areas of Henkel's consumer goods business will slow down. Our forecast is also based on the assumption that there will be no pandemic-related business and production closures in industry and retail. In addition, the business activities in Russia are expected to be divested by the end of the first quarter of 2023.

Taking these factors into account, we expect the Henkel Group to generate organic sales growth of between 1.0 and 3.0 percent in fiscal 2023.

For the Adhesive Technologies business unit operating in the current challenging macroeconomic environment, we anticipate organic sales growth in the range of 1.0 to 3.0 percent. For the Consumer Brands business unit, we likewise expect organic sales growth of between 1.0 and 3.0 percent. This also takes into account portfolio measures currently being implemented.

We expect the divestments made in 2022 and the anticipated sale of the Russia business to have a negative impact on the nominal sales growth of the Henkel Group in the mid-single-digit percentage range. The translation of sales in foreign currencies is expected to have a slightly negative effect in the low single-digit percentage range.

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Henkel's earnings performance in 2023 is expected to be impacted by an increase in the average prices for direct materials in the low to mid-single-digit percentage range compared to the 2022 annual average. In addition, we anticipate supply chains to remain strained, ongoing capacity bottlenecks in the commodity and logistics markets, labor cost increases and still generally high levels of uncertainty and volatility. We also expect energy costs to remain at an elevated level. These headwinds will be countered in both business units through innovations and further selective price increases combined with strict cost discipline. In addition, we expect further savings from the merger of the consumer businesses announced last year.

Based on these expected developments, we anticipate that the Henkel Group will generate an adjusted return on sales (EBIT margin) in the range of 10.0 to 12.0 percent. We anticipate adjusted return on sales of between 13.0 and 15.0 percent for the Adhesive Technologies business unit and between 7.5 and 9.5 percent for the Consumer Brands business unit.

For adjusted earnings per preferred share (EPS) at constant exchange rates, we expect development in the range of -10.0 to +10.0 percent.

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Results 2022 and guidance for 2023

	Results 2022	Guidance for 2023
Organic sales growth		
Henkel Group:	8.8 percent	1.0 to 3.0 percent
Adhesive Technologies:	13.2 percent	1.0 to 3.0 percent
Consumer Brands:	3.9 percent (pro forma[2])	1.0 to 3.0 percent
Adjusted[1] return on sales (adjusted EBIT margin)		
Henkel Group:	10.4 percent	10.0 to 12.0 percent
Adhesive Technologies:	13.6 percent	13.0 to 15.0 percent
Consumer Brands:	8.3 percent (pro forma[2])	7.5 to 9.5 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	-17.8 percent	Development in the range of -10 to +10 percent

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
[2] Pro-forma values for the integrated Consumer Brands business unit, based on the aggregated results of the Beauty Care and Laundry & Home Care business units in fiscal 2022.

Furthermore, we have the following expectations for 2023:

- Restructuring expenses of 300 to 350 million euros.
- Cash outflows from investments in property, plant and equipment and intangible assets of between 650 and 750 million euros

Dividend

In accordance with our dividend policy and depending on the company's asset and profit positions and its financial requirements, we expect a dividend payout by Henkel AG & Co. KGaA for fiscal 2023 in the range of 30 to 40 percent of net income after non-controlling interests, and adjusted for exceptional items.

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Assets

in million euros	Note	Dec. 31, 2021[1]	%	Dec. 31, 2022	%
Goodwill	1	13,157	40.3	**13,637**	**41.1**
Other intangible assets	1	3,490	10.7	**3,480**	**10.5**
Property, plant and equipment	2	3,909	12.0	**3,911**	**11.8**
Other financial assets	3	161	0.5	**234**	**0.7**
Other assets	4	352	1.1	**307**	**0.9**
Deferred tax assets	5	1,195	3.7	**1,183**	**3.6**
Non-current assets		**22,264**	**68.1**	**22,753**	**68.6**
Inventories	6	2,629	8.0	**3,180**	**9.6**
Trade accounts receivable	7	3,456	10.6	**3,535**	**10.7**
Other financial assets	3	1,209	3.7	**832**	**2.5**
Income tax refund claims		340	1.0	**403**	**1.2**
Other assets	4	601	1.8	**656**	**2.0**
Cash and cash equivalents	8	2,116	6.5	**1,088**	**3.3**
Assets held for sale	9	58	0.2	**731**	**2.2**
Current assets		**10,410**	**31.9**	**10,425**	**31.4**
Total assets		**32,674**	**100.0**	**33,178**	**100.0**

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

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Equity and liabilities

in million euros	Note	Dec. 31, 2021[1]	%	Dec. 31, 2022	%
Issued capital	10	438	1.3	**438**	**1.3**
Capital reserve	11	652	2.0	**652**	**2.0**
Treasury shares	12	-91	-0.3	**-870**	**-2.6**
Retained earnings	13	20,360	62.3	**20,903**	**63.0**
Other components of equity	14	-1,644	-5.0	**-1,040**	**-3.1**
Equity attributable to shareholders of Henkel AG & Co. KGaA		**19,715**	**60.3**	**20,083**	**60.5**
Non-controlling interests	15	79	0.2	**74**	**0.2**
Equity		**19,794**	**60.6**	**20,157**	**60.8**
Provisions for pensions and similar obligations	16	510	1.6	**417**	**1.3**
Other provisions	17	326	1.0	**268**	**0.8**
Borrowings	18	1,543	4.7	**1,846**	**5.6**
Other financial liabilities	19	501	1.5	**591**	**1.8**
Other liabilities	20	14	0.0	**13**	**0.0**
Deferred tax liabilities	5	717	2.2	**735**	**2.2**
Non-current liabilities		**3,611**	**11.1**	**3,870**	**11.7**
Other provisions	17	2,064	6.3	**2,065**	**6.2**
Borrowings	18	1,295	4.0	**1,061**	**3.2**
Trade accounts payable	21	4,385	13.4	**4,621**	**13.9**
Other financial liabilities	19	416	1.3	**300**	**0.9**
Other liabilities	20	412	1.3	**379**	**1.1**
Income tax liabilities		697	2.1	**548**	**1.7**
Liabilities held for sale	9	–		**177**	**0.5**
Current liabilities		**9,268**	**28.4**	**9,152**	**27.6**
Total equity and liabilities		**32,674**	**100.0**	**33,178**	**100.0**

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

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CONSOLIDATED STATEMENT OF INCOME

in million euros		Note	2021	%	2022	%	+/-
Sales		24	**20,066**	**100.0**	**22,397**	**100.0**	**11.6%**
Cost of sales		25	-11,092	-55.3	**-13,030**	**-58.2**	17.5%
Gross profit			**8,975**	**44.7**	**9,367**	**41.8**	**4.4%**
Marketing, selling and distribution expenses		26	-5,186	-25.8	**-5,985**	**-26.7**	15.4%
Research and development expenses		27	-727	-3.6	**-570**	**-2.5**	-21.6%
Administrative expenses		28	-955	-4.8	**-1,102**	**-4.9**	15.4%
Other operating income		29	210	1.0	**184**	**0.8**	-12.2%
Other operating expenses		30	-103	-0.5	**-85**	**-0.4**	-17.9%
Operating profit (EBIT)			**2,213**	**11.0**	**1,810**	**8.1**	**-18.2%**
Interest income			28	0.1	**37**	**0.2**	32.3%
Interest expense			-46	-0.2	**-73**	**-0.3**	57.1%
Other financial result			-46	-0.2	**-85**	**-0.4**	83.6%
Investment result			0	0.0	**0**	**0.0**	-48.7%
Financial result		31	**-64**	**-0.3**	**-121**	**-0.5**	**87.7%**
Income before tax			**2,149**	**10.7**	**1,689**	**7.5**	**-21.4%**
Taxes on income		32	-519	-2.6	**-436**	**-1.9**	-16.1%
Tax rate	in %		24.2		**25.8**		
Net income			**1,629**	**8.1**	**1,253**	**5.6**	**-23.1%**
Attributable to non-controlling interests		33	-5	-0.0	**-5**	**-0.0**	7.8%
Attributable to shareholders of Henkel AG & Co. KGaA			1,634	8.1	**1,259**	**5.6**	-23.0%
Earnings per ordinary share – basic and diluted	in euros		3.76		**2.93**		-22.1%
Earnings per preferred share – basic and diluted	in euros		3.78		**2.95**		-22.0%

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See Notes 16 and 23 for further explanatory information

in million euros	2021	2022
Net income	**1,629**	**1,253**
Results subject to possible future reclassification:		
Exchange differences on translation of foreign operations and hyperinflation adjustments due to IAS 29	761	**520**
Gains/losses from derivative financial instruments (Hedge reserve)	-59	**109**
Gains/losses from debt instruments	0	**0**
Income taxes on these items	11	**-32**
Results not subject to future reclassification:		
Remeasurement of net liability from defined benefit pension plans	170	**55**
Gains/losses from equity instruments	15	**7**
Income taxes on these items	-7	**-35**
Other comprehensive income (net of taxes)	**892**	**624**
Total comprehensive income for the period	**2,521**	**1,878**
Attributable to non-controlling interests	-6	**-5**
Attributable to shareholders of Henkel AG & Co. KGaA	2,527	**1,884**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See Notes 10 to 15 for further explanatory information

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency translation reserve	Hedge reserve	Reserve for equity and debt instru-ments	Share-holders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At January 1, 2021	**260**	**178**	**652**	**-91**	**19,150**	**-2,206**	**-164**	**-3**	**17,776**	**95**	**17,870**
Net income	–	–	–	–	1,634	–	–	–	1,634	-5	**1,629**
Other comprehensive income (net of taxes)	–	–	–	–	163	762	-48	16	893	-1	**892**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,797**	**762**	**-48**	**16**	**2,527**	**-6**	**2,521**
Dividends	–	–	–	–	-798	–	–	–	-798	-11	**-809**
Share-based payments	–	–	–	–	3	–	–	–	3	–	**3**
Other changes in equity	–	–	–	–	206	–	–	–	206	–	**206**
Equity transactions with shareholders	**–**	**–**	**–**	**–**	**-589**	**–**	**–**	**–**	**-589**	**-11**	**-600**
At December 31, 2021	**260**	**178**	**652**	**-91**	**20,360**	**-1,445**	**-212**	**13**	**19,715**	**79**	**19,794**

TABLE CONTINUED ON NEXT PAGE

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency translation reserve	Hedge reserve	Reserve for equity and debt instruments	Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At December 31, 2021	**260**	**178**	**652**	**-91**	**20,360**	**-1,445**	**-212**	**13**	**19,715**	**79**	**19,794**
Effect of first-time application of IAS 29	–	–	–	–	38	–	–	–	38	–	**38**
At January 1, 2022	**260**	**178**	**652**	**-91**	**20,398**	**-1,445**	**-212**	**13**	**19,753**	**79**	**19,832**
Net income	–	–	–	–	1,259	–	–	–	1,259	-5	**1,253**
Other comprehensive income (net of taxes)	–	–	–	–	20	520	77	7	624	–	**624**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,280**	**520**	**77**	**7**	**1,884**	**-5**	**1,878**
Dividends	–	–	–	–	-795	–	–	–	-795	-5	**-800**
Share-based payments	–	–	–	–	-48	–	–	–	-48	–	**-48**
Changes in ownership interest with no change in control	–	–	–	–	-5	–	–	–	-5	5	**–**
Purchase of treasury shares	–	–	–	-812	–	–	–	–	-812	–	**-812**
Use of treasury shares	–	–	–	32	28	–	–	–	60	–	**60**
Other changes in equity	–	–	–	–	44	–	–	–	44	–	**44**
Equity transactions with shareholders	**–**	**–**	**–**	**-780**	**-776**	**–**	**–**	**–**	**-1,556**	**0**	**-1,556**
At December 31, 2022	**260**	**178**	**652**	**-870**	**20,903**	**-925**	**-135**	**20**	**20,083**	**74**	**20,157**

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CONSOLIDATED STATEMENT OF CASH FLOWS

See Note 39 for further explanatory information

in million euros	2021	2022
Operating profit (EBIT)	**2,213**	**1,810**
Income taxes paid	-651	**-711**
Amortization/depreciation/impairment/write-ups of intangible assets, property, plant and equipment, and assets held for sale	978	**875**
Gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	-46	**-46**
Change in inventories	-391	**-722**
Change in trade accounts receivable	-351	**-185**
Change in other assets	-100	**-86**
Change in trade accounts payable	328	**306**
Change in other liabilities, provisions and equity	159	**6**
Cash flow from operating activities	**2,141**	**1,247**
Purchase of intangible assets and property, plant and equipment including payments on account	-647	**-593**
Acquisition of subsidiaries and other business units	-164	**-85**
Acquisition of associated companies and other investments	-23	**-15**
Proceeds on disposal of subsidiaries, other business units and investments	257	**103**
Proceeds on disposal of intangible assets and property, plant and equipment	23	**27**
Cash inflow from financial receivables from third parties	1	**–**
Change in other current financial assets	74	**346**
Cash flow from investing activities	**-479**	**-217**
Dividends paid to shareholders of Henkel AG & Co. KGaA	-798	**-795**
Dividends paid to non-controlling shareholders	-11	**-5**
Interest received	29	**35**
Interest paid[1]	-60	**-91**
Dividends and interest paid and received	*-839*	***-856***

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in million euros	2021	2022
Issuance of bonds	720	**648**
Repayment of bonds	-700	**-923**
Other changes in borrowings	-460	**171**
Redemption of lease liabilities	-138	**-149**
Allocations to pension funds	-39	**-45**
Other changes in pension obligations	130	**177**
Payments for the acquisition of treasury shares	–	**-803**
Payments for the acquisition of non-controlling interests with no change in control	–	**-106**
Other financing transactions	33	**-2**
Cash flow from financing activities	**-1,294**	**-1,888**
Net change in cash and cash equivalents	368	**-858**
Effect of exchange rates on cash and cash equivalents	21	**-35**
Change in cash and cash equivalents	**389**	**-893**
Cash and cash equivalents at January 1	1,727	**2,116**
Change in cash and cash equivalents classified as held for sale	–	**-135**
Cash and cash equivalents at December 31	**2,116**	**1,088**

Additional voluntary information: Reconciliation to free cash flow

in million euros	2021	2022
Cash flow from operating activities	2,141	**1,247**
Purchase of intangible assets and property, plant and equipment including payments on account	-647	**-593**
Redemption of lease liabilities	-138	**-149**
Proceeds on disposal of intangible assets and property, plant and equipment	23	**27**
Net interest paid	-30	**-56**
Other changes in pension obligations	130	**177**
Free cash flow	**1,478**	**653**

[1] Including interest paid in connection with lease liabilities.

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GROUP SEGMENT REPORT BY BUSINESS UNIT

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales 2022	**11,242**	**3,775**	**7,152**	**22,169**	**228**	**22,397**
Proportion of Henkel Group sales	50%	17%	32%	**99%**	1%	**100%**
Sales 2021	9,641	3,678	6,605	**19,924**	142	**20,066**
Change versus previous year	16.6%	2.6%	8.3%	**11.3%**	60.4%	**11.6%**
Adjusted for foreign exchange	11.8%	-1.2%	5.6%	**7.3%**	–	**7.7%**
Organic	13.2%	-0.5%	6.3%	**8.4%**	–	**8.8%**
Operating profit (EBIT) 2022	**1,500**	**3**	**455**	**1,959**	**-149**	**1,810**
Operating profit (EBIT) 2021	1,524	77	797	**2,398**	-185	**2,213**
Change versus previous year	-1.6%	-95.5%	-42.9%	**-18.3%**	–	**-18.2%**
Return on sales (EBIT margin) 2022	**13.3%**	**0.1%**	**6.4%**	**8.8%**	**–**	**8.1%**
Return on sales (EBIT margin) 2021	15.8%	2.1%	12.1%	**12.0%**	–	**11.0%**
Adjusted operating profit (adjusted EBIT) 2022	**1,530**	**296**	**614**	**2,440**	**-121**	**2,319**
Adjusted operating profit (adjusted EBIT) 2021	1,561	351	904	**2,815**	-128	**2,686**
Change versus previous year	-2.0%	-15.7%	-32.0%	**-13.3%**	–	**-13.7%**
Adjusted return on sales (adjusted EBIT margin) 2022	**13.6%**	**7.8%**	**8.6%**	**11.0%**	**–**	**10.4%**
Adjusted return on sales (adjusted EBIT margin) 2021	16.2%	9.5%	13.7%	**14.1%**	–	**13.4%**
Capital employed 2022[1]	**9,757**	**4,532**	**7,638**	**21,927**	**109**	**22,036**
Capital employed 2021[1]	8,879	4,218	6,984	**20,080**	96	**20,175**
Change versus previous year	9.9%	7.5%	9.4%	**9.2%**	–	**9.2%**
Return on capital employed (ROCE) 2022	**15.4%**	**0.1%**	**6.0%**	**8.9%**	**–**	**8.2%**
Return on capital employed (ROCE) 2021	17.2%	1.8%	11.4%	**11.9%**	–	**11.0%**

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in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2022[2]	**352**	**219**	**283**	**854**	**21**	**875**
Of which impairment 2022	**58**	**148**	**109**	**315**	**0**	**315**
Of which write-ups 2022	**-47**	**-50**	**-87**	**-184**	**–**	**-184**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2021[2]	338	323	296	**958**	21	**978**
Of which impairment 2021	10	212	46	**269**	–	**269**
Of which write-ups 2021	-0	–	-2	**-2**	-1	**-3**
Additions to non-current assets 2022	**320**	**206**	**376**	**903**	**17**	**920**
Additions to non-current assets 2021	311	129	494	**934**	19	**953**
Operating assets 2022[3]	**13,339**	**6,235**	**11,402**	**30,976**	**608**	**31,584**
Operating liabilities 2022	**4,062**	**1,892**	**3,440**	**9,394**	**500**	**9,894**
Net operating assets 2022[3]	**9,277**	**4,343**	**7,962**	**21,582**	**109**	**21,690**
Operating assets 2021[3]	11,969	6,002	10,432	**28,403**	538	**28,941**
Operating liabilities 2021	3,547	1,978	3,181	**8,706**	442	**9,148**
Net operating assets 2021[3]	8,422	4,025	7,251	**19,697**	96	**19,793**

[1] Including goodwill at cost prior to any accumulated impairment.
[2] Including depreciation, impairment and write-ups of right-of-use assets.
[3] Including goodwill at net carrying amounts.

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KEY FINANCIALS BY REGION

Additional voluntary information

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales 2022[1]	**6,064**	**3,474**	**1,272**	**5,984**	**1,548**	**3,827**	**228**	**22,397**
Sales 2021[1]	5,990	3,114	1,208	5,028	1,211	3,374	142	20,066
Change versus previous year	1.2%	11.6%	5.2%	19.0%	27.9%	13.4%	–	11.6%
Organic	2.3%	22.4%	7.0%	8.2%	17.7%	6.8%	–	8.8%
Proportion of Group sales 2022	**27%**	**16%**	**6%**	**27%**	**7%**	**17%**	**1%**	**100%**
Proportion of Group sales 2021	30%	16%	6%	25%	6%	17%	1%	100%
Operating profit (EBIT) 2022	**878**	**319**	**-38**	**111**	**106**	**583**	**-149**	**1,810**
Operating profit (EBIT) 2021	1,544	171	33	27	66	557	-185	2,213
Change versus previous year	-43.2%	86.4%	-216.4%	307.9%	60.8%	4.8%	–	-18.2%
Adjusted for foreign exchange	-43.4%	86.2%	-197.6%	135.1%	44.4%	-1.2%	–	-22.9%
Return on sales (EBIT margin) 2022	**14.5%**	**9.2%**	**-3.0%**	**1.9%**	**6.9%**	**15.2%**	**–**	**8.1%**
Return on sales (EBIT margin) 2021	25.8%	5.5%	2.7%	0.5%	5.5%	16.5%	–	11.0%

[1] By location of company.

In 2022, the subsidiaries domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,506 million euros (previous year: 2,370 million euros). Sales realized by the subsidiaries domiciled in the USA amounted to 5,664 million euros in 2022 (previous year: 4,671 million euros). Subsidiaries domiciled in China achieved sales of 1,720 million euros in 2022 (previous year: 1,611 million euros). In fiscal 2021 and 2022, no individual customer accounted for more than 10 percent of total sales.

Of the total non-current assets disclosed for the Henkel Group at December 31, 2022 (excluding financial instruments, deferred tax assets and the overfunding of pension obligations) amounting to 21,336 million euros (previous year: 20,905 million euros), 2,493 million euros (previous year: 2,750 million euros) was attributable to the subsidiaries domiciled in Germany, including Henkel AG & Co. KGaA. The non-current assets (excluding financial instruments, deferred tax assets and the overfunding of pension obligations) recognized in respect of the subsidiaries domiciled in the USA amounted to 12,033 million euros at December 31, 2022 (previous year: 11,344 million euros).

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ACCOUNTING PRINCIPLES AND METHODS APPLIED IN PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Henkel AG & Co. KGaA (Düsseldorf Regional Court, HRB 4724) is the parent company of the Henkel Group. Its registered office is Henkelstrasse 67, 40589 Düsseldorf, Germany. Until the end of fiscal 2022, Henkel was organized in three operational business units: Adhesive Technologies, Beauty Care and Laundry & Home Care. Details of the business units' activities are discussed in the notes to the consolidated financial statements, Note 37, on pages 325 to 328 and the management report on pages 88 to 91.

The consolidated financial statements of Henkel AG & Co. KGaA as of December 31, 2022, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted per Regulation number 1606/2002 of the European Parliament and the Council on the application of international accounting standards in the European Union, and in compliance with Section 315e German Commercial Code [HGB]. The financial statements are based on the going concern principle. The consolidated financial statements are published in the Federal Gazette.

The individual financial statements of the companies included in the consolidation are prepared on the same accounting date, December 31, 2022, as that of Henkel AG & Co. KGaA.

Members of the PwC organization or other independent firms of auditors instructed accordingly have audited the financial statements of the material companies included in the consolidation. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the consolidated financial statements on February 7, 2023 and approved them for forwarding to the Supervisory Board and for publication.

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The functional currency of Henkel AG & Co. KGaA and the reporting currency of the Group is the euro. Unless otherwise indicated, all amounts are shown in million euros. All individual figures have been rounded. Addition may result in deviations from the totals indicated. In order to improve the clarity and informative value of the consolidated financial statements, certain items are combined in the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, and then shown separately in the notes.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the consolidated financial statements at December 31, 2022 include 22 German and 178 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policies, based on the concept of control. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Companies in which the stake held represents less than half of the voting rights are fully consolidated if Henkel AG & Co. KGaA controls them, as defined in IFRS 10 Consolidated Financial Statements, through contractual agreements or the right to appoint corporate bodies.

Henkel AG & Co. KGaA prepares the consolidated financial statements for the largest and the smallest groups of companies to which Henkel AG & Co. KGaA and its subsidiaries belong.

The following table shows the changes to the scope of consolidation in fiscal 2022:

Scope of consolidation

At January 1, 2022	**207**
Additions	3
Mergers	-5
Disposals	-4
At December 31, 2022	**201**

Further details can be found in the section “Acquisitions and divestments” below.

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Subsidiaries which are of secondary importance to the Group and to the presentation of a true and fair view of our net assets, financial position and results of operations due to their inactivity or low level of activity are generally not included in the consolidated financial statements. For simplification purposes, investments in these subsidiaries are recognized at cost less any impairment. The total assets of these companies represent less than 1 percent of the Group's total assets; their total sales and income (net of taxes) are also less than 1 percent of the Group totals.

Acquisitions and divestments

Acquisitions

Effective July 1, 2022, Henkel acquired Shiseido's hair salon business in Asia-Pacific. The acquisition was structured in various share and asset deals and included 80 percent of the shares in Shiseido Professional Inc. based in Tokyo, Japan, and all the shares in Shiseido Professional (Thailand) Company Limited based in Bangkok, Thailand. The acquisition included leading hair salon brands such as Sublimic or Primience, which are marketed under the licensed umbrella brand Shiseido Professional. The purchase price totaled 81 million euros, settled in cash. The remaining 20 percent of the shares in Shiseido Professional Inc. have already been economically acquired and are therefore subject to accounting using the anticipated acquisition method. Accordingly, acquisition of the outstanding non-controlling shares is already included as part of the first-time consolidation in the form of a contingent purchase price liability of 16 million euros.

On August 26, 2022, we invested through the Adhesive Technologies business unit in a business dealing in innovative thermal management solutions. The purchase price amounted to 14 million euros. A contingent purchase price liability of 2 million euros was also recognized. We further acquired all shares in NBD Nano-technologies Inc. based in Wilmington, USA, on August 31, 2022. The transaction strengthens Henkel's portfolio of innovative surface technologies. The purchase price amounted to 5 million euros.

The acquisitions do not have any material effect on the net assets, financial position and results of operations.

The provisional goodwill acquired through the acquisitions represents the growth potential of the acquired businesses, as well as both offensive and defensive synergies resulting from the acquisition. Most of the goodwill is not tax deductible.

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Because some of the information that is crucial for valuation is not yet available, the allocation in accordance with IFRS 3 Business Combinations of the purchase price to the acquired assets and liabilities of Shiseido's hair salon business acquired effective July 1, 2022, is provisional. Also and above all, determination of the fair value of the other intangible assets, provisions and deferred taxes and the resulting goodwill from the acquisition has not yet been finalized. The process of determining fair values requires discretionary judgments when making corresponding assumptions and estimates. These preliminary estimates are based on currently available information and will be updated during the measurement period, which may not exceed twelve months from the acquisition date, based on valuations performed by independent third parties, additional available information and further analysis.

The provisional fair values of the acquired assets and liabilities were determined by the contracts and available opening balances on the relevant acquisition date. The recognition and measurement principles adopted by the Henkel Group were applied.

Acquisitions 2022

in million euros	Fair value
Goodwill	70
Other intangible assets	43
Property, plant and equipment	4
Other non-current assets	8
Non-current assets	**124**
Inventories	11
Trade accounts receivable	9
Liquid funds	23
Other current assets	0
Current assets	**44**
Total assets	**168**
Net assets	**119**
Non-current liabilities	**19**
Other current provisions/liabilities	15
Trade accounts payable	15
Current liabilities	**31**
Total equity and liabilities	**168**

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Reconciliation of the purchase price to provisional goodwill

in million euros	2022
Acquisitions 2022	
Purchase price	101
Contingent purchase price	18
Fair value of the acquired assets and liabilities (provisional)	49
Provisional goodwill	**70**

If the acquisition of Shiseido's hair salon business in Asia-Pacific had already taken place on January 1, 2022 and the business activities had therefore been included since then, these would have increased the sales of the Henkel Group in the reporting period January 1 to December 31, 2022 by 112 million euros and reduced earnings after tax by 4 million euros after taking into account incidental acquisition costs.

The actual contributions of the company were 58 million euros to sales and 2 million euros to income (net of taxes). Acquisition-related costs amounted to 3 million euros.

Effective March 31, 2022, Henkel acquired all the outstanding shares in our US-American subsidiary eSalon.com LLC from the former minority shareholder. The purchase price was 104 million euros, settled in cash.

Divestments

Active portfolio management continues to represent a key element in the further development of the Henkel Group. Both the acquisition and sale of trademark rights and businesses are integral to our strategy.

As part of our active portfolio management in our Adhesive Technologies business unit, we sold the global soldering agents business effective June 1, 2022.

In the Beauty Care business unit, the Henkel Group sold the Latin American Consumer business with Hair Care brands Pert, Funk and Linea Natural, effective June 1, 2022. Effective December 7, 2022, the European Oral Care business comprising in the main the brands Vademecum, Theramed, Licor del Polo, Denivit and Antica Erboristeria was sold, as was the European Consumer business of the Diadermine Skin Care brand, effective December 31, 2022.

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On February 15, 2022, the Laundry & Home Care business unit sold the cleaning wipes business of its brand Ballerina, which is distributed in Europe, and on May 2, 2022, its European air freshening business with the brands Croc odor and Iba. Effective September 1, 2022, the North American stain remover business comprising the brands Zout and Fels-Naptha was sold.

These business disposals do not have any material effect on the net assets, financial position and results of operations.

Consolidation methods

The financial statements of Henkel AG & Co. KGaA and of the subsidiaries included in the consolidated financial statements were prepared on the basis of uniformly valid principles of recognition and measurement, applying the standardized year-end date adopted by the Group. Such entities are included in the consolidated financial statements as of the date on which the Group obtained control.

All receivables and liabilities, sales, income and expenses, as well as intragroup profits on transfers of non-current assets or inventories, are eliminated on consolidation.

The purchase method is used for capital consolidation. In business combinations, therefore, all hidden reserves and hidden charges in the entity acquired are revalued at the time of acquisition, and all identifiable intangible assets are separately recognized if they are clearly separable or if their recognition arises from a contractual or other legal right. Any difference arising between the acquisition cost and the (share of) net assets after purchase price allocation is recognized as goodwill. The goodwill attributable to subsidiaries is measured in the functional currency of the subsidiary.

Entities acquired are included in the consolidation for the first time as subsidiaries by offsetting the carrying amount of the respective parent company's investment in them against their assets and liabilities. Contingent consideration is recognized at fair value as of the date of first-time consolidation. Subsequent changes in value do not result in an adjustment to the valuation at the time of acquisition. Incidental costs relating to the acquisition of participating interests in entities are not included in the purchase price. Instead, they are recognized through profit or loss in the period in which they occur.

In the recognition of acquisitions of less than 100 percent of the shares in a company, non-controlling interests are measured at the fair value of the proportion of net assets that they represent. The Henkel Group uses the present access method to recognize put options granted on non-controlling interests, unless the acquisition of the outstanding non-controlling interests has already been realized from an economic viewpoint. This

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method requires the recognition of a financial liability, remeasured through equity, for the commitment associated with the put option granted. The non-controlling interests continue to be recognized in the statement of financial position and the statement of comprehensive income. Minority interests that have already been economically acquired are recognized using the anticipated acquisition method. Unlike the present access method, non-controlling interests are not recognized in the statement of financial position and the statement of comprehensive income.

Changes in the shareholdings of subsidiary companies resulting in a decrease or an increase in the participating interests of the Group without loss of control are recognized directly in equity as transactions with shareholders.

As soon as the control of a subsidiary is lost, all the assets and liabilities and the non-controlling interests, and also the accumulated currency translation gains or losses, are derecognized. In the event that Henkel continues to own non-controlling interests in the non-consolidated entity, these are measured at fair value. The result of deconsolidation is recognized under other operating income or expenses.

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Associated companies

An associate is a company over which the Group can exercise significant influence on the financial and operating policies without having control. Significant influence is generally presumed when the Group holds 20 percent or more of the voting rights. Where a Group company conducts transactions with an associated company, the resulting profits or losses are eliminated in accordance with the share of the Group in that company.

Shares in associated companies are always recognized using the equity method. For simplification purposes, investments in associated companies that are less relevant for the Group and for the presentation of a fair view of its net assets, financial position and results of operations, are recognized at cost less any impairment.

As of December 31, 2022, the Henkel Group did not hold any stakes in associated companies that were accounted for using the equity method.

Currency translation

General principles

The annual financial statements, including the hidden reserves and hidden charges of Group companies recognized by the purchase method, goodwill arising on consolidation, and the statement of cash flows, are translated into euros using the functional currency method outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates. The functional currency is the currency in which a foreign company predominantly generates funds and makes payments. The functional currency of the Group companies is generally the local currency of the company concerned. Assets and liabilities of subsidiaries whose functional currency is not the currency of a hyperinflationary economy are translated at closing rates, while income and expenses are translated at the average rates for the year as an approximation of the actual rates at the date of the transaction. Equity items are recognized at historical exchange rates. The differences arising from using average rather than closing rates are taken to equity and shown as other components of equity, or as non-controlling interests, and remain neutral in respect of net income until the shares in the Group company are divested.

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In the subsidiaries' annual financial statements, transactions in foreign currencies are converted at the rates prevailing at the time of the transaction. Financial assets and liabilities in foreign currencies are measured at closing rates through profit or loss. For the main currencies in the Group, the following exchange rates have been used based on 1 euro:

Currencies

		Average exchange rate		Exchange rate on December 31	
	ISO code	2021	2022	2021	2022
Chinese yuan	CNY	7.63	**7.08**	7.19	**7.36**
Mexican peso	MXN	23.99	**21.19**	23.14	**20.86**
Polish zloty	PLN	4.57	**4.69**	4.60	**4.68**
Russian ruble	RUB	87.16	**73.65**	85.30	**77.86**
Turkish lira	TRY	10.50	**17.41**	15.23	**19.97**
US dollar	USD	1.18	**1.05**	1.13	**1.07**

Financial reporting in hyperinflationary economies

Financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy as defined in IAS 29 must be adjusted for the amount relating to the change in purchasing power resulting from inflation prior to conversion into the Group currency and before consolidation. Non-monetary items on the statement of financial position that are measured at acquisition cost or amortized acquisition cost, equity, and the amounts stated on the consolidated statement of income must be indexed on the basis of a general price index and represented at current purchasing power from the time of initial recognition in the financial statements. Monetary items are not adjusted. Corresponding gains and losses from current inflation are recognized in financial result.

Following inflation, all items on the statement of financial position and all income and expenses on the consolidated statement of income are converted to the functional currency of the Group (euros) on the reporting date. When performing consolidation, Henkel recognizes changes resulting from the current inflation of the equity of its subsidiaries in the currency translation reserve.

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When applying IAS 29 for the first time, this procedure must be adopted for all items on the statement of financial position – with the exception of retained earnings – that are subject to inflation and applied as though the corresponding economy had always been hyperinflationary. The effects from the requisite adjustment at the start of the reporting period in which first-time adjustment occurs of the items on the statement of financial position are recognized in retained earnings. Prior-year figures are not restated.

Determining whether an economy is classifiable as hyperinflationary is based on qualitative and quantitative criteria, including in particular whether cumulative inflation has exceeded 100 percent over the past three years. For reporting periods ending on or after December 31, 2022, Türkiye is classifiable as a hyperinflationary economy as defined in IAS 29. Accordingly, Henkel must apply the standard for subsidiaries whose functional currency is the Turkish lira, starting from January 1, 2022. For the purpose of preparing the consolidated financial statements, a change of 65.2 percent in general purchasing power was assumed, with input from experts, as the actual inflation rate for the month of December was not yet available when the financial statements were being prepared. The price index assumed for December 31, 2022 was 1,128 (December 31, 2021: 687).

Following first-time application of IAS 29 as of January 1, 2022 for our subsidiaries in Türkiye, non-current assets rose by 43 million euros. Deferred tax provisions increased by 5 million euros and Group equity by 38 million euros. In fiscal 2022, net losses from current inflation were recognized in the other financial result in an amount of 42 million euros.

IAS 29 was not applied to subsidiaries in other economies classified as hyperinflationary due to their immaterial impact on the Group’s net assets, financial position and results of operations.

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Recognition and measurement methods

Summary of selected measurement methods

Financial statement items	Measurement method
Assets	
Goodwill	Lower of initially recognized value of acquisitions as per IFRS 3 and comparative figure following impairment testing at the level of the cash-generating units ("impairment only" method)
Other intangible assets	
With indefinite useful lives	Lower of cost and recoverable amount ("impairment only" method)
With definite useful lives	Amortized cost less any impairment losses
Property, plant and equipment	Depreciated cost less any impairment losses
Financial assets (categories per IFRS 9)	
Amortized cost	Amortized cost using the effective interest method
Fair value through profit or loss	Fair value with gains or losses recognized in the income statement
Fair value through other comprehensive income	Fair value with gains or losses recognized in other comprehensive income[1]
Other assets	(Amortized) cost
Inventories	Lower of cost and net realizable value
Assets held for sale	Lower of carrying amount and fair value less costs to sell

[1] Apart from impairment equivalent to the expected credit losses, and from effects arising from measurement in a foreign currency.

Equity and liabilities	
Provisions for pensions and similar obligations	Present value of future obligations (projected unit credit method)
Other provisions	Settlement amount
Financial liabilities (categories per IFRS 9)	
Amortized cost	Amortized cost using the effective interest method
Fair value through profit or loss	Fair value with gains or losses recognized in the income statement
Other liabilities	Settlement amount

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The methods of recognition and measurement, which are basically unchanged from the previous year, are described in detail in the notes relating to the individual items of the statement of financial position on these pages. The disclosures relevant for the Henkel Group with regard to IFRS 7 Financial Instruments: Disclosures showing the breakdown of our financial instruments by category, our methods for fair value measurement, and the derivative financial instruments that we use are also provided as part of the report on our financial instruments (Note 23 on pages 275 to 307). Changes to International Financial Reporting Standards (IFRSs) that were applied for the first time in the year under review are discussed in the section entitled “New international accounting regulations according to International Financial Reporting Standards (IFRSs)” on pages 228 to 232. Changes in the methods of recognition and measurement arising from revised and new standards are applied retrospectively, provided that the effect is material and there are no alternative regulations. The consolidated statement of income from the previous year and the opening balance for this comparative period are amended as if the new methods of recognition and measurement had always been applied.

Accounting estimates, assumptions and discretionary judgments

Preparation of the consolidated financial statements is based on a number of accounting estimates and assumptions. These have an impact on the reported amounts of assets, liabilities and contingent liabilities at the reporting date and the disclosure of income and expenses for the reporting period. The actual amounts may differ from these estimates.

The accounting estimates and their underlying assumptions are based on past experience and are continually reviewed. Changes in accounting estimates are recognized in the period in which the change takes place where such change exclusively affects that period. A change is recognized in the period in which it occurs and in later periods where such change affects both the reporting period and subsequent periods. The judgments of the Management Board regarding the application of those IFRSs which have a significant impact on the consolidated financial statements are presented, in particular, in the explanatory notes on goodwill and other intangible assets (Note 1 on pages 235 to 240), right-of-use assets recognized in property, plant and equipment (Note 2 on pages 241 to 245), provisions for pensions and similar obligations (Note 16 on pages 258 to 269), other provisions (Note 17 on pages 269 and 270), financial instruments (Note 23 on pages 275 to 307), sales (Note 24 on pages 308 and 309), income taxes (Note 22 on page 275 and Note 32 on pages 313 to 318), and share-based payment plans (Note 36 on pages 322 to 325).

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In light of persisting significant increases in the cost of commodities and logistics services, together with the local and global impacts of the ongoing war in Ukraine, the estimates required for the preparation of the consolidated financial statements are subject to much greater uncertainty than is normally the case. This is especially true of estimates of any possible impairment of non-financial assets, such as goodwill and other intangible assets, and also any possible impairment of financial assets.

Material discretionary judgments are made in respect of the demarcation of the cash-generating units as explained in Note 1 on pages 235 to 240, the segment reporting as explained in Note 37 on pages 325 to 328 and the determination of the useful lives of trademarks and other rights as explained on page 233. Put options granted on non-controlling interests require estimation as to whether the Henkel Group is already the beneficiary of these shares or not, and hence, whether the present access method must be applied.

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Amendment of prior-year figures

In fiscal 2022, the allocation of the purchase price for the shares acquired in fiscal 2021 of Swania International S.A. based in Luxembourg, Luxembourg, was finalized. The prior-year figures were subsequently amended accordingly. The adjustment included an increase of 3 million euros in goodwill, of 1 million euros in deferred tax assets, and of 5 million euros for other non-current provisions.

Amendments to the consolidated statement of financial position

in million euros	Dec. 31, 2021 reported	Amendments	Dec. 31, 2021 amended
Goodwill	13,153	3	**13,157**
Deferred tax assets	1,194	1	**1,195**
Non-current assets	**22,259**	**5**	**22,264**
Total assets	**32,669**	**5**	**32,674**
Other provisions	321	5	**326**
Non-current liabilities	**3,607**	**5**	**3,611**
Total equity and liabilities	**32,669**	**5**	**32,674**

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Impacts of Russia's war of aggression in Ukraine

In light of the developments surrounding the war in Ukraine, Henkel announced mid-April 2022 that it would exit the business activities of all its business units in Russia. Henkel initiated a sale process over the course of the second quarter of 2022 and classified the assets and liabilities that were available for sale to assets and liabilities held for sale effective June 30, 2022. The Russian business activities will continue to be consolidated within the Henkel Group, as control over the relevant operations remains unchanged.

As the sale process progresses, a sale remains highly likely. Once the transaction has been completed, Henkel intends to relinquish control over all relevant activities of the Russian business sold. We thus continued to recognize the Russian business as assets and liabilities held for sale as of December 31, 2022.

As of the reporting date, the carrying amounts of the intangible assets and property, plant and equipment associated with the Russian business were recognized at 305 million euros, current assets at 398 million euros and current liabilities at 177 million euros. Subject to official approvals, we expect to close the transaction in the first quarter of 2023.

In fiscal 2022, the Russian business contributed about 5 percent to Group sales. The proportion of Group assets held by our Russian subsidiary is less than 2 percent. In fiscal 2022, the Ukrainian business contributed less than 1 percent to Group sales. In addition, the proportion of assets belonging to the Henkel Group that are attributable to our Ukrainian subsidiaries is less than 1 percent. The war-related restrictions on our business activities in Ukraine resulted in a negligible impairment loss on non-current and current assets of 6 million euros in fiscal year 2022.

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New international accounting regulations according to International Financial Reporting Standards (IFRSs)

Accounting methods applied for the first time in the year under review

	Mandatory for fiscal years beginning on or after
Improvements to IFRSs 2018–2020	January 1, 2022
IFRS 3 (Amendment) Reference to the Conceptual Framework	January 1, 2022
IAS 16 (Amendment) Proceeds before Intended Use	January 1, 2022
IAS 37 (Amendment) Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022

First-time application of the changes to the standards did not have any material effect on the net assets, financial position and results of operations of the Henkel Group.

Improvements to IFRSs 2018–2020
Four standards were amended in the 2018–2020 cycle of annual improvements to IFRSs.

The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards permit a subsidiary to measure not only assets and liabilities but also cumulative translation differences using the amounts reported by its parent if it does not apply the IFRSs to its individual financial statements until after the parent's transition. These amounts must, however, be amended for consolidation adjustments and any other adjustments performed by the parent under IFRS 3 in connection with the acquisition of the subsidiary.

The amendments to IFRS 9 clarify which fees are to be included in the 10-percent test to ascertain whether a change in cash flows from a financial liability represents a substantial modification requiring derecognition of the liability. The fees to be included are, accordingly, only fees and costs that are payable by the debtor to the creditor or vice versa or that are paid on behalf of both parties.

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As part of the annual improvements, one of the Illustrative Examples in IFRS 16 was amended that had formerly caused a deal of confusion with regard to classifying payments by the lessor to the lessee in connection with tenant fixtures. Following the removal of references to payments made by the lessor from the example, according to the general regulations of the standard, such payments only constitute lease incentives if the tenant fixtures in question represent assets belonging to the lessee.

Amendments were also made to IAS 41 Agriculture relating to the inclusion of taxation in the initial and subsequent measurement of agricultural products.

IFRS 3 (Amendment)
Following the revision of the IFRS conceptual framework published in 2018, corresponding references to the conceptual framework in IFRS 3 were amended, with clarification requiring that contingent assets acquired through a business combination should not be recognized. The amendments are mostly of an editorial nature.

IAS 16 (Amendment)
The IASB has amended IAS 16 Property, Plant & Equipment to clarify that proceeds from selling items produced while bringing an item of property, plant and equipment to the planned location and condition necessary for it to be capable of operating in the manner intended by management may not be deducted from the cost of said asset. Instead they must be recognized in profit.

IAS 37 (Amendment)
The planned amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs comprise the costs of contract fulfillment when determining whether a contract is onerous. Accordingly, these costs include all costs of contract fulfillment that are directly attributable to that contract, such as labor or materials, or proportionate overhead costs such as the depreciation charge for specific items of property, plant and equipment.

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Accounting regulations not yet applied

The following accounting regulations have already been adopted into EU law (endorsed) but were not yet applicable in fiscal 2022 or were not voluntarily applied by the Henkel Group in advance of their effective date:

Accounting regulations not yet applied

	Mandatory for fiscal years beginning on or after
IAS 1 (Amendment II) Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendment) Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendment) Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17 Insurance Contracts (including Amendments)	January 1, 2023
IFRS 17 (Amendment) Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023

The accounting standards and amendments to existing standards that have not yet been applied are not generally expected to have any significant impact on the consolidated financial statements.

IAS 1 (Amendment II)

Compared to the previous version of IAS 1, companies are no longer required to disclose all significant accounting policies, but only their material accounting policies. Supplementary guidance and examples are provided for the identification of material accounting policies, i.e. the policies that users of financial statements need to see in order to understand other material information in the financial statements. It is also clarified that the interpretation of materiality should not only be quantitative. Based on their characteristic features, methods can also be material.

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IAS 8 (Amendment)
With the amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the IASB has included a positive definition of accounting estimate in the standard. Accordingly, monetary amounts in the financial statements that are subject to measurement uncertainties are considered to be accounting estimates. An accounting policy may require items in the financial statements to be determined using valuation techniques and inputs that give rise to measurement uncertainty. It is clarified that new information or new developments that lead to an adjustment of an accounting estimate do not constitute correction of an error. The same applies to changes in input parameters or valuation techniques underlying an accounting estimate where these do not result from the correction of errors from prior periods. This means that changes in an accounting estimate only affect the result for the current period or future periods.

IAS 12 (Amendment)
The amendment to IAS 12 Income Taxes clarifies that the exception to the recognition of deferred tax assets and liabilities does not apply to transactions that give rise to both deductible and taxable temporary differences of the same amount on initial recognition of assets and liabilities. Thus, for example, deferred tax assets and liabilities must be recognized upon initial recognition of assets and liabilities from leases.

IFRS 17 (including Amendments)
IFRS 17 represents a comprehensive new approach for insurance companies when accounting for insurance contracts. The standard will replace the formerly applicable IFRS 4.

IFRS 17 (Amendment)
The minor amendment to IFRS 17 relates to the presentation of comparison information when applying IFRS 17 and IFRS 9 for the first time.

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Accounting regulations not yet adopted into EU law

In fiscal 2022, the IASB issued the following standards and amendments to existing standards of relevance to Henkel, which still have to be adopted into EU law before they become applicable:

Accounting regulations not yet adopted into EU law

	Mandatory for fiscal years beginning on or after
IAS 1 (Amendment I) Classification of Liabilities as Current or Non-current and Deferral of Effective Date	January 1, 2024
IFRS 16 (Amendment) Lease Liability in a Sale and Leaseback	January 1, 2024

The accounting standards and amendments to existing standards not yet adopted into EU law are not generally expected to have any material impact on the consolidated financial statements.

IAS 1 (Amendment I)

With the amendments to IAS 1 Presentation of Financial Statements, the IASB clarifies how conditions that an entity must meet within twelve months of the reporting period affect the classification of a liability.

IFRS 16 (Amendment)

With the amendments to IFRS 16 Leases, the IASB clarifies that in the case of a sale and leaseback transaction, rules governing the remeasurement of a lease liability are included in the standard. IFRS 16 contains specific rules for the initial measurement of the liability from a sale and leaseback, but there are no specific rules for the remeasurement of this liability, so that questions of interpretation arose, particularly in the case of subsequent modifications of the leaseback. According to the amendments to IFRS 16, the lease liability is to be measured in such a way that no profit or loss is realized in the remeasurement insofar as this relates to the retained right of use.

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NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The measurement and recognition policies for financial statement items are described in the relevant note.

Non-current assets

All non-current assets with definite useful lives are depreciated or amortized exclusively using the straight-line method on the basis of their estimated useful lives. The useful life estimates are reviewed annually. If facts or circumstances indicate the need for impairment, the recoverable amount is determined. It is measured at the higher of fair value less costs of disposal and value in use. Impairment losses are recognized if the recoverable amounts of the assets are lower than their carrying amounts. Impairment and scheduled amortization and depreciation are allocated to the functions in the statement of income.

The same standardized useful lives were applied in the fiscal year as in the previous year, as follows:

Useful life

in years	
Intangible assets with definite useful lives	3 to 20
Residential buildings	50
Office buildings	40
Research and factory buildings, workshops, stores and staff buildings	25 to 33
Plant facilities	10 to 25
Machinery	7 to 10
Office equipment	10
Vehicles	5 to 10
Factory and research equipment	2 to 5

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The intangible assets with indefinite useful lives essentially comprise trademarks and other rights with no obvious time limitation on the generation of cash inflows. Given the consistency and strength of the brands, indefinite useful lives are assumed, and these intangible assets are not subject to scheduled amortization. Instead, they are subjected to impairment testing once a year and as indicated, as is also the case with goodwill. Impairment of trademarks and other rights is recognized in selling expenses, whereas goodwill impairment is included under other operating expenses.

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1 Goodwill and other intangible assets

Cost

	Trademarks and other rights					
in million euros	Assets with indefinite useful lives	Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
At Jan. 1, 2021	**2,798**	**1,827**	**597**	**298**	**12,390**	**17,910**
Acquisitions[1]	42	–	–	–	122	**164**
Divestments	-14	–	–	–	-6	**-20**
Additions	–	4	5	54	–	**64**
Disposals	-0	-59	-2	–	–	**-61**
Reclassifications to assets held for sale	-14	-2	-1	–	-11	**-29**
Reclassifications	–	6	91	-97	–	**–**
Translation differences	159	48	8	5	672	**892**
At Dec. 31, 2021[1]	**2,971**	**1,823**	**699**	**260**	**13,168**	**18,922**
Effect of first-time application of IAS 29	–	0	–	–	20	**21**
At Jan. 1, 2022[1]	**2,971**	**1,824**	**699**	**260**	**13,189**	**18,943**
Acquisitions	20	24	–	–	70	**113**
Divestments	-15	-11	–	–	-62	**-88**
Additions	0	5	0	46	–	**51**
Disposals	–	-4	-7	–	-19	**-30**
Reclassifications to assets held for sale	-74	-8	–	–	-90	**-172**
Reclassifications	–	8	54	-62	–	**–**
Translation differences	132	29	3	9	491	**665**
Hyperinflationary adjustments IAS 29	–	0	–	–	16	**16**
At Dec. 31, 2022	**3,034**	**1,867**	**748**	**254**	**13,594**	**19,498**

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

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Accumulated amortization/impairment

	Trademarks and other rights					
in million euros	Assets with indefinite useful lives	Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
At Jan. 1, 2021	**62**	**1,449**	**393**	**–**	**12**	**1,915**
Divestments	–	–	–	–	–	**–**
Write-ups	–	–	–	–	–	**–**
Scheduled amortization	–	89	62	–	–	**150**
Impairment	21	0	1	204	0	**226**
Disposals	-0	-59	-2	–	–	**-61**
Reclassifications to assets held for sale	-10	-2	-1	–	-0	**-13**
Reclassifications	–	–	–	–	–	**–**
Translation differences	9	41	8	–	–	**58**
At Dec. 31, 2021	**82**	**1,517**	**460**	**204**	**12**	**2,275**
Effect of first-time application of IAS 29	–	0	–	–	1	**1**
At Jan. 1, 2022	**82**	**1,518**	**460**	**204**	**12**	**2,276**
Divestments	-13	-11	–	–	-35	**-58**
Write-ups	–	–	–	–	–	**–**
Scheduled amortization	–	83	62	–	–	**145**
Impairment	79	6	9	3	88	**185**
Disposals	–	-3	-7	–	-19	**-30**
Reclassifications to assets held for sale	-74	-8	–	–	-90	**-172**
Reclassifications	–	–	–	–	–	**–**
Translation differences	4	26	3	–	-0	**34**
Hyperinflationary adjustments IAS 29	–	0	–	–	1	**1**
At Dec. 31, 2022	**78**	**1,611**	**527**	**207**	**-43**	**2,380**

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Net carrying amounts

in million euros	Trademarks and other rights: Assets with indefinite useful lives	Trademarks and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
At December 31, 2022	**2,955**	**256**	**221**	**48**	**13,637**	**17,117**
At December 31, 2021[1]	2,889	306	239	56	13,157	16,647

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

Goodwill represents the future economic benefit of assets that are acquired through business combinations and are not individually identifiable and separately recognized, together with expected synergies. Goodwill upon first-time consolidation constitutes a positive difference between the cost of acquiring the entity and the amount of acquired identified assets and assumed liabilities existing at the time of acquisition and measured as specified in IFRS 3. Trademarks and other rights acquired for valuable consideration are stated at purchase cost, while internally generated software is stated at development cost.

Additions to intangible assets under development mostly reflect investments in consolidating and digitalizing our IT system architecture. The change in goodwill resulting from acquisitions made in the fiscal year is presented in the section “Acquisitions and divestments” on pages 215 to 218.

Goodwill as well as trademarks and other rights with indefinite useful lives are subjected to an impairment test at least once a year and also when indicators of impairment are present at the level of the cash-generating units (“impairment only” approach). Testing is based primarily on fair value less costs of disposal. A discounted cash flow method is used to determine fair value (before deduction of costs of disposal), which is allocated to level 3 of the fair value hierarchy (see Note 23 on pages 275 to 307). The estimated future cash flows are derived from the budget approved by the management bodies responsible, with the budgeted figures forming the basis for the impairment test. The assumptions upon which the essential budgeting and planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources.

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Goodwill recoverability is assessed at the level of the global cash-generating units. The following table shows the relevant cash-generating units together with the associated goodwill at the carrying amounts applicable as of the reporting date. The description of the cash-generating units can be found in Note 37 on pages 325 to 328 and in the combined management report on pages 119 to 130.

Goodwill carrying amounts

Cash-generating units in million euros	December 31, 2021[1] Goodwill	December 31, 2021[1] Terminal growth rate	December 31, 2021[1] Weighted average cost of capital (after tax)	December 31, 2022 Goodwill	December 31, 2022 Terminal growth rate	December 31, 2022 Weighted average cost of capital (after tax)
Automotive & Metals	931	1.50%	6.75%	**963**	**1.50%**	**8.25%**
Electronics & Industrials	1,801	1.40%	6.75%	**1,882**	**1.40%**	**8.25%**
Craftsmen, Construction & Professional	889	1.00%	6.75%	**900**	**1.00%**	**8.25%**
Packaging & Consumer Goods	1,983	1.50%	6.75%	**2,024**	**1.50%**	**8.25%**
Total Adhesive Technologies	**5,604**			**5,768**		
Consumer	1,519	1.00%	5.00%	**1,540**	**1.00%**	**5.75%**
Professional	1,257	1.00%	5.00%	**1,401**	**1.00%**	**5.75%**
Total Beauty Care	**2,777**			**2,941**		
Laundry Care	3,577	1.00%	5.00%	**3,737**	**1.00%**	**5.75%**
Home Care	1,198	1.00%	5.00%	**1,191**	**1.00%**	**5.75%**
Total Laundry & Home Care	**4,776**			**4,928**		

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

Budgets are prepared on the basis of a planning horizon of four years. Economic development in 2022 was characterized by a volatile market environment influenced in particular by the Russian war of aggression in Ukraine and the associated economic and geopolitical tensions, as well as by an overall inflationary environment. The expected average annual growth in sales in the cash-generating units of Adhesive Technologies during the four-year detailed planning period is between 3 and 6 percent (previous year: 3 and 5 percent). Average sales growth of the cash-generating units in the Beauty Care business unit ranges from 1 to 7 percent annually over the four-year planning horizon (previous year: -2 to 5 percent). We expect an average annual growth in sales in the cash-generating units in the Laundry & Home Care business unit during the four-year detailed planning period of 3 percent (previous year: 3 to 4 percent).

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For the period after the four-year detailed planning horizon, a growth rate in cash flows of between 1 and 2 percent (previous year: 1 to 2 percent) is assumed for the purpose of goodwill impairment testing. This assumption includes, in particular, the passing-on of expected long-term inflation to our customers. Taking into account specific tax effects, the cash flows of the various cash-generating units are discounted at different rates reflecting the weighted average cost of capital (WACC) in each business unit, namely: 8.25 percent (previous year: 6.75 percent) after tax for Adhesive Technologies and 5.75 percent (previous year: 5.0 percent) after tax for both Beauty Care and Laundry & Home Care. The increase in capital costs is mainly due to rising interest rates.

Impairment of trademarks and other rights with indefinite useful lives is assessed at the level of either global cash-generating units (Adhesive Technologies) or regional cash-generating units (Beauty Care and Laundry & Home Care).

Most of the trademarks and other rights with indefinite useful lives are attributable to two cash-generating units. The carrying amount of the trademarks and other rights allocated to the regional cash-generating unit Laundry Care North America in the Laundry & Home Care business unit was 1.3 billion euros as of December 31, 2022 (previous year: 1.2 billion euros). For impairment testing purposes, we applied a cost of capital of 5.75 percent after tax (previous year: 5.0 percent) and a terminal growth rate of 1.0 percent (previous year: 1.0 percent). The average annual increase in sales in the cash-generating unit during the four-year detailed planning period is 3 percent (previous year: 3 percent). As of December 31, 2022, the carrying amount of the trademarks and other rights allocated to the cash-generating unit Professional Business North America in the Beauty Care business unit was 361 million euros (previous year: 338 million euros). For impairment testing purposes, we applied a cost of capital of 5.75 percent after tax (previous year: 5.0 percent) and a terminal growth rate of 1.0 percent (previous year: 1.0 percent). The average annual increase in sales during the four-year detailed planning period is 6 percent (previous year: 5 percent).

Fiscal 2022 was characterized by a significant increase in prices for direct materials (raw materials, packaging, purchased goods and services) and logistics, which we were unable to fully offset through price increases and our ongoing measures to reduce costs and increase efficiency in production and the supply chain. In budgeting for 2023, we expect a persistently inflationary environment with a low- to mid-single-digit percentage increase in prices for direct materials compared to the 2022 annual average. In addition, we expect energy costs to remain at an elevated level; however, these only account for less than 2 percent of the cost of sales. Taking into account the compensatory effect of selective price increases, innovations and our commitment to cost discipline, we expect gross margins to at least remain flat. This is also our budget position for the years to follow, assuming moderately rising material prices. The influence of the currently prevailing volatile market environment in terms of inflation, interest rate developments and energy prices has been taken into account

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in sensitivity analyses. An increase in the weighted average cost of capital, a reduction in the long-term growth rate and a reduction in free cash flow do not result in any goodwill impairment requirement for the cash-generating units.

In fiscal 2022, impairment of 88 million euros (previous year: 0 million euros) was recognized on goodwill and 97 million euros (previous year: 226 million euros) was recognized on other intangible assets. The impairment essentially relates to an amount of 103 million euros recognized in the second quarter of 2022 in connection with the planned disposal of our business activities in Russia affecting all business units, and to an amount of 69 million euros pertaining to trademarks and other rights with indefinite useful lives in connection with portfolio measures in the Beauty Care business unit. The impairment in the second quarter was applied to the respective fair value less costs of disposal as derived from purchase price indications. The aforementioned impairment relates solely to assets classified as held for sale. In assets held for sale (Note 9 on pages 252 and 253), a complete write-up of the original impairment relating to Russia was recognized as of December 31, 2022, following adjustments to purchase price expectations.

The trademarks and other rights with indefinite useful lives with a net carrying amount of 2,955 million euros (previous year: 2,889 million euros) are established in their markets and will continue to be intensively promoted. Moreover, there are no other statutory, regulatory or competition-related factors that limit our usage of our brand names.

The company also intends to continue using the trademarks and other rights disclosed as having definite useful lives. In fiscal 2022, these assets required recognition of impairment in an amount of 6 million euros (previous year: 0 million euros).

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2 Property, plant and equipment

Cost

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At Jan. 1, 2021	**2,944**	**3,986**	**1,216**	**499**	**8,644**
Acquisitions	0	0	0	–	**0**
Divestments	–	–	–	–	**–**
Additions to existing operations	69	125	73	309	**576**
Additions of right-of-use assets	111	10	30	–	**151**
Disposals	-60	-92	-89	-0	**-242**
Reclassifications to assets held for sale	-2	-19	-5	-1	**-27**
Reclassifications	146	213	56	-414	**–**
Translation differences	96	96	29	-3	**219**
At Dec. 31, 2021	**3,304**	**4,318**	**1,310**	**389**	**9,320**
Effect of first-time application of IAS 29	17	30	8	4	**58**
At Jan. 1, 2022	**3,321**	**4,347**	**1,318**	**393**	**9,378**
Acquisitions	3	0	1	–	**3**
Divestments	–	–	-1	–	**-1**
Additions to existing operations	44	140	70	295	**549**
Additions of right-of-use assets	156	23	24	–	**204**
Disposals	-53	-109	-84	-1	**-247**
Reclassifications to assets held for sale	-128	-185	-41	-10	**-364**
Reclassifications	43	195	55	-292	**–**
Translation differences	32	41	-15	-5	**53**
Hyperinflationary adjustments IAS 29	12	24	7	7	**50**
At Dec. 31, 2022	**3,430**	**4,476**	**1,335**	**387**	**9,628**

Accumulated depreciation/impairment

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At Jan. 1, 2021	**1,360**	**2,658**	**938**	**–**	**4,956**
Divestments	–	–	–	–	**–**
Write-ups	–	-3	–	–	**-3**
Scheduled depreciation	169	266	128	–	**563**
Impairment	5	22	2	3	**32**
Disposals	-54	-88	-86	–	**-227**
Reclassifications to assets held for sale	-1	-17	-4	–	**-22**
Reclassifications	–	–	–	–	**–**
Translation differences	35	57	22	–	**114**
At Dec. 31, 2021	**1,514**	**2,895**	**999**	**3**	**5,411**
Effect of first-time application of IAS 29	7	21	7	–	**35**
At Jan. 1, 2022	**1,521**	**2,916**	**1,006**	**3**	**5,446**
Divestments	–	–	-0	–	**-0**
Write-ups	–	-0	-0	–	**-0**
Scheduled depreciation	183	284	132	–	**599**
Impairment	61	55	8	6	**131**
Disposals	-44	-106	-82	-0	**-231**
Reclassifications to assets held for sale	-91	-154	-30	–	**-275**
Reclassifications	0	-1	1	–	**–**
Translation differences	8	19	-5	–	**22**
Hyperinflationary adjustments IAS 29	5	15	6	–	**25**
At Dec. 31, 2022	**1,643**	**3,028**	**1,036**	**10**	**5,716**

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Net carrying amounts

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At Dec. 31, 2022	**1,788**	**1,447**	**299**	**377**	**3,911**
Of which: right-of-use assets	538	29	38	–	**605**
At Dec. 31, 2021	1,790	1,423	311	386	**3,909**
Of which: right-of-use assets	480	21	43	–	**544**

Property, plant and equipment includes land, land rights and buildings, plant and machinery, factory and office equipment, rights of use to corresponding leased assets, and assets in the course of construction. Special considerations relating to the recognition of right-of-use assets and separate disclosures regarding leases are discussed in the following section "Additional disclosures regarding leases."

Additions are stated at purchase or manufacturing cost. The latter includes direct costs and appropriate proportions of necessary overheads. Borrowing costs for qualified assets per IAS 23 Borrowing Costs are currently not capitalized due to their lack of materiality. Cost figures are shown net of investment grants and allowances. As of December 31, 2022, investment grants of 44 million euros (previous year: 35 million euros) were deducted from purchase and manufacturing costs. Some of the grants are contingent upon certain terms and conditions being met, such as location guarantees. Henkel is sufficiently confident that these terms and conditions can be satisfied. Acquisition-related incidental costs incurred in order to make the asset ready for the intended use are capitalized. An overview of the primary investment projects undertaken during the fiscal year can be found on pages 132 and 133 in the combined management report.

At December 31, 2022, property, plant and equipment with a carrying amount of 0 million euros had been pledged as security for existing liabilities (previous year: 0 million euros).

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Exiting our business in Russia resulted in impairment as of December 31, 2022 of 82 million euros on property, plant and equipment, with all business units affected. This impairment was recognized on reclassification to assets held for sale as of June 30, 2022. As of December 31, 2022, a complete write-up of the original impairment was recognized following adjustments to purchase price expectations (Note 9 on pages 252 and 253).

The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 233. The depreciation and impairment charges are included in the cost of sales, selling and administrative expenses and research and development expenses in a ratio equivalent to the use of the asset. Write-ups are recognized in other operating income.

Additional disclosures regarding leases

In the course of its business operations, Henkel enters into various lease agreements as a lessee. The underlying assets primarily include office buildings and fixtures, production facilities and warehouses – all of which are recognized under land, land rights and buildings – as well as plant and machinery, and the vehicles and IT inventory classified as factory and office equipment.

Right-of-use assets are recognized initially at the value of the lease liability plus any lease payments made at or prior to provision of the leased asset, less any lease incentives received. Furthermore, additions include all initial direct costs incurred by the lessee together with the estimated cost of dismantling or returning the leased asset to the condition, and similar, required by the lease agreement at the end of the lease term. In the case of short-term leases and leases involving assets of low value, the Henkel Group exercises the option not to recognize a right-of-use asset or a lease liability.

In fiscal 2022, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 204 million euros in total (previous year: 151 million euros), attributable mainly to land, land rights and buildings. Acquisitions accounted for additions of 3 million euros (previous year: 0 million euros). The additions were offset by scheduled depreciation and impairment of 153 million euros (previous year: 134 million euros). As of December 31, 2022, right-of-use assets amounted to 605 million euros (previous year: 544 million euros).

The depreciation recognized separately for the various categories of assets in the consolidated statement of income for the fiscal year is listed in the following table, together with further disclosures of lease-related expenses and income affecting Henkel as a lessee:

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Effects on the consolidated statement of income of leases with Henkel as lessee

in million euros	2021	2022
Depreciation and impairment in the year under review	134	**153**
Of which: right-of-use land, land rights and buildings	95	**113**
Of which: right-of-use plant and machinery	12	**13**
Of which: right-of-use factory and office equipment	27	**27**
Interest expenses on lease liabilities	14	**18**
Expenses relating to short-term leases	16	**14**
Expenses relating to leases of low-value assets	6	**5**
Expenses relating to variable lease payments not considered in the valuation of the lease liability	2	**3**
Income from subleases	1	**2**

Henkel paid 189 million euros in total for leases in fiscal 2022 (previous year: 171 million euros).

The Henkel Group uses the incremental borrowing rate to discount lease payments when measuring its lease liabilities. This rate is based on country-specific interest rates that are observable in the market and which are adjusted with regard to duration and credit risk. If no interest rates are observable for the relevant durations, they are derived from linear interpolation.

An analysis of the maturities of the lease liabilities of the Henkel Group is included with the disclosures on financial instruments in Note 23 on pages 275 to 307. In addition to the future payments from leases discussed in the section, payment commitments of 1 million euros (previous year: 0 million euros) also existed as of the reporting date with regard to leases of material relevance to Henkel that have already been agreed but have not yet commenced and have therefore not yet been capitalized.

Some of Henkel's leases for land, land rights and buildings include optional lease periods. Contractually agreed payments in these optional lease periods are in the mid-triple-digit million euros range, as was also the case in the previous year. They are not included in the measurement of the lease liability because there is insufficient certainty that the option on the lease periods will be exercised.

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3 Other financial assets

Analysis

	December 31, 2021			December 31, 2022		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Receivables from non-consolidated subsidiaries and associates	–	0	0	**–**	**0**	**0**
Financial receivables from third parties	16	208	224	**4**	**13**	**18**
Derivative financial instruments	30	99	129	**92**	**208**	**300**
Investments in non-consolidated subsidiaries	4	–	4	**4**	**–**	**4**
Investments in associates	0	–	0	**3**	**–**	**3**
Other investments	97	–	97	**115**	**–**	**115**
Receivables from Henkel Trust e.V. and external pension funds	–	407	407	**–**	**271**	**271**
Securities and time deposits	0	276	276	**2**	**215**	**217**
Of which: readily monetizable	0	263	263	**0**	**204**	**204**
Financial collateral provided	–	147	147	**–**	**28**	**28**
Sundry financial assets	14	73	86	**15**	**96**	**111**
Total	**161**	**1,209**	**1,370**	**234**	**832**	**1,066**

With the exception of investments, derivatives, securities and time deposits, all other financial assets are measured at amortized cost.

Of the receivables from non-consolidated subsidiaries and associated companies, 0 million euros (previous year: 0 million euros) is attributable to non-consolidated subsidiaries.

Current financial receivables from third parties decreased year on year from 208 million euros to 13 million euros due to the fact that, as of the reporting date, there were no receivables from swap transactions of EU emission allowances with third parties. In 2021, these contracts were entered into as part of Henkel's liquidity management and were recognized under current financial receivables in an amount of 200 million euros.

The receivables from Henkel Trust e.V. and external pension funds relate to pension payments made by Henkel AG & Co. KGaA to retirees for which reimbursement can be claimed from Henkel Trust e.V. and an external pension fund.

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The securities and time deposits essentially comprise time deposits and shares in investment funds and are generally readily monetizable under our financial management arrangements with the exception of those securities and time deposits that are mandatory to cover our pension liabilities and can therefore not be monetized at short notice. In addition, the shares in investment funds are never used for liquidity management purposes and are therefore not classified as readily monetizable.

Sundry non-current financial assets include, among others, receivables from insurance companies.

Examples of sundry current financial assets include:

- Receivables from sureties and guarantee deposits amounting to 23 million euros (previous year: 22 million euros)
- Receivables from suppliers amounting to 38 million euros (previous year: 23 million euros)
- Receivables from employees amounting to 9 million euros (previous year: 7 million euros).

4 Other assets

Analysis

	December 31, 2021			December 31, 2022		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Tax receivables	0	428	429	**3**	**482**	**486**
Payments on account	–	90	90	**–**	**73**	**73**
Overfunding of pension obligations	227	–	227	**192**	**–**	**192**
Reimbursement rights related to employee benefits	112	13	125	**93**	**10**	**103**
Deferred charges	10	47	56	**15**	**56**	**71**
Sundry other assets	4	24	28	**4**	**34**	**38**
Total	**352**	**601**	**954**	**307**	**656**	**963**

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5 Deferred taxes

Deferred taxes are recognized for temporary differences between the valuation of an asset or a liability in the financial statements and its tax base, for tax losses carried forward, and for unused tax credits. This also applies to temporary differences in valuation arising through acquisitions, with the exception of deferred tax liabilities relating to goodwill.

Deferred tax liabilities on taxable temporary differences related to shares in subsidiaries are recognized to the extent that a reversal of this difference is expected in the foreseeable future, or cannot be controlled.

Changes in the deferred taxes in the statement of financial position result in deferred tax expenses or income unless the underlying item is directly recognized in other comprehensive income. For items recognized directly in other comprehensive income, the associated deferred taxes are also recognized in other comprehensive income.

The valuation, recognition and breakdown of deferred taxes in respect of the various items in the statement of financial position are disclosed under Note 32 "Taxes on income" on pages 313 to 318.

6 Inventories

In accordance with IAS 2 Inventories, reported under inventories are those assets that are intended to be sold in the ordinary course of business (finished products and merchandise), those in the process of production for such sale (work in progress) and those to be utilized or consumed in the course of manufacture or the provision of services (raw materials and supplies). Payments on account made for the purpose of purchasing inventories are likewise disclosed under the inventories heading.

When accounting for cash flow hedges under IFRS 9, the measurement effects from hedging instruments for acquiring non-financial assets are initially recognized in equity in the hedge reserve, and included as part of the cost upon acquisition of the assets. The IFRS 9 basis adjustment shown under inventories relates to the results of currency hedges for the procurement of inventories in a foreign currency and of hedging certain raw materials purchases against market price risks. Further information can be found in the financial instruments report in Note 23 on pages 275 to 307.

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Inventories are measured at the lower of cost and net realizable value, with the cost element being determined using either the first in, first out (FIFO) or the average cost method. Manufacturing cost includes not only the direct costs but also appropriate portions of necessary overheads (for example goods inward department, raw material storage, filling, costs incurred through to the finished goods warehouse), production-related administrative expenses, the costs of the pensions of people who are employed in the production process, and production-related amortization/depreciation. The overhead add-ons are calculated on the basis of average capacity utilization. Not included, however, are interest expenses incurred during the manufacturing period.

The net realizable value is determined as an estimated selling price less costs yet to be incurred through to completion, and less necessary selling and distribution costs. Write-downs to the net realizable value are made if, at the measurement date, the carrying amounts of the inventories are above their realizable market values. The resultant valuation allowance as of December 31, 2022 amounted to 225 million euros (previous year: 200 million euros). The carrying amount of inventories recognized at net realizable value amounted to 914 million euros (previous year: 601 million euros). No inventories were pledged as security for liabilities in fiscal 2022 nor in the previous year.

Analysis of inventories

in million euros	Dec. 31, 2021	Dec. 31, 2022
Raw materials and supplies	740	**911**
Work in progress	142	**169**
Finished products and merchandise	1,734	**2,085**
Payments on account for merchandise	16	**15**
IFRS 9 basis adjustment	-3	**–**
Total	**2,629**	**3,180**

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7 Trade accounts receivable

Trade accounts receivable amounted to 3,535 million euros (previous year: 3,456 million euros). They are all due within one year. Valuation allowances are recognized in respect of customer default risks. The cost of accruing these valuation allowances, and income from the reversal of same, are recognized in selling and distribution costs. For an explanation of these valuation allowances and our risk management, please consult pages 295 to 298.

Trade accounts receivable

in million euros	Dec. 31, 2021	Dec. 31, 2022
Trade accounts receivable, gross	3,560	**3,636**
Less: cumulative valuation allowances on trade accounts receivable	104	**102**
Trade accounts receivable, net	**3,456**	**3,535**

Development of valuation allowances on trade accounts receivable

in million euros	2021	2022
Valuation allowances at January 1	**123**	**104**
Additions/Releases	-18	**24**
Derecognition of receivables	-6	**-22**
Currency translation effects	3	**-1**
Other changes	1	**-4**
Valuation allowances at December 31	**104**	**102**

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8 Cash and cash equivalents

Recognized under cash and cash equivalents are cash on hand, checks, credit at banks, and other financial assets with an initial term of not more than three months. In accordance with IAS 7 Statement of Cash Flows, also recognized under cash equivalents are shares in money market funds which, due to their first-class credit rating and investment in extremely short-term money market securities, experience only minor value fluctuations and can be readily converted within one day into known amounts of cash. Utilized bank overdrafts are recognized in the statement of financial position as liabilities to banks.

The volume of cash and cash equivalents decreased compared to the previous year from 2,116 million euros to 1,088 million euros. Of this figure, 1,028 million euros (previous year: 1,718 million euros) relates to cash and 60 million euros (previous year: 397 million euros) to cash equivalents. The change is shown in the consolidated statement of cash flows.

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9 Assets and liabilities held for sale

Assets and liabilities held for sale are assets and liabilities that can be sold in their current condition and for which sale is highly probable. Disposal must be expected within one year from the time of reclassification as held for sale. Such assets may be individual assets, groups of assets (disposal groups) or business operations (discontinued operations). Immediately before the reclassification of any assets and liabilities to the held-for-sale category, the relevant measurement rules for the balance sheet item are applied for the last time. For non-financial assets, this also implies performing an impairment test in accordance with IAS 36 Impairment of Assets. Any impairment recognized in this context is reported in the consolidated statement of income in accordance with the rules formulated for the balance sheet item. After reclassification, scheduled depreciation is no longer recognized for the assets. Instead, they are recognized at the lower of carrying amount and fair value less costs of disposal (level 3). The fair value less costs of disposal is generally determined by current price negotiations with potential buyers. The expense from any write-downs to fair value less costs of disposal is recognized under other operating expenses. Cash and cash equivalents and trade accounts receivable are carried at amortized cost.

Year on year, assets held for sale increased from 58 million euros to 731 million euros. Liabilities held for sale existed in an amount of 177 million euros as of December 31, 2022, whereas no corresponding liabilities were recognized at year-end 2021. The additions to the assets and liabilities held for sale relate primarily to assets and liabilities that are attributable to the Henkel Group’s business activities in Russia. They are comprised of intangible assets and property, plant and equipment (305 million euros), current assets (398 million euros) and current liabilities (177 million euros). Expenses recognized in other comprehensive income amounted to 113 million euros as of December 31, 2022.

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The disposals of assets held for sale related substantially to assets sold in connection with the divestments in the fiscal year which are explained in more detail on pages 217 and 218. The assets that were disposed of essentially comprise trademark rights and proportionate goodwill. Some of the assets and liabilities reclassified in fiscal 2022 as assets and liabilities held for sale had already been sold by December 31, 2022.

In connection with the sale of the business in Russia, write-ups of valuation allowances for assets to a higher fair value less costs of disposal were recognized in an amount of 184 million euros in fiscal 2022. They are included in the cost of sales, selling and distribution costs, and in other operating expenses. For fiscal 2022, they thus have the effect of reducing impairment losses recognized before the assets were classified as held for sale. No assets already classified as held for sale were written down in fiscal 2022 to a fair value less costs of disposal that was below the carrying amount (previous year: 10 million euros).

In the case of four businesses reclassified in fiscal 2021 to assets and liabilities held for sale, it was not possible to complete the sale by the reporting date. The corporation still plans to dispose of these businesses. At the end of fiscal 2022, these assets were stated in the amount of 22 million euros (previous year: 34 million euros).

Assets and liabilities held for sale

in million euros	Dec. 31, 2021	Dec. 31, 2022
Goodwill	26	**90**
Other intangible assets	18	**23**
Property, plant and equipment	14	**220**
Inventories and trade accounts receivable	0	**264**
Cash and cash equivalents	–	**135**
Provisions	–	**-64**
Borrowings	–	**-110**
Other liabilities	–	**-3**
Net assets	**58**	**554**

10 Issued capital

Issued capital

in million euros	Dec. 31, 2021	Dec. 31, 2022
Ordinary bearer shares	260	**260**
Preferred bearer shares	178	**178**
Capital stock	**438**	**438**

Comprising: 259,795,875 ordinary shares, 178,162,875 non-voting preferred shares.

All shares are fully paid in. The ordinary and preferred shares are bearer shares of no par value, each of which represents a nominal proportion of the capital stock amounting to 1 euro. The liquidation proceeds are the same for all shares. The number of issued ordinary and preferred shares remained unchanged year on year.

The number of ordinary and preferred shares outstanding, i.e. the number of shares issued less treasury stock, decreased versus prior year as a result of the share buyback program, due to end by March 31, 2023; as of December 31, 2022 there were 256,882,347 ordinary shares (previous year: 259,795,875) and 165,208,354 preferred shares (previous year: 174,482,323) outstanding. The current share buyback program 2022/2023 allows the repurchase of Henkel preferred shares representing a total value of up to 800 million euros and ordinary shares representing a total value of up to 200 million euros (excluding incidental costs in each case). Further information on the share buyback in fiscal 2022 can also be found in Note 12 on page 256.

Pursuant to the resolution adopted by the Annual General Meeting on April 8, 2019, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 7, 2024 up to a maximum proportion of 10 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. Equity derivatives (put and/or call options and/or forward purchases or a combination of same) can also be used for such purchase. The volume of any and all shares purchased using such derivatives must not exceed 5 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. The term of the derivatives must not exceed 18 months in each case. The choice of derivative must ensure that the purchase of treasury shares acquired through exercising the derivative is not possible after April 7, 2024.

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This authorization to purchase treasury shares can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests in entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not substantially below the quoted market price at the time of share disposal. Treasury shares may also be offered for purchase or transferred to members of the corporation's staff or managers and employees of affiliated companies, particularly in connection with share-based payment plans, including the Global Long Term Incentive Plan 2020+. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner is also authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury shares without the need for further resolution by the Annual General Meeting.

Moreover, authorized capital was created by resolution of the Annual General Meeting on June 17, 2020 (Art. 6 (5) of the Articles of Association). Under the resolution, the Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to increase the capital of the corporation at any time through to June 16, 2025, by up to a nominal amount of 43,795,875 euros in total from the issuance of up to 43,795,875 new non-voting preferred bearer shares for cash consideration (Authorized Capital 2020). The new shares have exactly the same rights as the preferred shares already in circulation in respect of eligibility for distribution of profits or corporation assets. Shareholders must be granted pre-emptive subscription rights. Pursuant to Section 186 (5) sentence 1 AktG, the new shares can be acquired by one or more banks or companies to be nominated by the Personally Liable Partner, on condition that they offer them for purchase to the shareholders.

The authorization may be utilized to the full extent allowed either once or several times in installments. The new non-voting preferred shares participate in profit distributions from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Personally Liable Partner may, with the approval of the Shareholders' Committee and of the Supervisory Board and in derogation from Section 60 (2) AktG, determine that the new shares shall participate in profits from the beginning of a fiscal year that has already elapsed and for which, at the time of their issuance, no resolution has yet been passed by the Annual General Meeting on the appropriation of profit.

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Insofar as shares are issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

11 Capital reserve

The capital reserve comprises the amounts received in previous years in excess of the nominal value of preferred shares and convertible warrant bonds issued by Henkel AG & Co. KGaA.

12 Treasury shares

Treasury shareholdings – stated as 3,680,552 preferred shares as of December 31, 2021 – changed as follows in the year under review:

In fiscal 2022, 925,972 preferred shares were taken from the aforementioned holdings to fulfill the 2021–2024 cycle of the Global LTI Plan 2020+ and issued to the eligible employees. This reduced the shareholdings by 32 million euros. Details of the share-based payment plans settled in equity instruments can be found in Note 36 on pages 322 to 325.

As part of the share buyback program, which runs until March 31, 2023 at the latest, Henkel repurchased 2,913,528 ordinary shares in 2022 (equivalent to a notional share of 2.9 million euros or 0.67 percent of the capital stock) at a total price of 176.0 million euros, and 10,199,941 preferred shares (equivalent to a notional share of 10.2 million euros or 2.33 percent of the capital stock) at a total price of 635.6 million euros.

As of December 31, 2022, treasury shareholdings amounted to

- 2,913,528 ordinary shares (equivalent to a notional share of 2.9 million euros or 0.67 percent of the capital stock) and
- 12,954,521 preferred shares (equivalent to a notional share of 12.9 million euros or 2.96 percent of the capital stock).

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13 Retained earnings

Recognized in retained earnings are the following:

- Amounts allocated in the financial statements of Henkel AG & Co. KGaA in previous years
- Amounts allocated from consolidated net income less those amounts attributable to non-controlling interests
- Gains or losses from the sale of treasury shares
- Actuarial gains and losses recognized in equity
- Changes in reserves due to the accounting treatment of share-based payment plans
- The acquisition or disposal of ownership interests in subsidiaries with no change in control
- Valuation effects following application of the present access method
- Impacts of first-time application of IFRSs

14 Other components of equity

Reported under this heading are differences recognized in equity arising from the currency translation of annual financial statements of foreign subsidiaries and from adjustments for inflation in compliance with IAS 29, and also the effects arising from the valuation in comprehensive income of financial assets in the "fair value through other comprehensive income" category and of derivative financial instruments recognized as cash flow hedges and hedges of a net investment in a foreign operation. At December 31, 2022, the difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation decreased by -520 million euros from -1,445 million euros to -925 million euros.

15 Non-controlling interests

Recognized under non-controlling interests are equity shares held by third parties measured on the basis of the proportion of net assets they represent.

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16 Provisions for pensions and similar obligations

Description of the pension plans

Employees in companies included in the consolidated financial statements have entitlements under company pension plans which are either defined contribution or defined benefit plans. These take different forms depending on the legal, financial and tax regimes of each country. The level of benefits provided is based, as a rule, on the length of service and on the income of the person entitled. Details of pension benefits for members of the Management Board are provided in the explanatory notes to the remuneration policy and in the remuneration report.

In defined benefit plans, the liability for pensions and other post-employment benefits is calculated at the present value of the future obligations (projected unit credit method). This actuarial method of calculation takes future trends in wages, salaries and retirement benefits into account.

The majority of the beneficiaries of these pension plans are located in Germany and the USA. The pension obligations are primarily financed via various external trust assets and pension funds that are legally independent of Henkel.

Active employees of Henkel in Germany participate in a defined contribution system, “Altersversorgung 2004 (AV 2004),” which was newly formed in 2004. AV 2004 is an employer-financed pension plan that reflects the personal income development of employees during their career at Henkel and thus provides a performance-related pension. Henkel guarantees a return on the company’s contributions. The benefit essentially consists of an annuity payable upon attainment of the statutory retirement age plus a lump-sum payment if the annuity threshold is exceeded in the employee’s service period. In addition to retirement and disability pensions, the plan benefits include surviving spouse and surviving child benefits.

Employees at Henkel in Germany who started working for the corporation after April 1, 2011, participate in the pension plan “Altersversorgung 2011 (AV 2011).” AV 2011 is an employer-financed, fund-linked retirement plan funded by contributions based on the income development of the employee. Henkel assures its employees that a lump-sum amount is available upon retirement which is at least equivalent to the level of principal contributions made by Henkel. Henkel pays the pension contribution into an investment fund established for the purpose of the company pension plan.

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Upon attaining statutory retirement age, employees can choose in both pension plans between an annuity through transfer of the superannuation lump sum to a pension fund, or a one-time payment.

To provide protection under civil law of the pension entitlements of future and current pensioners of Henkel AG & Co. KGaA in Germany against insolvency, we have transferred the proceeds of the bond issued in 2005 and certain other assets to Henkel Trust e.V. The trustee invests the cash with which it has been entrusted in the capital market in accordance with investment policies laid down in the trust agreement. In fiscal 2021, we transferred the entitlements of a large proportion of the pensioners of Henkel AG & Co. KGaA and their surviving dependents in Germany to an external pension fund. Plan assets were correspondingly transferred from Henkel Trust e.V. to the external pension fund. This did not have any effect on the recognition of pension obligations in Germany under IFRSs. The only changes were in the primary funding of pension obligations and the way in which benefits are provided. The non-insurance pension fund is subject to the German Insurance Supervision Act and thus falls under the control of the German Federal Financial Supervisory Authority (BaFin).

In addition, we also subsidize medical benefits for active and retired employees resident mainly in the USA. Under these programs, retirees are reimbursed a certain percentage of their refundable medical expenses. We recognize provisions during the employees’ service period and pay out the promised benefits when they are claimed. The subsidies paid to active employees for medical services are recognized as a current expense and are therefore not included in the provisions for pensions and similar obligations.

The defined contribution plans are structured in such a way that the corporation pays contributions to institutions on the basis of statutory or contractual terms or on a voluntary basis and has no further obligations regarding the payment of benefits to employees. The contributions for defined contribution plans, excluding multi-employer plans, for the reporting period amounted to 132 million euros (previous year: 123 million euros).

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Multi-employer plans

Henkel provides defined pension benefits that are financed by more than one employer. Within the Henkel Group, benefits from multi-employer plans are provided for employees in the USA. The multi-employer plan in the USA is treated as a defined contribution plan because, due to the limited share of the contribution volume in the plan, the information available for each of the financing companies is insufficient for defined benefit accounting. Withdrawal from the multi-employer plan at the present time would incur a one-time expense of around 20 million euros (previous year: around 19 million euros). Payments into the multi-employer plan in fiscal 2022 amounted to 1 million euros (previous year: 1 million euros). We expect contributions of around 1 million euros in fiscal 2023. Henkel's share in the overall plan is less than 1 percent.

Assumptions

Group-wide, the obligations from our pension plans are valued by an independent external actuary at the end of the fiscal year. The calculations at the end of the fiscal year are based on the actuarial assumptions below. These are given as the weighted average. The mortality rates used are based on published statistics and experience relating to each country. In Germany, the assumptions in both the fiscal year and the previous year were based on the "Heubeck 2018G" mortality table. In the USA, the assumptions in each case were based on the modified "Pri-2012" mortality table. The valuation of pension obligations in Germany was based essentially on the assumption of a 2.0 percent increase in retirement benefits (previous year: 1.8 percent). In addition, a flat-rate increase of 5 percent in the obligation to retirees was implemented to allow for inflation already registered in Germany in 2022.

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The discount rate is based on yields in the market for high-ranking corporate bonds on the respective due date. The currency and term of the underlying bonds are matched to the currency and expected maturities of the post-employment pension obligations.

Actuarial assumptions

	Germany		USA		Other countries[1]	
in percent	2021	2022	2021	2022	2021	2022
Discount rate	1.30	**4.20**	2.80	**5.20**	1.90	**4.70**
Income trend	3.00	**3.00**	3.50[2]	**3.50**[2]	2.60	**3.19**
Retirement benefits trend	1.80	**2.00**	–	**–**	2.60	**2.64**
Expected increases in costs for medical benefits	–	**–**	6.10	**5.90**	3.70	**3.70**
in years						
Life expectancy at age 65 as of the valuation date for a person currently						
65 years old	22.2	**22.3**	22.0	**22.0**	22.6	**22.8**
40 years old	25.3	**25.4**	23.0	**23.0**	24.8	**24.7**

[1] Weighted average.
[2] Income trend based on the average age of the plan participants in the USA. The actual income trend assumption is based on an age-related scale.

Development of defined benefit plans

	Defined benefit obligation I		Plan assets II		Impact from the asset ceiling III		Net defined benefit obligation (I - II + III)	
	2021	2022	2021	2022	2021	2022	2021	2022
At Jan. 1	5,724	**5,424**	5,301	**5,161**	14	**20**	437	**283**
Current service cost	74	**76**					74	**76**
Interest expense	76	**92**					76	**92**
Interest income			69	**85**	0	**0**	-69	**-85**
Other	-8	**-6**		**-1**			-8	**-5**
Income and expenses recognized through profit or loss	**142**	**163**	**69**	**85**	**0**	**0**	**73**	**78**
Actuarial gains (-)/losses (+), due to								
Changes in demographic assumptions	-16	**-6**					-16	**-6**
Changes in financial assumptions	-132	**-1,342**					-132	**-1,342**
Experience adjustments	-26	**19**					-26	**19**
Income (+)/Expense (-) from plan assets (excluding interest income or expenses)			-4	**-1,246**			4	**1,246**
Remeasurement of the asset ceiling					7	**5**	7	**5**
Items recognized in other comprehensive income (before deferred taxes)	**-174**	**-1,329**	**-4**	**-1,246**	**7**	**5**	**-163**	**-78**
Employer contributions			39	**45**			-39	**-45**
Employee contributions	23	**24**	23	**24**			0	**0**
Retirement benefits paid from plan assets	-259	**-262**	-259	**-262**			0	**0**
Retirement benefits paid by the employer	-39	**-38**					-39	**-38**
Plan settlement payments	-127	**-178**		**-176**			0	**-1**
Changes in the scope of consolidation	0	**7**					0	**7**
Translation differences	131	**55**	120	**39**			12	**16**
Other changes	3	**-17**		**-20**			3	**3**
At Dec. 31	**5,424**	**3,849**	**5,161**	**3,649**	**20**	**25**	**283**	**225**
Of which: overfunding of pension obligations (shown under other assets)							227	**192**
Of which: provision for pensions and similar obligations							510	**417**
The amount at Dec. 31 is attributable to								
Germany	3,213	**2,448**	3,139	**2,395**			74	**53**
USA	1,058	**640**	904	**492**			154	**147**
Rest of the world	1,154	**762**	1,118	**761**	20	**25**	57	**25**

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Analysis of reimbursement rights

	2021	2022
At Jan. 1	**118**	**125**
Interest income	3	**4**
Income and expenses recognized through profit or loss	**3**	**4**
Income (+)/Expenses (-) from reimbursement rights (excluding interest income recognized through profit or loss)	7	**-23**
Items recognized in other comprehensive income (before taxes)	**7**	**-23**
Employer contributions	–	**–**
Employee contributions	–	**–**
Retirement benefits paid from reimbursement rights	-12	**-9**
Changes in the scope of consolidation	–	**–**
Translation differences	9	**7**
At Dec. 31	**125**	**103**

Other amounts recognized in the consolidated statement of income include gains or losses on plan settlements, past service cost, and administrative costs paid out of plan assets that are not attributable to the administration of plan assets.

Payments of 176 million euros for plan settlements resulted primarily from the transfer of pension obligations in the USA to an external insurance company. The pension obligations of 180 million euros were settled with pension assets valued at 176 million euros, resulting in gains of 4 million euros. In the prior year, the payments for plan settlements resulted from the transfer of pension obligations in the Netherlands to an external insurance company. Since the amount of transferred pension obligations corresponded to the value of transferred plan assets, no gains or losses ensued.

The other changes related to developments in the volume of obligations and the fair value of plan assets result primarily from the derecognition of a pension obligation in Switzerland. This did not have any effect on the net obligation.

Of the defined benefit obligation (DBO) amounting to 3,849 million euros (previous year: 5,424 million euros), 3,484 million euros (previous year: 4,976 million euros) is fully or partially covered by plan assets. 103 million euros (previous year: 125 million euros) is covered by reimbursement rights.

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Of the total obligation:

- 1,373 million euros (previous year: 1,903 million euros) is attributable to active employees
- 626 million euros (previous year: 983 million euros) is attributable to former employees with vested pension benefits, and
- 1,849 million euros (previous year: 2,537 million euros) is attributable to retirees.

The average weighted duration of pension obligations is 11 years (previous year: 14 years) for Germany, 6 years (previous year: 8 years) for the USA and 13 years (previous year: 18 years) for other countries.

In determining the net obligation, we take into account amounts that are not recognized due to asset ceiling restrictions. If the fair value of the plan assets exceeds the obligations arising from the pension benefits, an asset is recognized only if the reporting entity can also derive economic benefit from these assets, for example in the form of return flows or a future reduction in contributions ("Asset Ceiling" per IAS 19.58 ff). In the reporting period, we recorded an amount of 25 million euros as an asset ceiling (previous year: 20 million euros).

Within our consolidated statement of income, current service costs are allocated on the basis of cost of sales to the respective function. Only the balance of interest expense for the defined benefit obligation and interest income for the plan assets and asset ceiling is reported in net interest result. All gains/losses from the termination, curtailment and amendment of plans are recognized in other operating income/expenses. Employer contributions to state pension insurance are included as "Social security contributions and staff welfare costs" under Note 35 on page 321. In 2022, additions to plan assets totaled 45 million euros (previous year: 39 million euros). Payments into pension funds in fiscal 2023 are expected to total 48 million euros.

The reimbursement rights covering a portion of the pension obligations in the USA are assets that are not protected against insolvency and therefore are not classified as plan assets under IAS 19 Employee Benefits.

The reimbursement rights indicated are available to the Group in order to cover the expenditures required to fulfill the respective pension obligations. Reimbursement rights and the associated pension obligations must, according to IAS 19, be shown unnetted in the statement of financial position.

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Analysis of plan assets

	Dec. 31, 2021			Dec. 31, 2022		
in million euros	Quotation on active markets	No quotation on active markets	Total	Quotation on active markets	No quotation on active markets	Total
Shares	**1,150**	**–**	**1,150**	**795**	**–**	**795**
Europe	397	–	397	**255**	**–**	**255**
USA	241	–	241	**138**	**–**	**138**
Others	513	–	513	**402**	**–**	**402**
Bonds and hedging instruments	**3,440**	**120**	**3,560**	**2,346**	**-126**	**2,220**
Government bonds	1,754	–	1,754	**977**	**–**	**977**
Corporate bonds	1,686	–	1,686	**1,370**	**–**	**1,370**
Derivatives	–	120	120	**–**	**-126**	**-126**
Alternative investments	**–**	**470**	**470**	**–**	**475**	**475**
Cash	**–**	**238**	**238**	**–**	**315**	**315**
Liabilities[1]	**–**	**-407**	**-407**	**–**	**-271**	**-271**
Other assets	**–**	**150**	**150**	**–**	**115**	**115**
Total	**4,590**	**571**	**5,161**	**3,141**	**508**	**3,649**

[1] Liability to Henkel AG & Co. KGaA from the assumption of pension payments for Henkel Trust e.V. and external pension funds.

The objective of the investment strategy for the global plan assets is the long-term security of pension payments. This is ensured by comprehensive risk management that takes into account the asset and liability portfolios of the defined benefit pension plans. Henkel pursues a liability-driven investment (LDI) approach in order to achieve the investment objective. This approach takes into account the structure of the pension obligations and manages the cover ratio of the pension plans. To improve this ratio, Henkel invests plan assets in a diversified portfolio for which the expected long-term yield is above the interest costs of the pension obligations.

In order to cover the risks arising from trends in wages, salaries and life expectancies, and to close the potential deficit between plan assets and pension obligations over the long term, additional investments are made in a return-enhancing portfolio as an add-on instrument that contains assets such as equities, emerging market bonds and real estate. The target portfolio structure of the plan assets is essentially determined in asset-liability studies. These studies are conducted regularly with the help of external advisors who assist Henkel in the investment of plan assets. They examine the actual portfolio structure, taking into account current capital market conditions, investment principles and the obligation structure, and can suggest adjustments be made to the portfolio.

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The expected long-term yield for individual plan assets is derived from the target portfolio structure and the expected long-term yields for the individual asset classes.

Risks associated with pension obligations

Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines mainly govern funding levels, portfolio structure and actuarial assumptions. The objective of the financing strategy within the Group is to ensure that plan assets cover at least 90 to 100 percent of the present value of the funded pension obligations. The contributions and investment strategies are intended to ensure complete coverage of the plans for the duration of the pension obligations.

Henkel's pension obligations are exposed to various market risks. These risks are counteracted by the required funding level and the structure of pension benefits. The risks relate primarily to changes in market interest rates, inflation, and life expectancy, as well as general market fluctuations. Pension obligations based on contractual provisions in Germany generally entail lifelong benefits payable when the employee reaches retirement age or in the case of incapacity or death.

In order to reduce the risks arising from the payment of lifelong benefits as well as inflation, pension benefits have been gradually converted since 2004 to what are known as modular benefits with a pension option, with the fund available being initially divided into an annuity and lump-sum portion. Newly hired employees since 2011 receive a commitment based primarily on the lump-sum benefit. In principle, lump-sum benefits may also be paid out as an annuity through a pension fund. All benefits in Germany are financed through a provident fund [Vorsorgefonds] established for the purpose of the occupational pension plan. Benefits for new employees since 2011, as well as a portion of the entitlements vested since 2004, are linked to the performance of this provident fund, resulting in a reduction in overall risk to the Group. The described adjustments within the pension structure reduce the financial risk arising from pension commitments in Germany. By linking the benefit to the capital investment, the net risk is also largely eliminated. An increase in the long-term inflation assumption would mainly affect the expected increase in pensions and the expected trend in pension-eligible salaries.

The pension obligations in the USA are based primarily on three retirement plans that are all closed to new employees. New employees receive pension benefits based on a defined contribution plan. The pension benefits generally have a lump-sum option which is usually exercised. When a pension becomes payable, the one-off amount granted is determined on the basis of current market interest rates. As a result, the impact of a change to the interest rate used in the calculation is low compared to pension commitments entailing lifelong benefits. Moreover, in the USA, pensions once taken are not adjusted by amount, thus there are no direct risks during the pension payment period arising from upcoming annuity adjustments. Inflation risks therefore result mainly from the salary adjustments awarded.

The effects of changes to assumptions with respect to medical benefits for employees and retirees in the USA are shown in the sensitivity analysis.

The analysis of our Group-wide pension obligations revealed no extraordinary risks.

Cash flows and sensitivities

In the next five years, the following payments from pension plans are expected:

Future payments for pension benefits

in million euros	Germany	USA	Other countries	Total
2022	161	69	38	**268**
2023	152	70	38	**261**
2024	157	70	40	**267**
2025	164	65	41	**271**
2026	159	64	43	**265**

The future level of the funded status and thus of the pension obligations depends on the development of the discount rate, among other factors. Companies based in Germany and the USA account for 80 percent (previous year: 79 percent) of our pension obligations. The medical costs incurred after retirement by former employees of our subsidiaries in the USA are also recognized in the pension obligations for defined benefit plans. A rate of increase in such medical costs of 5.9 percent (previous year: 6.1 percent) has been assumed. We expect this rate of increase to fall gradually to 4.0 percent by 2047 (previous year: 4.0 percent by 2047). The effects of a change in material actuarial assumptions for the present value of pension obligations are as follows:

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Sensitivities – Present value of pension obligations at December 31, 2021

in million euros	Germany	USA	Other countries	Total
Present value of obligations	3,213	1,058	1,154	**5,424**
In the event of				
Rise in discount rate by 0.5pp	3,039	1,019	1,060	**5,118**
Reduction of discount rate by 0.5pp	3,424	1,101	1,261	**5,786**
Rise in future income increases by 0.5pp	3,213	1,062	1,173	**5,448**
Reduction of future income increases by 0.5pp	3,213	1,053	1,135	**5,401**
Rise in retirement benefits increases by 0.5pp	3,342	1,058	1,201	**5,601**
Reduction of retirement benefits increases by 0.5pp	3,095	1,058	1,106	**5,259**
Rise in medical costs by 0.5pp	3,213	1,059	1,154	**5,426**
Reduction of medical costs by 0.5pp	3,213	1,056	1,154	**5,423**

pp = percentage points

Sensitivities – Present value of pension obligations at December 31, 2022

in million euros	Germany	USA	Other countries	Total
Present value of obligations	2,448	640	762	**3,849**
In the event of				
Rise in discount rate by 0.5pp	2,353	621	715	**3,689**
Reduction of discount rate by 0.5pp	2,553	660	814	**4,027**
Rise in future income increases by 0.5pp	2,448	641	775	**3,864**
Reduction of future income increases by 0.5pp	2,448	636	749	**3,833**
Rise in retirement benefits increases by 0.5pp	2,524	639	786	**3,948**
Reduction of retirement benefits increases by 0.5pp	2,378	639	739	**3,756**
Rise in medical costs by 0.5pp	2,448	640	761	**3,849**
Reduction of medical costs by 0.5pp	2,448	638	762	**3,847**

pp = percentage points

The extension of life expectancy in Germany by one year would increase the present value of pension obligations by 4 percent (previous year: 4 percent). In the USA, an extension of life expectancy by one year would increase the present value of pension obligations by 2 percent (previous year: 2 percent).

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It should be noted with respect to the sensitivities presented that, due to mathematical effects, the percentage change is not and does not need to be linear. Thus the percentage increases and decreases do not vary with the same absolute amount. Each sensitivity is independently calculated with no scenario analysis.

17 Other provisions

Development 2022

in million euros	At December 31, 2021[1]	Acquisitions	Utilized	Released	Added	Other changes	At December 31, 2022
Restructuring provisions	**233**	**–**	**-107**	**-20**	**211**	**-16**	**301**
Of which: non-current	92	–	-18	-5	30	-20	**79**
Of which: current	141	–	-89	-14	181	4	**222**
Sales provisions	**1,278**	**4**	**-822**	**-116**	**955**	**-73**	**1,226**
Of which: non-current	10	–	-1	-0	1	1	**11**
Of which: current	1,269	4	-822	-116	955	-74	**1,215**
Personnel provisions	**548**	**2**	**-415**	**-22**	**388**	**-10**	**491**
Of which: non-current	75	–	-6	-1	7	-6	**68**
Of which: current	473	2	-409	-20	381	-4	**422**
Sundry provisions	**331**	**–**	**-62**	**-56**	**104**	**-1**	**315**
Of which: non-current	149	–	-9	-31	7	-7	**110**
Of which: current	182	–	-53	-26	96	6	**206**
Total	**2,390**	**6**	**-1,406**	**-214**	**1,657**	**-100**	**2,333**
Of which: non-current	326	–	-34	-37	45	-32	**268**
Of which: current	2,064	6	-1,373	-177	1,613	-68	**2,065**

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

Provisions are recognized for obligations toward third parties where the outflow of resources is probable and the expected obligation can be reliably estimated. Provisions are measured to the best estimate of the expenditures required in order to meet the current obligation as of the reporting date. Price increases expected to take place prior to the time of performance are included in the calculation. Provisions in which the interest effect is material are discounted to the reporting date at a pre-tax interest rate. For obligations in Germany, we have applied interest rates of between 3.8 and 4.2 percent (previous year: 0.1 and 1.3 percent).

Other changes in provisions include changes in the scope of consolidation, movements in exchange rates, compounding effects, and adjustments to reflect changes in maturity as time passes.

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Provisions are recognized in respect of restructuring measures, on condition that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. Additions to the restructuring provisions relate to the optimization of our production, logistics and sales and distribution structures. The figure is impacted in particular by expenditure relating to the merger of the Laundry & Home Care and Beauty Care business units into the integrated Consumer Brands business unit.

Sales provisions cover expected refunds to customers and risks arising from pending transactions. Commitments to customers result in cash outflows in the following period.

Personnel provisions essentially cover expenditures likely to be incurred by the Group for variable, performance-related remuneration components.

Sundry provisions include, for example, provisions for warranties in production and engineering. Also included are provisions to cover the risk arising from legal disputes and proceedings, representing not just the cash outflows for the probable amount but also the anticipated cost of legal – for example civil-law – proceedings. The pending judicial and arbitration court proceedings or public authority proceedings relate in particular to issues of product liability, product deficiency, competition law, infringement of proprietary rights, patent law, tax law, environmental protection and legacy remediation.

The course and outcomes of legal disputes are inherently problematic and unpredictable. Based on the knowledge currently available, no material future impact on the net assets, financial position and results of operations of the corporation is expected.

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18 Borrowings

Analysis

	December 31, 2021			December 31, 2022		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Bonds	1,543	957	2,500	**1,843**	**343**	**2,187**
Commercial paper[1]	–	276	276	**–**	**516**	**516**
Liabilities to banks[2]	0	61	62	**2**	**202**	**204**
Total	**1,543**	**1,295**	**2,838**	**1,846**	**1,061**	**2,907**

[1] From the euro and US dollar commercial paper program (total volume: 2 billion US dollars and 2 billion euros).
[2] Obligations with floating rates of interest or interest rates pegged for less than one year.

Bonds

Issuer	Type	Nominal value	Carrying amounts excluding accrued interest		Market values excluding accrued interest[1]		Market values including accrued interest[1]		Interest rate p.a.		Maturity
in million euros			Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	2021	2022	
Henkel AG & Co. KGaA	Bond	300 million GB pounds[2]	357	**–**	357	**–**	358	**–**	0.875%	**–**	9/13/2022
Henkel AG & Co. KGaA	Bond	400 million GB pounds[2]	476	**–**	477	**–**	478	**–**	1.0%	**–**	9/30/2022
Henkel AG & Co. KGaA	Bond	100 million GB pounds[2]	119	**–**	119	**–**	119	**–**	1.0%	**–**	9/30/2022
Henkel AG & Co. KGaA	Bond	330 million Swiss francs[2]	319	**335**	322	**334**	323	**335**	0.2725%	**0.2725%**	4/28/2023
Henkel AG & Co. KGaA	Bond	70 million US dollars[2]	62	**66**	60	**59**	61	**59**	1.042%	**1.042%**	7/7/2025
Henkel AG & Co. KGaA	Bond	25 million euros	25	**25**	25	**23**	25	**23**	0.12%	**0.12%**	7/10/2025
Henkel AG & Co. KGaA	Bond	350 million GB pounds[2]	416	**395**	418	**351**	419	**352**	1.25%	**1.25%**	9/30/2026
Henkel AG & Co. KGaA	Bond	250 million US dollars[2]	220	**234**	220	**208**	220	**209**	1.75%	**1.75%**	11/17/2026
Henkel AG & Co. KGaA	Bond	500 million euros	500	**500**	494	**380**	494	**380**	0.5%	**0.5%**	11/17/2032
Henkel AG & Co. KGaA	Bond	650 million euros[3]	–	**624**	–	**630**	–	**636**	–	**2.625%**	9/13/2027
Total			**2,495**	**2,178**	**2,492**	**1,985**	**2,498**	**1,993**			

[1] Market value of the bonds derived from the stock market price at December 31.
[2] Cross-currency interest rate swaps and currency forwards are in place to convert the interest and principal payments on the bonds denominated in British pounds, Swiss francs and US dollars into euro payments.
[3] Interest rate swaps are used to convert coupon payments from fixed to floating.

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In April 2022, Henkel reclassified the Swiss franc bond with a nominal volume of 330 million Swiss francs from non-current borrowings to current borrowings to reflect the reduced residual term.

In September 2022, Henkel redeemed three bonds with a nominal volume of 800 million British pounds in total, as scheduled. Likewise in September 2022, Henkel issued a bond with a nominal volume of 650 million euros and a term of five years to service these bonds and for general business purposes. When issuing the bond, Henkel committed to meet certain sustainability performance targets by 2025. These targets relate to the sustainability of our packaging and to the reduction of greenhouse gas emissions. Failure by Henkel to meet these targets would result in a prospective increase in the coupon rate on the bonds. In the case of the euro bond, the premium would be 0.375 or 0.75 percentage points, depending on whether one or both targets are missed. Further changes in current borrowings resulted from the increase in commercial paper liabilities from 276 million euros at the end of 2021 to 516 million euros as of December 31, 2022.

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19 Other financial liabilities

Analysis

	December 31, 2021			December 31, 2022		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Lease liabilities	483	121	604	**549**	**131**	**681**
Liabilities to non-consolidated subsidiaries and associates	–	2	2	**–**	**3**	**3**
Liabilities to customers	–	67	67	**1**	**61**	**61**
Derivative financial instruments	1	108	109	**23**	**92**	**115**
Sundry financial liabilities	17	118	135	**18**	**13**	**31**
Total	**501**	**416**	**917**	**591**	**300**	**891**

Lease liabilities increased year on year by 77 million euros to 681 million euros. For further details of lease liability measurement, please refer to Note 2 on pages 244 and 245.

Of the liabilities to non-consolidated subsidiaries and associated companies, 3 million euros (previous year: 2 million euros) is attributable to non-consolidated subsidiaries.

Of the decline in sundry financial liabilities, 104 million euros is attributable to the acquisition of the non-controlling interests in our subsidiary eSalon.com LLC and to the put options granted in connection with same. The outstanding shares in these subsidiaries were acquired in the year under review.

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20 Other liabilities

Analysis

	December 31, 2021			December 31, 2022		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Other tax liabilities	0	241	241	**0**	**213**	**213**
Liabilities to employees	4	24	28	**5**	**45**	**50**
Liabilities relating to employee deductions	–	46	46	**–**	**36**	**36**
Liabilities in respect of social security	0	19	19	**0**	**19**	**19**
Sundry other liabilities	9	82	91	**8**	**66**	**74**
Total	**14**	**412**	**425**	**13**	**379**	**393**

Sundry other liabilities primarily comprise various income deferrals for other accounting periods amounting to 29 million euros (previous year: 43 million euros) and payments on account received (i.e. contract liabilities as defined in IFRS 15 Revenue from Contracts with Customers) in the amount of 4 million euros (previous year: 10 million euros).

21 Trade accounts payable

Trade accounts payable increased from 4,385 million euros to 4,621 million euros. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year. As part of its strategic supplier management concept, Henkel offers selected suppliers around the world the option to join its supplier financing programs. These programs are linked to the sustainability performance of the supplier, for example climate-relevant emissions and the use of natural resources, and enable suppliers to pre-finance accounts receivable from Henkel before they are due, thereby benefiting from favorable financing terms. Supplier financing therefore results in a change in the legal creditor structure, but the liabilities continue to bear the characteristics for Henkel of trade accounts payable. As of December 31, 2022, 0.8 billion euros of trade accounts payable were attributable to supplier financing programs (previous year: 0.8 billion euros).

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22 Income tax liabilities

Income tax liabilities include tax obligations and uncertain tax positions. The tax treatment of certain items and transactions is, in part, dependent on future recognition by the tax authorities or tax judiciary. Insofar as it is deemed likely that the tax authorities will not accept a tax position, this is taken into consideration when determining the income tax liabilities and other tax items, with the most probable or expected amount then being applied (per IAS 12 and IFRIC 23). The same assumptions are applied to both current and deferred taxes when accounting for uncertain tax positions.

Uncertain tax positions can arise when new tax regulations are applied or interpretations of existing tax regulations are amended. In relation to deferred income tax assets, this results in a tax risk in the low to mid-double-digit million euros range as of December 31, 2022 (previous year: in the low triple-digit million euros range). Occurrence of the underlying risk is not deemed to be particularly likely. The risk relating to current income taxes no longer exists (previous year: in the high double-digit million euros range).

23 Financial instruments report

How Henkel recognizes and measures financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Within the Henkel Group, financial instruments are reported in the statement of financial position under trade accounts receivable, trade accounts payable, borrowings, other financial assets, other financial liabilities, and cash and cash equivalents.

Financial instruments are recognized once Henkel becomes a party to the contractual provisions of the financial instrument and thereby acquires rights or enters into comparable obligations relating to same. The recognition of financial assets takes place at the settlement date, with the exception of derivative financial instruments, which are recognized at the trade date. All financial instruments are initially reported at their fair value. Only those trade accounts receivable without any material financing component are recognized at transaction price as defined in IFRS 15. Transaction costs are only capitalized if the financial instruments are not subsequently measured at fair value through profit or loss.

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IFRS 9 specifies three categories for measuring financial assets:

- Measured at amortized cost
- Measured at fair value through profit or loss
- Measured at fair value through other comprehensive income

Classification of financial assets to one of the measurement categories is initially based on the structure of the contractual cash flows. Financial assets in respect of which cash flows occur at specified times and represent solely interest and principal payments are classified depending on the business model under which they are held.

Financial instruments held so as to collect contractual cash flows are recognized at amortized cost using the effective interest method. With the exception of derivative financial instruments, other investments and certain cash deposits recognized as securities and time deposits, or as cash equivalents, all financial assets fulfill these criteria and are measured at amortized cost.

If the business model essentially requires the assets to be held – albeit with their sale remaining possible where necessary to cover liquidity needs, for example – said assets are recognized at fair value through other comprehensive income.

Financial instruments in respect of which cash flows are comprised entirely of interest and principal payments but which are not held within one of the two aforementioned business models, are recognized at fair value through profit or loss.

In addition, a risk provision must be accrued in the amount of expected credit losses for financial assets that are measured at amortized cost or at fair value through other comprehensive income. For more details, please refer to the notes on trade accounts receivable on page 250 and on credit risk on pages 295 to 299.

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Financial assets in respect of which the cash flows are not comprised entirely of interest and principal payments are always recognized at fair value through profit or loss. At Henkel this is the case with derivative financial assets and shares in open-end investment funds held to manage liquidity. As a rule, Henkel exercises its right to choose to recognize equity instruments at fair value through other comprehensive income. This approach is commensurate with the fact that, generally, the corporation does not plan to sell the assets to benefit from short-term changes in their fair value. If these equity instruments are, nevertheless, sold or derecognized for some other reason, the valuation effects accumulated up to then in other comprehensive income are reclassified to retained earnings rather than the consolidated statement of income.

Financial liabilities must be allocated to one of the following measurement categories:

- Measured at amortized cost
- Measured at fair value through profit or loss

As a rule, Henkel recognizes financial liabilities at amortized cost using the effective interest method. This does not apply to derivative financial liabilities which are measured at fair value through profit or loss.

Hedge accounting is applied in individual cases – where possible and economically sensible – in order to avoid profit and loss variations arising from fair value changes in derivative financial instruments. Fair value and cash flow hedges or hedges of a net investment in a foreign operation are designated within the Group depending on the type of underlying and the risk being hedged. Details relating to the hedging contracts transacted within the Group and how the fair values of the derivatives are determined are provided on pages 286 to 294. The carrying amounts of financial liabilities recognized in connection with a fair value hedge are adjusted for the valuation effect from the hedged risk.

Henkel currently exercises the fair value option in selected instances for financial assets if this reduces an accounting mismatch between the assets and the corresponding derivative financial instruments hedging material market risks. In the case of already contracted future purchases of non-financial assets containing embedded derivatives, Henkel exercises the option on a case-by-case basis to recognize the entire contract at fair value through profit or loss.

The following table summarizes the allocation of items on the statement of financial position to the financial instrument classes and compares the carrying amounts of the financial assets and liabilities with their respective fair values:

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Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
Financial assets	**Financial instruments class (valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade accounts receivable	Amortized cost	3,456		3,535	
Other financial assets		1,370		1,067	
Receivables from non-consolidated subsidiaries and associated companies	Amortized cost	0		0	
Financial receivables from third parties	Amortized cost	224		18	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	68	68	139	139
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	61	61	161	161
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	–	–	0	0
Investments in non-consolidated subsidiaries and associated companies	Not assigned to any valuation category under IFRS 9	4		7	
Other investments	Fair value through other comprehensive income (level 3)	97	97	115	115
Receivables from Henkel Trust e.V. and external pension funds	Amortized cost	407		271	
Securities and time deposits	Amortized cost	8		14	
Securities and time deposits	Fair value through other comprehensive income (level 1)	246	246	–	–
Securities and time deposits	Fair value through profit or loss (level 1)	13	13	201	201
Securities and time deposits	Fair value through profit or loss (level 2)	9	9	–	–
Securities and time deposits	Fair value through profit or loss (level 3)	–	–	2	2
Financial collateral provided	Amortized cost	147		28	
Sundry financial assets	Amortized cost	86		111	
Sundry financial assets	Fair value through profit or loss (level 3)	–	–	-0	-0
Cash and cash equivalents	Amortized cost	1,766		1,088	
Cash and cash equivalents	Fair value through profit or loss (level 2)	350	350	–	–
Total		**6,942**		**5,690**	

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Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
Financial liabilities	**Financial instruments class (valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings		2,838		2,907	
Bonds (without designated hedging relationship)	Amortized cost (level 1)	2,500	2,498	1,557	1,358
Bonds (included in a designated hedging relationship)	Amortized cost (level 1) accounted for as part of a fair value hedge	–	–	629	636
Other borrowings	Amortized cost	338		720	
Trade accounts payable	Amortized cost	4,385		4,621	
Other financial liabilities		917		895	
Lease liabilities	Not assigned to any valuation category under IFRS 9	604		681	
Liabilities to non-consolidated subsidiaries and associated companies	Amortized cost	2		3	
Liabilities to customers	Amortized cost	67		61	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	82	82	83	83
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	27	27	36	36
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	–	–	1	1
Sundry financial liabilities	Amortized cost (level 3)	117	120	–	–
Sundry financial liabilities	Amortized cost	17		29	
Sundry financial liabilities	Fair value through profit or loss (level 3)	-12	-12	-15	-15
Sundry financial liabilities	Not assigned to any valuation category under IFRS 9	13		17	
Total		**8,140**		**8,423**	

IFRS 13 Fair Value Measurement defines fair value as the price that would be payable in a principal market – or in the most favorable market, in the absence of the former – if an asset were to be sold or a liability transferred. Valuation parameters as close to market reality as possible must be used as input factors to determine fair value. The fair value hierarchy prioritizes the input factors used in the valuation methods in three descending levels, depending on market proximity:

- Level 1: Fair values which are determined on the basis of quoted, unadjusted prices in active markets.
- Level 2: Fair values which are determined on the basis of parameters for which either directly or indirectly derived market prices are available.

- Level 3: Fair values which are determined on the basis of parameters for which the input factors are not derived from observable market data.

The fair value of securities and time deposits classified as level 1 is based on the quoted market prices on the reporting date. Observable market data are used to measure the fair value of level 2 securities, time deposits and cash equivalents. If bid and ask prices are available, the mid-price is used to determine the fair value. When using the discounted cash flow method to determine fair values, the contractually specified cash flows are discounted using currency-specific yield curves. When measuring derivative financial instruments, the credit risk is determined by netting all financial assets, liabilities, collateral received and collateral provided for each counterparty to determine the net credit exposure. An explanation of the method used to determine the fair values of derivative financial instruments can be found on pages 286 to 294.

For financial instruments measured at fair value in the statement of financial position and of which the fair value is allocated to level 3, the change in values in the reporting period is presented below:

Development of level 3 assets and liabilities 2021

in million euros	Derivative financial assets included in a designated hedging relationship	Derivative financial liabilities included in a designated hedging relationship	Other investments	Contracts with embedded derivatives
Carrying amount at January 1, 2021	**–**	**–**	**57**	**11**
Purchases	–	–	23	–
Gains/losses (realized) recognized in operating profit or loss	–	–	–	-1
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	-1
Gains/losses recognized in other changes in equity	–	–	14	–
Foreign exchange effects/Other changes	–	–	3	1
Carrying amount at December 31, 2021	**–**	**–**	**97**	**12**

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Development of level 3 assets and liabilities 2022

in million euros	Derivative financial assets included in a designated hedging relationship	Derivative financial liabilities included in a designated hedging relationship	Other investments	Contracts with embedded derivatives
Carrying amount at January 1, 2022	**–**	**–**	**97**	**12**
Purchases	–	–	13	4
Gains/losses (realized) recognized in operating profit or loss	–	–	–	-1
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	-1
Gains/losses recognized in other changes in equity	0	-1	5	–
Foreign exchange effects/Other changes	–	–	1	0
Carrying amount at December 31, 2022	**0**	**-1**	**116**	**15**

The derivative financial instruments categorized as level 3 are commodity forwards recognized in hedge accounting. In the absence of forward quotes in the market, the fair value is determined on the basis of bids obtained from several banks for new contracts involving similar products. A 10 percent higher (lower) forward price of the derivatives on the reporting date would have resulted in other comprehensive income increasing (decreasing) by 1 million euros.

Changes in the fair values determined using this procedure are included in full in the overall result of the hedge reserve. Reclassification of the corresponding amounts to the cost of hedged inventories is performed when the derivatives are realized. This occurs when the hedged inventories are recognized.

Other investments and securities include shares in companies and in investment funds that are currently not intended for sale. The fair value of other investments and securities is based either on information derived from recent financing transactions, on a cost-based method, or on valuation using the discounted cash flow method taking into account the free cash flow of the share or fund investment. Appropriate risk-adjusted costs of capital are applied when using the discounted cash flow method.

The individual other investments and investment funds are of minor importance for the presentation of the net assets and results of operations of the Henkel Group. If any conceivably realistic changes were to occur in the valuation parameters, the change in the fair values revealed by sensitivity analysis would not exceed a range in the mid-single-digit euro millions. Such changes are attributable virtually entirely to other

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investments and would be included in full in other comprehensive income. No valuation results recognized in equity were reclassified to retained earnings in the year under review, nor in the previous year.

As part of our sustainability strategy to achieve our climate targets, virtual power purchasing (VPP) agreements were concluded in the USA and Europe in 2020 and 2022. The renewable energy generation facilities underlying the agreements are managed by their respective operators. Henkel has no rights of determination or control over the use of the facilities. The benefits accruing from the VPP agreements come in the form of two components: A financial flow that depends, among other things, on the development of the respective spot electricity price, and certificates that Henkel receives as proof of origin for electricity from renewable energies. The difference between the contractually fixed price per MWh of electricity produced and the respective spot electricity price when the electricity is fed into the grid is settled between Henkel and the operator on a monthly basis. The agreed compensation payments between Henkel and the operator are limited to a maximum differential amount for Henkel, so that fluctuations in value arising from the agreements are limited. Due to the derivatives embedded in the agreements, each agreement is accounted for at fair value through profit or loss. The fair value allocated to level 3 is derived from the present value of the expected cash flows from the agreement.

The main valuation parameters for the VPP agreement entered into in the USA in fiscal 2020 are the expected electricity prices and the US dollar interest rate used for discounting.

If the anticipated electricity prices had been 10 percent higher or lower on the valuation date, the fair value of the agreement would have been 0 million euros higher or lower. An increase of 100 basis points in the US dollar interest rate would lead to a reduction in the fair value of -1 million euros, whereas a corresponding decrease would lead to an increase in the fair value of +1 million euros.

At the time of initial recognition, the fair value of the agreement was higher than the transaction price. The corresponding difference was deferred. The wind farm on which the VPP agreement is based started operating in the first half of 2022, since which time the difference is to be recognized pro rata temporis in the statement of income over the term of the agreement. As of January 1, 2022, the deferred difference amounted to 13 million euros. In the reporting period, 1 million euros was recognized as other operating income (previous year: no release). The difference remaining as of December 31, 2022 amounted to 13 million euros (previous year: 13 million euros). The deferred difference is recognized in the statement of financial position, together with the positive or negative fair value of the agreement, under other financial assets or other financial liabilities. Changes in the fair value and deferred amount are recognized in other operating income or other operating expenses in the statement of income.

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Regarding the further VPP agreement concluded in Europe in fiscal 2022, the material valuation parameters for determining fair value are the expected electricity prices and the euro interest rate used for discounting.

If the anticipated electricity prices had been 10 percent higher or lower on the valuation date, the fair value of the agreement would have been 0 million euros higher or lower. An increase of 100 basis points in the euro interest rate would lead to a reduction in the fair value of 0 million euros, while a corresponding decrease would lead to an increase in the fair value of 0 million euros.

At the time of initial recognition, the fair value of the agreement was higher than the transaction price. The corresponding difference of 4 million euros was deferred. Once operations commence at the solar park on which the Virtual Power Purchase Agreement is based, the difference will be recognized pro rata temporis in the statement of income over the term of the agreement. Since the solar park has not yet started operating, no income was recognized in the year under review. The deferred difference is recognized in the statement of financial position, together with the positive or negative fair value of the agreement, under other financial assets or other financial liabilities. Changes in the fair value and deferred amount are recognized in other operating income or other operating expenses in the statement of income.

No reclassifications between the valuation categories or classes per IFRS 7, nor within the fair value hierarchy, were performed during the reporting period or in the comparable prior period.

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Net gains and losses from financial instruments by category

The net gains and losses from financial instruments can be allocated to the following categories:

Net results by measurement category 2021

in million euros	Interest	Valuation allowances	Payments received for written-off and derecognized financial instruments	Fees	Other effects recognized through profit or loss	Valuation effects recognized through other comprehensive income	Reclassifications of valuation effects recognized through other comprehensive income	Total net results
Financial assets measured at amortized cost	12	11	1	–	0	–	–	24
Financial assets measured at fair value through other comprehensive income (debt instruments)	0	–	–	–	–	-1	–	-1
Financial assets measured at fair value through other comprehensive income (equity instruments)	–	–	–	–	–	29	–	29
Financial assets and liabilities measured at fair value through profit or loss[1]	12	–	–	–	20	-100	47	-21
Financial liabilities measured at amortized cost	-43	–	–	-5	-11	–	–	-58
Total net results 2021	**-19**	**11**	**1**	**-5**	**9**	**-72**	**47**	**-28**

[1] Including designated hedging instruments.

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Net results by measurement category 2022

in million euros	Interest	Valuation allowances	Payments received for written-off and derecognized financial instruments	Fees	Other effects recognized through profit or loss	Valuation effects recognized through other comprehensive income	Reclassifications of valuation effects recognized through other comprehensive income	Total net results
Financial assets measured at amortized cost	15	-30	1	–	1	–	–	-13
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	–	–	–	–	0	–	0
Financial assets measured at fair value through other comprehensive income (equity instruments)	–	–	–	–	–	5	–	5
Financial assets and liabilities measured at fair value through profit or loss[1]	11	–	–	–	-146	-43	119	-59
Financial liabilities measured at amortized cost	-62	–	–	-4	16	–	–	-50
Total net results 2022	**-36**	**-30**	**1**	**-4**	**-129**	**-38**	**119**	**-117**

[1] Including designated hedging instruments.

Reconciliation of net results to financial result

in million euros	2021	2022
Total net results	**-28**	**-117**
Less/plus results included in operating profit or in other comprehensive income	12	**-53**
Foreign exchange effects	-40	**86**
Interest expense of pension obligations less interest income from plan assets and reimbursement rights	-5	**-4**
Other financial result (not related to financial instruments)	-5	**-33**
Financial result	**-64**	**-121**

No gains or losses were realized in the fiscal year from the derecognition of financial assets measured at amortized cost.

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Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at their fair value at the reporting date. Recognition of the gains and losses arising from fair value changes of derivative financial instruments is dependent upon whether hedge accounting rules are applicable. The Group ensures that its hedge accounting is consistent with the Group risk management objectives and strategy, and that a qualitative and forward-looking approach is adopted when assessing the effectiveness of its hedging transactions.

Hedge accounting is not applied for derivative financial instruments as long as their valuation is offset by direct compensatory changes in the fair values of the hedged items or the requirements for hedge accounting are not fulfilled. We recognize directly in the statement of income the fair value changes in these derivatives which, in economic terms, represent effective hedges within the framework of the Group strategy. Effective fiscal 2022, in derogation from the above, intragroup financing arrangements in US dollars are recognized as cash flow hedges if their valuation effects cannot be fully eliminated in the consolidated financial statements.

In hedge accounting, derivative financial instruments are classified as instruments for hedging the fair value ("fair value hedge"), as instruments for hedging future cash flows ("cash flow hedge") or as instruments for hedging a net investment in a foreign operation ("hedge of a net investment in a foreign operation"). When closing the transaction, Henkel documents the relationship between the hedging instrument and the hedged items, together with the risk management objectives and strategies of the hedging transactions. All derivatives classified as hedging instruments are tied to specific committed and planned transactions. Henkel uses acknowledged methods – such as the dollar offset method or the hypothetical derivative method – to determine the effective portion of the hedges and any ineffective portions.

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The following table provides an overview of the derivative financial instruments utilized and recognized within the Group, and their fair values:

Derivative financial instruments

	Nominal value		Positive fair value[2]		Negative fair value[2]	
in million euros	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Currency risk						
Currency forwards[1]	7,668	**9,469**	72	**208**	-106	**-95**
Of which: for hedging loans within the Group	2,451	**2,994**	42	**77**	-29	**-26**
Of which: designated as cash flow hedges	2,062	**3,643**	4	**83**	-24	**-12**
Cross-currency interest rate swaps[3]	1,750	**795**	54	**53**	-3	**–**
Of which: designated as cash flow hedges	1,750	**795**	54	**53**	-3	**–**
Interest rate risk						
Interest rate swaps	265	**1,128**	3	**39**	–	**-19**
Of which: designated as cash flow hedges[4]	265	**281**	3	**26**	–	**–**
Of which: designated as fair value hedges	–	**650**	–	**–**	–	**-19**
Commodity price risk						
Commodity forwards	–	**6**	–	**0**	–	**-1**
Of which: designated as cash flow hedges	–	**6**	–	**0**	–	**-1**
Total derivative financial instruments	**9,683**	**11,398**	**129**	**300**	**-109**	**-115**

[1] Maturity less than 1 year with the exception of forward exchange contracts for intragroup financing with a nominal volume of 400 million euros (previous year: 0 million euros) and a positive fair value of 21 million euros (previous year: 0 million euros).
[2] Fair values including accrued interest and excluding valuation allowance for counterparty credit risk of 0 million euros (previous year: 0 million euros).
[3] Nominal value current year: 350 million British pounds, 330 million Swiss francs and 70 million US dollars (previous year: 1,150 million British pounds, 330 million Swiss francs and 70 million US dollars).
[4] Nominal value current year: 300 million US dollars (previous year: 300 million US dollars).

We determine the fair value of forward exchange transactions and cross-currency interest rate swaps on the basis of the reference rates issued by the European Central Bank for the reporting date, taking into account forward premiums/forward discounts for the remaining term of the respective contract versus the contracted foreign exchange rate. Interest rate hedges are measured on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31.

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Interest rates in percent p.a.

Terms, each to December 31	Euro		US dollar	
	2021	**2022**	**2021**	**2022**
1 month	-0.58	**1.88**	0.10	**4.39**
3 months	-0.57	**2.13**	0.21	**4.77**
6 months	-0.55	**2.69**	0.34	**5.14**
1 year	-0.48	**3.28**	0.54	**5.12**
2 years	-0.30	**3.40**	0.94	**4.71**
5 years	0.02	**3.24**	1.37	**4.02**
10 years	0.30	**3.20**	1.58	**3.84**

In measuring derivative financial instruments, counterparty credit risk is taken into account with an adjustment to the unsecured fair values concerned, determined on the basis of credit risk premiums. The adjustment relating to fiscal 2022 amounts to 0 million euros (previous year: 0 million euros). Changes in credit risk are recognized through profit or loss in financial result.

Depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in current or non-current financial assets (positive fair value) or in current or non-current financial liabilities (negative fair value).

Most of the currency forwards served to hedge risks arising from trade accounts receivable and payable, and those pertaining to Group financing.

Fair value hedges

A fair value hedge hedges fluctuations in the fair value of recognized assets and liabilities or unrecognized firm commitments which arise from a specific risk. The changes in the fair values of the hedging instruments and of the hedged items resulting from the hedged risk are simultaneously recognized in profit or loss through other financial result.

To hedge the fair value risk of a fixed-rate bond issued by Henkel AG & Co. KGaA in September 2022 with a nominal volume of 650 million euros, interest rate swaps with identical nominal volumes and the same term are used as fair value hedges. The hedged underlying is recognized under non-current borrowings. The Henkel Group did not use any fair value hedges in fiscal 2021.

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Fair value hedges and ineffective portions

in million euros	2021	2022
Carrying values of hedged items (net of accrued interest)	–	624
Of which: cumulative hedge-related adjustments	–	-23
Change in carrying value of hedged items in the period	–	-23
Change in the carrying value of the hedging instruments in the period	–	23
Ineffective portion	–	–

Cash flow hedges

A cash flow hedge hedges fluctuations in future cash flows from recognized assets and liabilities, unrecognized firm commitments, and highly probable forecasted transactions arising from a specific risk. The Henkel Group uses this instrument to hedge currency, interest rate, and commodity price risks. The effective portion of the change in fair value of the cash flow hedge is initially recognized in equity under cash flow hedge reserve. The ineffective portion of the change in value is recognized directly through profit or loss in financial result or operating profit, depending on the hedged item. Henkel exercises its right to choose to also initially recognize changes in value of non-designated components of hedging instruments – such as the forward component and foreign currency basis spreads of currency forwards and the foreign currency basis spreads of cross-currency interest rate swaps – in equity under hedging cost reserve. Amounts recognized in the reserves are released through profit or loss in the same period in which the hedged item impacts profit or loss. If a cash flow hedge results in the recognition of a non-financial asset, the amounts recognized in equity are included as part of the acquisition cost when the asset is recognized ("basis adjustment").

Cash flow hedge reserve (net of deferred taxes)

in million euros	At Jan. 1	Hedge results	Reclassifications to the statement of income	Reclassifications to inventories (basis adjustment)	At Dec. 31
2022	**-247**	**-25**	**94**	**1**	**-176**
2021	-192	47	-104	3	**-247**

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Reserve for cost of cash flow hedges (net of deferred taxes)

in million euros	At Jan. 1	Hedge results	Reclassifications to the statement of income	Reclassifications to inventories (basis adjustment)	At Dec. 31
2022	**-1**	**-19**	**25**	**0**	**5**
2021	-7	-7	12	2	-1

The reserves disclosed in equity essentially relate to currency hedges for past acquisitions and planned inventory purchases, and for our foreign currency bonds. The cash flow hedge reserve of -205 million euros as of December 31, 2022 (previous year: -205 million euros) was attributable to results from hedges that were no longer subject to hedge accounting.

Currency risk

As part of its risk management, the Henkel Group hedges fluctuations in cash flows of planned sales and inventory purchases in foreign currencies against currency risk. Currency forwards or recognized receivables and payables are used as hedging instruments. They are all due within one year. In the case of currency forwards, no ineffective portions arise since the Group only designates the spot component as the hedging instrument. Changes in the non-designated components of the derivatives over term duration are recognized in the hedging cost reserve. The hedge ratio is determined individually, depending on the relevant strategy for each currency. The hedging rates for major currencies are shown in the following table:

Hedging rates for sales and inventory purchases

	2022	
in million euros	Nominal	Weighted hedging rate
US dollar	973	1.03
Canadian dollar	46	1.36
Chinese yuan	40	7.26
British pound	29	0.87
Polish zloty	30	4.86

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An addition to the reserves (net of deferred taxes) of -81 million euros (previous year: -72 million euros) related to currency hedges of planned inventory purchases and currency hedges of planned sales against fluctuating spot rates. Of the changes in hedge values recognized in equity in the reporting period, 2 million euros (previous year: 4 million euros) was reclassified to cost of hedged inventories without affecting profit or loss or – within the framework of hedging planned sales – to operating result through profit or loss. The positive and negative fair values of the derivatives contracted as a currency hedge of planned inventory purchases and as a currency hedge of budgeted sales amounted to 62 million euros (previous year: 4 million euros) and -12 million euros (previous year: -24 million euros) respectively. The cash flows from these currency derivatives, like the cash flows from the hedged inventory purchases and the hedged sales, are expected to occur and affect operating profit in the next fiscal year when the inventories are used and the sales revenue is realized.

In addition to the currency derivatives, foreign currency trade accounts payable are designated as hedging instruments for planned sales. The carrying amount of the liabilities designated as hedges amounted to 675 million euros (previous year: 629 million euros). The cash flows from these liabilities and the cash flows from the hedged sales are expected to occur, and affect operating profit, in the next fiscal year. The hedge transactions did not produce any ineffective portions.

In addition, since fiscal 2022, hedges of existing and planned intragroup financing arrangements in US dollars are recognized as cash flow hedges if their valuation effects cannot be fully eliminated in the consolidated financial statements. Currency forwards are used as hedging instruments. They are all due within five years. The hedges do not contain any ineffective portions since the Group only designates the spot component as the hedging instrument. Changes in the non-designated components of the derivatives over term duration are recognized in the hedging cost reserve. An addition of -35 million euros to the reserves (net of deferred taxes) related to currency hedging of these existing and planned intragroup US dollar financing arrangements. In the year under review, it was reclassified in full to currency result through profit or loss. The corresponding valuation effects from intragroup financing arrangements were also recognized in currency result. From the hedging cost reserve, -1 million euros was released to interest result through profit or loss. The positive fair values of the corresponding derivatives amounted to 21 million euros. The cash flows from these currency derivatives, like the cash flows from the hedged intragroup financing arrangements, are expected to occur within the next five years.

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In addition, cross-currency interest rate swaps or rolling currency forwards are used to hedge currency risks arising in connection with interest and principal payments in foreign currencies relating to Group funding. Fixed payments in foreign currencies are converted into fixed-rate payments in euros through cross-currency interest rate swaps. The hedging rates for the bonds issued in foreign currencies are shown in the table below:

Bond hedging rates

	2022	
Bond maturity	**Nominal**	**Weighted hedging rate in euros**
4/28/2023	330 million Swiss francs	1.05
7/7/2025	70 million US dollars	1.12
9/30/2026	350 million GB pounds	0.88
11/17/2026	250 million US dollars	1.05

The hedging instruments have been structured and designated such that the occurrence of ineffectiveness has been eliminated. Changes in the non-designated foreign currency basis spreads over their duration are recognized in hedging cost reserve. The cash flows from the cross-currency interest rate swap that are attributable to the interest payments were recognized proportionately for the reporting period through profit or loss as an interest expense. The term of the cross-currency interest rate swaps is matched to the term of the respective bond.

Interest rate risk

In fiscal 2021, interest rate swaps with a nominal volume of 300 million US dollars were already in place to hedge part of the risk of interest rate changes in connection with our commercial paper program. The swaps were designated as hedging instruments in cash flow hedges. Because of the revolving nature of our commercial paper borrowings, the interest payments in US dollars are variable and were converted into fixed-interest payments through the interest rate swap. In fiscal 2022, we contracted interest rate swaps to hedge the fair value risk of the fixed-rate bond issued in September with a nominal volume of 650 million euros. The interest rate swaps were designated as hedging instruments used as a fair value hedge. The interest rate swaps were used to convert the interest payments on the bond to variable payments.

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Commodity price risk
Payments for planned commodity purchases are selectively hedged against fluctuations due to changes in the purchase prices of raw materials. Commodity forwards are used to hedge this risk. They are all due within one year. The Group only designates the commodity price component of the planned raw material purchases. Other price components, such as transportation costs, are not designated. Accordingly, there are no ineffective portions.

During fiscal 2022, the Henkel Group hedged exposures to clearly identifiable palm kernel oil, kerosene, benzene and natural gas components. In accounting for designated hedging relationships, the changes in value of the derivatives designated as hedging instruments amounting to 2 million euros were recognized as additions to the reserve for cash flow hedges after allowing for deferred taxes. On expiry of the hedging relationships, losses of -1 million euros recognized in equity were reclassified directly to the cost of the hedged inventories (basis adjustment). As of December 31, 2022, contracts hedging the risk of commodity prices had a negative fair value of -1 million euros (previous year: 0 million euros).

Hedges of a net investment in a foreign operation
The accounting treatment of hedges of a net investment in a foreign operation against translation risk is similar to that applied to cash flow hedges. The gain or loss arising from the effective portion of the hedging instrument is recognized in the reserve for hedges of a net investment in a foreign operation, with the ineffective portion recognized directly through profit or loss. Henkel exercises its right to choose to also recognize through equity changes in value of the currency-based spreads of currency forwards that are not designated as hedges. The gains or losses recognized directly in equity in connection with the hedges of a net investment in a foreign operation remain there until disposal or partial disposal of the net investment. The changes in non-designated foreign currency basis spreads that are recognized in equity are reclassified pro rata temporis to the statement of income over the term of the hedge.

The reserve for hedges of a net investment in a foreign operation relates essentially to translation risks arising from net investments in Swiss francs, US dollars, Chinese yuan, Russian rubles, Thai baht and British pounds, for which the associated hedges expired in previous years.

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Reserve for hedges of a net investment in a foreign operation (net of deferred taxes)

in million euros	At Jan. 1	Addition (recognized in equity)	Disposal (recognized through profit or loss)	At Dec. 31
2022	**36**	**–**	**–**	**36**
2021	36	–	–	**36**

Reserve for cost of hedges of a net investment in a foreign operation (net of deferred taxes)

in million euros	At Jan. 1	Addition (recognized in equity)	Disposal (recognized through profit or loss)	At Dec. 31
2022	**–**	**–**	**–**	**–**
2021	-0	0	–	**–**

Risks arising from financial instruments, and risk management

As a globally active corporation, Henkel is exposed in the course of its ordinary business operations to credit risks, liquidity risks and market risks (currency translation, interest rate and other price risks). The purpose of financial risk management is to restrict the exposure arising from operating activities through the use of selective derivative and non-derivative hedges. Henkel uses derivative financial instruments exclusively for the purposes of risk management. Without these instruments, Henkel would be exposed to higher financial risks. Changes in exchange rates, interest rates or commodity prices can lead to significant fluctuations in the fair values of the derivatives used. These variations in fair value should not be regarded in isolation from the hedged items, as derivative and underlying constitute a unit in terms of countervailing fluctuations.

Management of currency, interest rate and liquidity risks is based on the treasury guidelines introduced by the Management Board, which are binding on the entire corporation. These guidelines define the targets, principles and competencies of the Group Treasury unit. They also describe the fields of responsibility and establish the distribution of these responsibilities between Group Treasury and Henkel’s subsidiaries. The Management Board is regularly and comprehensively informed of all major risks and of all relevant hedging transactions and arrangements. A description of the objectives and fundamental principles adopted in capital management can be found in the combined management report on pages 138 and 139. There were no

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major risk clusters in the reporting period. Appropriate details are provided in the description of the individual risks.

Credit risk
In the course of its business activities with third parties, the Henkel Group is exposed to global credit risk arising from both its operating business and its financial investments. This risk derives from the possibility of the contractual party not fulfilling its obligations.

The maximum credit risk arising from financial assets not subject to the impairment rules of IFRS 9 – excluding any collateral provided – is reflected by the carrying amounts of the financial assets recognized in the statement of financial position and presented as follows:

Maximum risk position

in million euros	Dec. 31, 2021	Dec. 31, 2022
Financial assets measured at fair value through profit or loss	439	**340**
Derivative financial instruments included in a designated hedging relationship	61	**161**
Equity instruments measured at fair value through other comprehensive income	97	**115**
Total carrying amounts	**597**	**615**

Given that collateral has been provided, the actual credit risk is significantly lower and is discussed in detail in the following. Other financial assets include 217 million euros (previous year: 407 million euros) representing receivables from Henkel Trust e.V. and an external pension fund, which constitutes the largest of all the financial assets. Given the investment structure and rules of Henkel Trust e.V. and of the external pension fund, the credit risk is very minor. Further details of risk clusters are discussed in the following.

Under IFRS 9, valuation allowances for expected credit losses (“expected loss model”) must be recognized for all financial assets measured at amortized cost and for all debt instruments measured at fair value through other comprehensive income.

IFRS 9 provides a three-level method for this purpose. Risk provisions are accrued on the basis either of the twelve months expected losses (level 1), or of the lifetime expected losses if the credit risk has increased significantly since initial recognition (level 2), or if the asset is credit-impaired (level 3). The simplified approach is adopted, however, for most of the financial assets, including trade accounts receivable with no material financing component. As such, the expected credit losses are always determined for the full lifetime of the financial instruments.

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To calculate the expected credit losses, counterparties are grouped by similar credit default risks. Individual valuation allowances are made on a case-by-case basis in response to specific circumstances and risk indicators. Both empirical data such as historical default rates and forward-looking information such as individual and macroeconomic circumstances are considered when determining the amounts of the valuation allowances. If a counterparty's credit rating is deemed to be impaired – following noticeable changes in payment behavior or application for bankruptcy, for example – all outstanding amounts relating to that counterparty are subjected to a valuation allowance. The level of expected loss is determined on the basis of individual assessment. Valuation allowances and increases thereto are always recognized through profit or loss. If the expected credit losses decrease, a corresponding amount of the risk provision is released through profit or loss.

A financial asset is derecognized if it is reasonably judged to be unlikely that the corresponding cash flows will be recoverable in part or in whole, for example after completion of insolvency proceedings or after consideration of other local law circumstances. If an outstanding receivable is judged to be unrecoverable, the valuation allowance already in place is utilized and the remaining net amount outstanding is stated as an expense and derecognized.

Trade accounts receivable and other financial assets in Henkel's operating business
In its operating business, Henkel is confronted by progressive concentration and consolidation on the customer side, as reflected in the receivables from individual customers. As of December 31, 2022, the USA, China and Germany represented the highest risk concentration at country level. Of the total trade accounts receivable, customers based in the USA accounted for 19 percent as of the reporting date. Customers based in China accounted for 12 percent and customers based in Germany for 11 percent of all trade accounts receivable. The risk concentration was much lower at individual customer level. Receivables from customers with a high credit risk rating accounted for about 5 percent of all trade accounts receivable as of the reporting date. These risks are monitored regularly at the global and regional level and steps are taken to mitigate exposure.

Our credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. We also monitor our key customer relationships at the regional and global level. In addition, safeguarding measures are implemented on a selective basis for particular countries and customers inside and outside the eurozone.

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Collateral received and other safeguards include country-specific and customer-specific protection afforded by credit insurance, letters of credit in the export business and, for example, sureties, guarantees and cover notes. The credit risk associated with trade accounts receivable is, moreover, reduced globally through excess-of-loss credit insurance. The insurance covers trade accounts receivable starting at a specific amount and includes an aggregate first loss deductible as well as a small percentage deductible.

Valuation allowances on trade accounts receivable by risk category as of December 31, 2021

Risk categories	Equivalent to S&P rating	Probability of default[1]	Gross before deduction of collateral and value-added tax in million euros	Net for determining the valuation allowance in million euros	Valuation allowance in million euros
Low risk	A- to AA	0.1%	1,566	636	3
Moderate risk	BB- to BBB+	0.3% to 0.8%	1,370	696	6
High risk	C to B+	3.4% to 23.2%	203	93	14
Individual assessment	n/a	individual	25	17	9
Default	D	100%	73	69	68
SMEs and microbusinesses	n/a	3.0%	135	109	3
Total			**3,372**	**1,621**	**104**

[1] Average likelihood of default before case-by-case analysis and adjustments to reflect the impacts of the war in Ukraine and current macroeconomic risks.

Valuation allowances on trade accounts receivable by risk category as of December 31, 2022

Risk categories	Equivalent to S&P rating	Probability of default[1]	Gross before deduction of collateral and value-added tax in million euros	Net for determining the valuation allowance in million euros	Valuation allowance in million euros
Low risk	A- to AA	0.1%	1,867	876	3
Moderate risk	BB- to BBB+	0.3% to 0.7%	1,199	526	9
High risk	C to B+	2.9% to 19.7%	176	82	18
Individual assessment	n/a	individual	23	21	9
Default	D	100%	61	59	58
SMEs and microbusinesses	n/a	5.2%	148	99	5
Total			**3,473**	**1,663**	**102**

[1] Average likelihood of default before case-by-case analysis and adjustments to reflect the impacts of the war in Ukraine and current macroeconomic risks.

Of the gross amount before deduction of collateral and value-added tax of 3,473 million euros (previous year: 3,372 million euros), items worth 1,810 million euros (previous year: 1,751 million euros) were deducted for which no valuation allowances were required. Of this figure, 1,543 million euros (previous year: 1,508 million euros) relates to collateral received and 267 million euros (previous year: 243 million euros) to refundable value-added tax. Accordingly, the net base for determining valuation allowances was 1,663 million euros (previous year: 1,621 million euros).

The carrying amount of trade accounts receivable, the term of which was renegotiated because they would have otherwise been more than 30 days overdue, was 6 million euros (previous year: 4 million euros). Receivables of 59 million euros (previous year: 68 million euros) were written off in full, but not yet derecognized as they are still subject to ongoing collection proceedings.

Apart from financial receivables from third parties amounting to 18 million euros (previous year: 224 million euros), no valuation allowances exist in respect of other financial assets in our operating business because the credit risk is considered to be very low. A valuation allowance of 18 million euros exists for financial receivables from third parties (previous year: 17 million euros).

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Financial investments

Credit risks also arise from financial investments such as cash at banks, securities and the positive fair value of derivatives. Such exposure is limited by our Group Treasury specialists through the selection of counterparties with strong credit ratings, and limitations on the amounts allocated to individual investments. In financial investments and derivatives trading with German and international banks, we only enter into transactions with counterparties of high financial standing. We invest primarily in securities from issuers with an investment grade rating. Our cash deposits can be liquidated at short notice. Our financial investments are broadly diversified across various counterparties and various financial assets. Credit ratings and investment limits are continuously monitored and steps taken if fixed thresholds for ratings and credit default swaps (CDS) are exceeded. To minimize the credit risk, we agree netting arrangements with counterparties to offset bilateral receivables and obligations involving those counterparties. We additionally enter into collateral agreements with selected banks, on the basis of which reciprocal sureties are established at least twice a month to secure the fair values of contracted derivatives and other claims and obligations. The netting arrangements only provide for a contingent right to offset transactions conducted with a contractual party. Accordingly, associated amounts can be offset only under certain circumstances, such as the insolvency of one of the contractual parties. Thus, the netting arrangements do not meet the offsetting criteria under IAS 32 Financial Instruments: Presentation. The following table provides an overview of financial assets and financial liabilities from derivatives that are subject to netting, collateral or similar arrangements:

Financial assets and financial liabilities from derivatives subject to netting, collateral, or similar arrangements

	Gross amount recognized in the statement of financial position[1]		Amount eligible for offsetting		Financial collateral received/provided		Net amount	
At December 31 in million euros	2021	2022	2021	2022	2021	2022	2021	2022
Financial assets	129	**300**	67	**89**	27	**162**	35	**49**
Financial liabilities	109	**115**	67	**89**	117	**28**	-75	**-2**

[1] Fair values excluding valuation allowance of 0 million euros relating to counterparty credit risk (previous year: 0 million euros).

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In addition to netting and collateral arrangements, investment limits are set, based on the ratings of the counterparties, in order to minimize credit risk. These limits are monitored and adjusted regularly. When determining the limits, we also apply certain other indicators, such as the pricing of credit default swaps by the banks. A valuation allowance of 0 million euros exists to cover the remaining credit risk relating to the positive fair values of derivatives (previous year: 0 million euros).

In the case of financial assets held by Henkel in connection with EU emission allowances swap contracts, the underlying emission rights are provided as collateral to the Henkel Group. They may be utilized even if the debtor is not in default of payment, since Henkel is only committed to returning the same number and specification of emission allowances. No swap transactions were open within the Henkel Group on December 31, 2022. The fair value of the non-financial assets held as collateral as of December 31, 2021 was 205 million euros.

Liquidity risk
Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time. We mitigate this risk through our long-term management strategy of using financing instruments in the shape of bonds issued in different currencies with variously staggered terms up to six years. Supported by our existing debt issuance program comprising a total volume of 10 billion euros, this is also possible on a short-term and flexible basis. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to receive liquid funds or to manage liquidity in the short term. We also use our US dollar and euro commercial paper program for short-term liquidity management. In order to ensure the financial flexibility of Henkel at any time, the liquidity within the Group is largely centralized and managed through the use of cash pools. In addition, the Henkel Group has at its disposal a confirmed credit line of 1.5 billion euros with a term that extends up to 2025. The individual subsidiaries additionally have at their disposal committed bilateral loans of 0.1 billion euros with a revolving term of up to one year. Our credit rating is regularly assessed by the rating agencies Standard & Poor’s, Moody’s and Scope Ratings. We intend to maintain our ratings within a “single A” target corridor.

Our liquidity risk can therefore be regarded as very low.

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The maturity structure of the original and derivative financial liabilities within the scope of IFRS 7 based on undiscounted cash flows, and thus the risk cluster in relation to liquidity risk, is shown in the following table:

Cash flows from financial liabilities 2021

		Remaining term			
in million euros	Dec. 31, 2021 Carrying amounts	Up to 1 year	Between 1 and 5 years	More than 5 years	Dec. 31, 2021 Total cash flow
Bonds	**2,500**	972	1,104	515	**2,591**
Commercial paper[1]	**276**	276	–	–	**276**
Liabilities to banks	**62**	61	0	–	**62**
Lease liabilities	**604**	134	303	228	**665**
Trade accounts payable	**4,385**	4,385	–	–	**4,385**
Sundry financial instruments[2]	**103**	203	17	–	**220**
Original financial instruments	**7,930**	**6,032**	**1,425**	**743**	**8,199**
Expected inflow from interest rate and cross-currency interest rate swaps	**3**	361	64	–	**425**
Expected outflow for interest rate and cross-currency interest rate swaps		359	62	–	**421**
Other derivative financial instruments	**106**	106	–	–	**106**
Derivative financial instruments	**109**	**108**	**1**	**–**	**110**
Total	**8,039**	**6,140**	**1,426**	**743**	**8,309**

[1] From the euro and US dollar commercial paper program (total volume: 2 billion euros and 2 billion US dollars).
[2] Sundry financial instruments include amounts due to customers, and finance bills.

Cash flows from financial liabilities 2022

in million euros	Dec. 31, 2022 Carrying amounts	Remaining term: Up to 1 year	Remaining term: Between 1 and 5 years	Remaining term: More than 5 years	Dec. 31, 2022 Total cash flow
Bonds	**2,187**	365	1,478	510	**2,353**
Commercial paper[1]	**516**	516	–	–	**516**
Liabilities to banks	**204**	202	2	–	**205**
Lease liabilities	**681**	147	334	292	**772**
Trade accounts payable	**4,621**	4,621	–	–	**4,621**
Sundry financial instruments[2]	**95**	77	18	–	**95**
Original financial instruments	**8,304**	**5,928**	**1,832**	**802**	**8,562**
Expected inflow from interest rate and cross-currency interest rate swaps	**19**	21	68	–	**90**
Expected outflow for interest rate and cross-currency interest rate swaps		22	83	–	**105**
Other derivative financial instruments	**96**	96	–	–	**96**
Derivative financial instruments	**115**	**95**	**-15**	**–**	**81**
Total	**8,419**	**6,023**	**1,817**	**802**	**8,643**

[1] From the euro and US dollar commercial paper program (total volume: 2 billion euros and 2 billion US dollars).
[2] Sundry financial instruments include amounts due to customers, and finance bills.

Market risk

Market risk exists where the fair value or future cash flows of a financial instrument may fluctuate due to changing market prices. Market risks primarily take the form of currency risk, interest rate risk and commodity price risk.

Group Treasury manages currency exposure and interest rates centrally for the Group and is therefore responsible for all transactions involving financial derivatives and other financial instruments. Trading, Treasury Controlling and Settlement (front, middle and back offices) are separated both physically and in terms of organization. The parties to the contracts are German and international banks which Henkel monitors regularly, in accordance with Corporate Treasury guidelines, for creditworthiness and the quality of their quotations. Financial derivatives are used to manage currency exposure, interest rate and other price risks in connection with operating activities and the resultant financing requirements, again in accordance with the Corporate Treasury guidelines. Financial derivatives are entered into solely for hedging purposes.

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The currency and interest rate risk management of the Group is supported by an integrated treasury system which is used to identify, measure and analyze the Group's currency exposure and interest rate risks. In this context, "integrated" means that the entire process from the conclusion of financial transactions to their entry in the accounts is covered. Much of the currency trading takes place on internet-based, multibank trading platforms. The foreign currency transactions concluded are automatically transferred into the treasury system. The currency exposure and interest rate risks reported by all subsidiaries under standardized reporting procedures are likewise integrated into the treasury system by data transfer. As a result, it is possible to retrieve and measure at any time all currency and interest rate risks across the Group and all derivatives entered into to hedge the exposure to these risks. The treasury system supports the use of various risk concepts.

Market risk is monitored on the basis of sensitivity analyses and value-at-risk computations. Sensitivity analyses enable estimation of potential losses, future gains, fair values or cash flows of instruments susceptible to market risks arising from one or several selected hypothetical changes in foreign exchange rates, interest rates, commodity prices or other relevant market rates or prices over a specific period. We use sensitivity analyses in the Henkel Group because they enable reasonable risk assessments to be made on the basis of direct assumptions (e.g. an increase in interest rates). Value-at-risk analyses reveal the maximum potential future loss of a certain portfolio over a given period based on a specified probability level.

Currency risk

The global nature of our business activities results in a large number of cash flows in different currencies.

This transaction risk arises from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. The hedging of the resultant exchange rate risks forms a major part of our central risk management activity. Transaction risks arising from our operating business are partially avoided by the fact that we manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Group Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of currency hedging is to fix prices based on hedging rates so that we are protected from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk arising from major financial payables and receivables is extensively hedged. In order to manage these risks, we primarily utilize currency forwards and cross-currency interest rate swaps. The derivatives are designated as cash flow hedges and recognized accordingly in the financial statements or measured at fair value through profit or loss. The currency risk that exists within the Group in the form of transaction risk initially affects equity in the case of cash flow hedges, while all changes in the value of the other derivatives are recognized directly in the statement of income.

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The following table shows the risk exposure for Henkel's major currencies. The risk arises mainly from imports and exports by Henkel AG & Co. KGaA and its foreign subsidiaries. Due to the international nature of its activities, the Henkel Group has a portfolio of more than 50 different currencies.

Currency risk exposure[1]

	December 31, 2021			December 31, 2022		
in million euros	Total currency risk exposure before currency hedging	Of which: from planned transactions	Net currency risk exposure after currency hedging	Total currency risk exposure before currency hedging	Of which: from planned transactions	Net currency risk exposure after currency hedging
US dollar	304	762	71	**556**	**1,010**	**44**
Chinese yuan	116	80	40	**121**	**80**	**41**
Canadian dollar	113	106	56	**97**	**92**	**46**
Turkish lira	61	30	22	**81**	**48**	**51**
Australian dollar	67	56	44	**75**	**62**	**47**
Others	1,125	889	638	**946**	**795**	**542**
Total	**1,786**	**1,922**	**871**	**1,877**	**2,087**	**771**

[1] Transaction risk.

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2022 amounted to 53 million euros after hedging (previous year: 59 million euros). The value-at-risk shows the maximum expected risk of loss in a year as a result of currency fluctuations. Our value-at-risk analysis within the internal risk reporting system assumes a time horizon of one year and a one-sided confidence interval of 95 percent, as it comprehensively reflects the risk associated with one fiscal year. We adopt the variance-covariance approach as our basis for calculation. Volatilities and correlations are determined using historical data. The value-at-risk analysis is based on the operating book positions, the derivative financial instruments and the planned positions in foreign currency, with a forecasting horizon of up to twelve months.

Interest rate risk

Interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. In the case of fixed-interest financial instruments, changing capital market interest rates result in a fair value risk, as the attributable fair values fluctuate depending on those capital market interest rates. In the case of floating-interest financial instruments, a cash flow risk exists because the interest payments may be subject to future fluctuations.

The financing and cash investment activities of the Henkel Group mainly take place on international money and capital markets. The resultant financial liabilities and cash deposits are exposed to the risk of changing interest rates. The aim of our centralized interest rate management is to reduce this risk by choosing fixed or floating interest rate contracts and by using interest rate derivatives. Only those derivative financial instruments that can be modeled, monitored and assessed in the risk management system may be used to hedge the interest rate risk.

Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the bonds, liabilities to banks and commercial paper put in place to secure Group liquidity, the securities and time deposits used for cash investments, and other interest-bearing financial instruments, such as intragroup financing arrangements. The financial instruments exposed to interest rate risk are primarily denominated in euros and US dollars.

Depending on forecasts with respect to interest rate developments, Henkel enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure. In the event of an expected rise in interest rate levels, Henkel protects its positions by transacting additional interest rate derivatives as effective hedging instruments. In addition to interest obligations arising from the fixed-rate US dollar bond, Henkel enters into cross-currency interest rate swaps to convert the bonds denominated in British pounds and Swiss francs into fixed-rate euro obligations. Financial instruments with interest rates pegged for less than twelve months are included in the calculation on a time-weighted basis. Interest rate swaps were used to convert the interest on the euro bond issued in September 2022 to floating interest. All other financial instruments bear floating interest rates. In fiscal 2022, the US dollar interest rate risk of intragroup financing arrangements was mitigated by a long-term currency hedge with a nominal volume of 400 million US dollars.

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Our exposure to interest rate risk at the reporting dates was as follows:

Interest rate risk exposure

	Carrying amounts			
in million euros	December 31, 2021		December 31, 2022	
Fixed-interest financial instruments	Interest rate risk exposure before interest hedge	Interest rate risk exposure after interest hedge	Interest rate risk exposure before interest hedge	Interest rate risk exposure after interest hedge
Euro	-1,592	-1,592	**-1,182**	**-532**
US dollar	-644	-909	**-672**	**-953**
Others	–	–	**-20**	**-20**
Total	**-2,236**	**-2,501**	**-1,874**	**-1,505**
Floating-interest financial instruments				
Euro	2,050	2,050	**509**	**-141**
US dollar	-1,262	-997	**-1,188**	**-906**
Chinese yuan	258	258	**217**	**217**
Polish zloty	15	15	**15**	**15**
Others	1,084	1,084	**1,054**	**1,054**
Total	**2,145**	**2,410**	**607**	**238**

The calculation of the interest rate risk is based on sensitivity analyses that assume a parallel shift of 100 basis points in the interest curves of all currencies. When analyzing fair value risk, we calculate the hypothetical fair value loss or gain of the relevant fixed-interest financial instruments as of the reporting date.

The risk of interest rate fluctuations with respect to the earnings of the Henkel Group per the basis point value (BPV) analysis as described above is shown in the following table.

Interest rate risk

in million euros	2021	2022
Based on an interest rate change of 100 basis points	25	**4**
Of which:		
Cash flow through profit and loss	24	**2**
Fair value recognized in equity through other comprehensive income	1	**1**

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When issuing sustainability-linked bonds, Henkel also committed to meet certain sustainability performance targets. Failure by Henkel to meet these targets would result in a prospective increase in the interest rate on the bonds (see Note 18 on pages 271 to 272).

Commodity price risk

Uncertainty with respect to commodity price development impacts the Group. Purchase prices for raw materials can affect the net assets, financial position and results of operations of Henkel. The risk management strategy put in place by the Group management for safeguarding against procurement market risk is described in more detail in the risks and opportunities report on pages 177 and 178. As a small part of the risk management strategy, cash-settled commodity forwards are entered into on the basis of forecasted purchasing requirements in order to hedge future uncertainties with respect to commodity prices. Cash-settled commodity forwards are only used by Henkel where there is a direct relationship between the hedging derivative and the physical underlying. Henkel uses hedge accounting for these hedging transactions, thus limiting the temporary exposure to price risks related to holding commodity forwards. Developments in fair values and the resultant risks are continuously monitored.

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NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

24 Sales and principles of income recognition

Sales relate exclusively to revenues from contracts with customers and, at 22,397 million euros (previous year: 20,066 million euros), are above the level of the previous year.

Sales encompass the transfer of goods and services less direct sales deductions such as customer-related rebates, credits and other benefits paid or granted. Sales are recognized once control of the goods has been transferred, or the service provided. The timing of transfer of control of the goods to a customer is determined by the underlying contract and the terms and conditions of supply stipulated therein, or by international trade rules.

Sales represent the consideration that Henkel will likely receive in exchange for transferring the goods or providing the service. Sales may only be recognized when no substantial adjustments to the cumulative recognized revenue is expected.

Pursuant to IFRS 15, Henkel does not recognize sales for products that it expects to be returned. In addition, empirical experience has shown that customers are justified in expecting invoice amounts to be reduced in certain instances. The amounts of these expected refunds are also not recognized as sales. Henkel draws on past return and refund statistics to quantify the expected returns and refunds; these are separated by business unit and legal entity, and are subject to ongoing calculation and adjustment. Mathematical estimates and assumptions are made with regard to the underlying analysis period for determining, among other factors, the return and refund rates and the amount of sales to be adjusted by such rates, and also with regard to observable volatilities.

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Henkel agrees payment terms that are standard in our industry; contracts with customers do not contain any material financing components.

Warranty obligations do not constitute a separate performance obligation and are recognized as provisions in accordance with IAS 37.

Services are generally provided in conjunction with the sale of goods, and recorded once the service has been performed. The amount of sales revenue relating to the provision of services is less relevant than that attributable to the transfer of goods.

For information on opening and closing balances of, and valuation allowances on, receivables from contracts with customers in fiscal 2022, please refer to our discussion of trade accounts receivable in Note 7 on page 250.

A disaggregation of sales by business unit and region can be found in the Group segment report by business unit on pages 210 and 211 and in the discussion of regional development on page 212.

Henkel exercises its right to choose to refrain from disclosing transaction prices relating to any remaining performance obligations, since the underlying contracts have an expected original term of not more than one year.

Interest income is recognized on a time-proportion basis that takes into account the effective yield on the asset and the interest rate in force. Dividend income from investments is recognized when the shareholders' right to receive payment is legally established.

25 Cost of sales

Cost of sales amounted to 13,030 million euros (previous year: 11,092 million euros).

It comprises the cost of products and services sold and the purchase cost of merchandise sold. It consists of the directly attributable cost of materials and primary production cost, as well as indirect production overheads including the production-related amortization/depreciation and impairment of intangible assets and property, plant and equipment.

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26 Marketing, selling and distribution expenses

Marketing, selling and distribution expenses increased from 5,186 million euros to 5,985 million euros.

In addition to marketing organization and distribution expenses, this item comprises, in particular, advertising, sales promotion and market research expenses. Also included here are the expenses of technical advisory services for customers, valuation allowances on trade accounts receivable, and amortization charges and impairment losses on trademarks and other rights.

27 Research and development expenses

At 570 million euros, research and development expenses were lower year on year (previous year: 727 million euros). The prior-year figure included a one-time expense of 201 million euros representing impairment of a technology. Expenditures directly attributable to research and development activities amounted in fiscal 2022 to 543 million euros (previous year: 504 million euros).

The capitalization of research expenses is not permitted. Development expenditures are recognized as an asset if all the criteria for recognition are met, the research phase can be clearly distinguished from the development phase, and the expenditures can be attributed to distinct project phases. Currently, the criteria set out in IAS 38 Intangible Assets for recognizing development expenditures are not all met with respect to product and technology developments. This is due to a high level of interdependence within these developments and the difficulty of assessing which products will eventually be marketable.

28 Administrative expenses

Administrative expenses totaled 1,102 million euros (previous year: 955 million euros).

Administrative expenses include personnel and material costs relating to the Group management, Human Resources, Purchasing, Accounting and IT functions, as well as the costs of managing and administering the business units.

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29 Other operating income

Other operating income

in million euros	2021	2022
Gains on disposal of non-current assets and business units	65	**60**
Release of provisions	31	**19**
Insurance claim payouts	17	**7**
Sundry operating income	97	**98**
Total	**210**	**184**

Sundry operating income relates to a number of individual items arising from ordinary operating activities, such as grants and subsidies, tax refunds for indirect taxes, and similar income.

30 Other operating expenses

Other operating expenses

in million euros	2021	2022
Losses on disposal of non-current assets and business units	-19	**-14**
Impairment/write-up of assets held for sale	-10	**88**
Goodwill impairment	-0	**-88**
Sundry operating expenses	-74	**-71**
Total	**-103**	**-85**

Sundry operating expenses include a number of individual items arising from ordinary operating activities, such as fees, provisions for litigation and third-party claims, other taxes, and similar expenses. In fiscal 2022, other operating expenses also included a reversal of impairment losses on assets held for sale.

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31 Financial result

Financial result

in million euros	2021	2022
Interest result	-18	**-36**
Other financial result	-46	**-85**
Investment result	0	**0**
Total	**-64**	**-121**

Interest result

in million euros	2021	2022
Interest and similar income from third parties	12	**19**
Interest result from currency forwards hedging financial assets	16	**18**
Interest income	**28**	**37**
Interest to third parties	-27	**-46**
Interest result from currency forwards hedging financial liabilities	-19	**-27**
Interest expense	**-46**	**-73**
Total	**-18**	**-36**

Other financial result

in million euros	2021	2022
Interest result from net obligation (pensions)	-7	**-7**
Interest income from reimbursement rights (IAS 19)	3	**4**
Expenses from currency losses	-144	**-162**
Income from currency gains	124	**131**
Other financial expenses	-42	**-86**
Other financial income	21	**35**
Total	**-46**	**-85**

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Changes to the fair value of the forward component of currency forwards used to hedge the currency risks associated with financial assets and liabilities are disclosed under interest result. The forward component of a currency forward reflects the interest rate differential between two currencies at the time the transaction is entered into and thus has interest character. The results from the development of the fair value of the other components of the currency forwards, in particular the spot component, are shown as currency gains or losses in other financial result.

Following the first-time application of IAS 29 Financial Reporting in Hyperinflationary Economies in fiscal 2022, losses from current inflation of the non-monetary assets and liabilities and of the equity of our subsidiary in Türkiye of -42 million euros are recognized in other financial expenses. Please see pages 284 and 285 in Note 23 for information on the net results of the financial instruments by measurement category per IFRS 7, and the reconciliation of same to financial result.

32 Taxes on income

Income tax expense/income breaks down as follows:

Income before tax and analysis of taxes

in million euros	2021	2022
Income before tax	**2,149**	**1,689**
Current taxes	759	**505**
Deferred taxes	-239	**-69**
Taxes on income	**519**	**436**
Tax rate	24.2%	**25.8%**

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Components of tax expense and income

in million euros	2021	2022
Current tax expense in the reporting year	761	**556**
Current tax adjustments for prior years	-2	**-51**
Current taxes	**759**	**505**
Deferred tax income from temporary differences	-281	**-40**
Deferred tax income from unused tax losses and other carry-forwards	-127	**-120**
Deferred tax expense/income from tax credits	-6	**-13**
Deferred tax expense/income from changes in tax rates	5	**-1**
Increase in valuation allowances on deferred tax assets	170	**105**
Deferred taxes	**-239**	**-69**

Deferred tax expense by items on the statement of financial position

in million euros	2021	2022
Intangible assets	-259	**125**
Property, plant and equipment	17	**-16**
Financial assets	13	**-14**
Inventories	4	**2**
Other receivables and other assets	51	**67**
Special tax items	-1	**-2**
Provisions	65	**-44**
Liabilities	-10	**-75**
Tax credits	1	**-1**
Unused tax losses and other carry-forwards	-120	**-111**
Total	**-239**	**-69**

We have summarized the individual company reports prepared on the basis of the tax rates applicable in each country and taking into account consolidation procedures, in the reconciliation statement below. This shows how the expected tax charge, based on the tax rate applicable to Henkel AG & Co. KGaA of 31.2 percent, is reconciled to the effective tax charge disclosed.

Tax reconciliation statement

in million euros	2021	2022
Income before tax	2,149	**1,689**
Tax rate (including trade tax) of Henkel AG & Co. KGaA	31.2%	**31.2%**
Expected tax charge	**671**	**527**
Tax reductions due to differing tax rates abroad	-165	**-154**
Tax reductions for prior years	-17	**-98**
Tax increases/reductions due to changes in tax rates	5	**-1**
Tax increases due to the recognition of deferred tax assets relating to unused tax losses and other carry-forwards and temporary differences	170	**105**
Tax reductions due to tax-free income and other items	-302	**-87**
Tax reductions arising from additions and deductions for local taxes	-11	**-20**
Tax increases due to withholding taxes	41	**47**
Tax increases due to non-deductible expenses	127	**117**
Tax charge disclosed	**519**	**436**
Tax rate	**24.2%**	**25.8%**

Deferred taxes are calculated on the basis of tax rates that apply in the individual countries at the year-end date or which have already been legally decided. In Germany, there is a uniform corporate income tax rate of 15 percent plus a solidarity surcharge of 5.5 percent. After taking into account trade tax, this yields an overall tax rate of 31.2 percent. Deferred tax assets and liabilities are netted where they involve the same tax authority and the same tax creditor.

The deferred tax assets and liabilities stated on the reporting date relate to the following items of the consolidated statement of financial position, unused tax losses and tax credits:

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Allocation of deferred taxes

in million euros	Deferred tax assets Dec. 31, 2021[1]	Deferred tax assets Dec. 31, 2022	Deferred tax liabilities Dec. 31, 2021	Deferred tax liabilities Dec. 31, 2022
Intangible assets	514	**613**	820	**1,071**
Property, plant and equipment	35	**26**	149	**165**
Financial assets	1	**3**	62	**50**
Inventories	23	**22**	3	**4**
Other receivables and other assets	39	**85**	102	**186**
Special tax items	–	**–**	24	**22**
Provisions	754	**750**	110	**102**
Liabilities	187	**249**	21	**30**
Tax credits	2	**2**	–	**–**
Unused tax losses and other carry-forwards	214	**328**	–	**–**
Amounts netted	-574	**-895**	-574	**-895**
Financial statement figures	**1,195**	**1,183**	**717**	**735**

[1] Amended following update of purchase price allocation in respect of the shares in Swania International S.A.

The deferred tax assets of 750 million euros (previous year: 754 million euros) result primarily from recognition and measurement differences with respect to pension obligations. Of the deferred tax assets on unused tax losses and other carry-forwards, 151 million euros (previous year: 164 million euros) is attributable to other carry-forwards, while 177 million euros (previous year: 50 million euros) is attributable to unused tax losses. The deferred tax liabilities of 1,071 million euros (previous year: 820 million euros) relating to intangible assets are mainly attributable to business combinations. Deferred tax liabilities of 47 million euros (previous year: 62 million euros) relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings will be distributed in 2023.

An excess of deferred tax assets is only recognized insofar as it is likely that the company concerned will achieve sufficiently positive taxable profits in the future against which the deductible temporary differences can be offset and unused tax losses and other carry-forwards can be used. Deferred taxes have not been recognized with respect to unused tax losses of 694 million euros (previous year: 586 million euros), as it is not probable that sufficient taxable profit will be available against which they may be utilized. Of these unused tax losses, 579 million euros (previous year: 473 million euros) is solely attributable to unused US state tax losses (tax rate 5.9 percent [previous year: 6.1 percent]). Of the unused tax losses for which no deferred tax assets have been recognized, 405 million euros (previous year: 0 million euros) expires within three years, while 180 million euros (previous year: 529 million euros) expires after more than three years. An amount of

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109 million euros is non-expiring (previous year: 56 million euros). Deferred tax assets have not been recognized in the current year with respect to temporary differences of 344 million euros (previous year: 0 million euros), as it is not probable in the foreseeable future that sufficient taxable profit will be available at year-end against which they may be utilized.

We have summarized the expiry dates of unused tax losses and tax credits in the following table:

Expiry dates of unused tax losses and tax credits

in million euros	Unused tax losses Dec. 31, 2021	Unused tax losses Dec. 31, 2022	Tax credits Dec. 31, 2021	Tax credits Dec. 31, 2022
Expire within				
1 year	4	**7**	–	**–**
2 years	–	**51**	–	**–**
3 years	–	**383**	–	**–**
more than 3 years	695	**310**	24	**36**
May be carried forward without restriction	145	**640**	–	**–**
Total	**844**	**1,391**	**24**	**36**

In addition, other expenses amounting to 502 million euros (previous year: 548 million euros) are available which may be carried forward in full with no expiration.

The above list includes unused tax losses arising from losses on the disposal of assets of 9 million euros (previous year: 9 million euros) which may be carried forward without restriction. In some countries, different tax rates apply to losses on the disposal of assets than to operating profits, and in some cases losses on the disposal of assets may only be offset against gains on the disposal of assets. Tax loss carry-forwards in the amount of 618 million euros (previous year: 553 million euros) are attributable to our US subsidiaries. Of this figure, 604 million euros (previous year: 540 million euros) relates exclusively to US state taxes. The tax credits of 36 million euros (previous year: 24 million euros) that can be carried forward are attributable to US subsidiaries. In addition to the unused tax losses listed in the table above, interest of 68 million euros (previous year: 46 million euros) has been carried forward, of which 37 million euros (previous year: 30 million euros) is solely attributable to state taxes affecting our US subsidiaries. No deferred tax assets were recognized in respect of interest carry-forwards of 68 million euros (previous year: 46 million euros). Of the interest carry-forwards, 37 million euros (previous year: 30 million euros) expires after more than three years, while 31 million euros (previous year: 16 million euros) is non-expiring.

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For one company in Germany that generated tax losses in the current and previous year, an excess of deferred tax assets totaling 708 million euros (previous year: 717 million euros) was recognized on temporary differences, other carry-forward expenses, and tax loss carry-forwards. In addition, a total of 106 million euros (previous year: 129 million euros) was recognized as an excess of deferred tax assets on unused tax losses and temporary differences for a company in the Netherlands that suffered tax losses in the current and in the previous year. For a company in China that generated tax losses in the current and previous year, excess deferred tax assets totaling 59 million euros (previous year: 58 million euros) was recognized on temporary differences, other carry-forward expenses and tax loss carry-forwards. Where necessary, measures were taken to ensure the availability of sufficient taxable income in future. As such, our current position is that the deferred tax assets can be realized.

Other comprehensive income includes expenses from deferred taxes amounting to 67 million euros (previous year: income of 4 million euros). These deferred taxes resulted in an expense of 35 million euros (previous year: expense of 7 million euros) from actuarial gains and losses on pension obligations. Deferred taxes from the hedging of currency and interest rate risks gave rise to an expense of 32 million euros in other comprehensive income (previous year: income of 11 million euros).

33 Non-controlling interests

The amount shown here represents the proportion of net income and losses attributable to other shareholders of consolidated subsidiaries.

Their share of the net loss in fiscal 2022 was -5 million euros (previous year: loss of -5 million euros).

The non-controlling interests included in the Henkel Group at the end of fiscal 2022 had no material impact on our net assets, financial position and results of operations. The Group has no joint operations or unconsolidated structured entities.

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OTHER DISCLOSURES

34 Reconciliation of adjusted net income

in million euros		2021	2022	+/-
Operating profit (EBIT) (as reported)		**2,213**	**1,810**	**-18.2%**
One-time income		-13	**-32**	–
One-time expenses		259	**137**	–
Restructuring expenses		227	**405**	–
Adjusted operating profit (adjusted EBIT)		**2,686**	**2,319**	**-13.7%**
Adjusted return on sales	in %	13.4	**10.4**	-3pp
Financial result (adjusted)		-64	**-83**	29.2%
Taxes on income (adjusted)		-654	**-563**	-13.9%
Adjusted tax rate	in %	25.0	**25.2**	0.2pp
Adjusted net income		**1,968**	**1,672**	**-15.0%**
Attributable to non-controlling interests		-5	**9**	<-100%
Attributable to shareholders of Henkel AG & Co. KGaA		1,973	**1,664**	-15.7%
Adjusted earnings per ordinary share	in euros	**4.54**	**3.88**	**-14.5%**
Adjusted earnings per preferred share	in euros	**4.56**	**3.90**	**-14.5%**
At constant exchange rates				-17.8%

Of the one-time income of 32 million euros, 26 million euros relates to the sale by our Adhesive Technologies business unit of its global soldering agents business. The remaining one-time income from the reporting period is essentially attributable to other smaller divestments.

Of the one-time expenses in fiscal 2022, 73 million euros relates to the impairment of a European consumer goods business in Beauty Care. The figure for one-time expenses also includes 49 million euros relating to the merger of the Beauty Care and Laundry & Home Care business units to create the Consumer Brands business unit. This expenditure is essentially attributable to external consultancy services and project management costs. The other expenses mainly relate to incidental acquisition and divestment costs (15 million euros) (previous year: 2 million euros).

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Restructuring expenses substantially comprise payments related to the termination of employment relationships, impairment losses on non-current assets and inventories, and expenses connected with the termination of contracts and relationships with business partners. The figure is also impacted in particular by expenditure relating to the merger of the Laundry & Home Care and Beauty Care business units into the Consumer Brands business unit. In fiscal 2022, 106 million euros was recognized in cost of sales (previous year: 93 million euros) and 203 million euros in marketing and selling expenses (previous year: 86 million euros). A further 26 million euros is attributable to research and development expenses (previous year: 22 million euros), while 69 million euros is attributable to administrative expenses (previous year: 27 million euros).

The financial result was adjusted for the first time in 2022 by 38 million euros for the net loss incurred in Türkiye from the inflation of non-monetary assets and liabilities, and of equity, following application of financial reporting rules for hyperinflationary economies (previous year: no adjustment).

Taxes on income amounting to 563 million euros (previous year: 654 million euros) reflect the tax effects of the adjustments to operating profit (EBIT).

35 Payroll cost and employee structure

Payroll cost[1]

in million euros	2021	2022
Wages and salaries	2,801	**3,033**
Social security contributions and staff welfare costs	469	**506**
Pension costs	180	**191**
Total	**3,450**	**3,729**

[1] Excluding personnel-related restructuring expenses of 233 million euros (previous year: 109 million euros).

Number of employees per function[1]

	2021	2022
Production and engineering	28,200	**27,450**
Marketing, selling and distribution	13,600	**13,650**
Research and development	2,600	**2,700**
Administration	8,300	**8,150**
Total	**52,700**	**51,950**

[1] Basis: annual average number of full-time employees, excluding apprentices and trainees, work experience students and interns; figures rounded.

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36 Share-based payment plans

Global Long Term Incentive Plan (LTI Plan) 2020⁺

The Global Long Term Incentive (LTI) Plan 2020⁺ was introduced effective January 1, 2017 to replace the previous Global LTI Plan 2013.

The Global LTI Plan 2020⁺ provides for share-based remuneration settled with preferred shares of Henkel AG & Co. KGaA. These treasury shares are granted on condition that members of the plan are employed for four years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify for participation, and that they are not under notice during that period. This minimum period of employment pertains to the calendar year in which the treasury shares are granted and the three subsequent calendar years. A performance-related investment amount is pledged to eligible employees at the start of each four-year cycle. Target achievement is determined, and the investment amount for the cycle specified, at the end of the first calendar year. At the start of the second calendar year, this investment amount – after deduction of taxes and social security contributions, where applicable – is used to purchase treasury shares on the stock exchange, which are then transferred to the employees. The number of shares transferred to each employee on the basis of the investment amount is determined by the actual market price (stock exchange price) of the shares at the time of purchase. The shares are subject to a lock-up period that ends upon completion of the relevant four-year cycle. During this time, the employees participate in all share price developments. Once the lock-up period has expired, the employees may dispose of the shares as they wish. Employees who do not become eligible to participate in the Global LTI Plan 2020⁺ until after the start of the respective cycle participate on a pro-rata basis in the cycles already in progress. The dividends attributable to the shares during the lock-up period are reinvested in preferred shares.

The investment amount specified in the first year of the cycle based on target achievement is recognized as a proportionate payroll cost spread over the four-year performance measurement period. As the Global LTI Plan 2020⁺ provides for settlement using treasury shares, the allocations are recognized in equity. If treasury shares are granted at the end of the performance measurement period, equity is reduced accordingly with no effect on profit or loss. Additional employer contributions and other payments that do not constitute part of the investment amount and are not settled with treasury shares are recognized under other provisions.

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The Global LTI Plan 2020+ will be replaced by the Global LTI Plan 2023 from January 1, 2023 onward. The Global LTI Plan 2023 provides for performance-based remuneration with cash settlement that only constitutes a share-based payment plan as defined in IFRS 2 in part. The cycles within the plan now only run for three years. As such, due to the switch to the Global LTI Plan 2023, no further cycle relating to the Global LTI Plan 2020+ commenced in fiscal 2022. The Global LTI Plan 2020+ therefore acts as an incentive for the last time in the cycle 2021–2024.

For the 2021–2024 cycle, a gross investment amount of 83 million euros was determined, based on target achievement. In fiscal 2022, after deduction of taxes and social insurance contributions, 925,972 shares with a total value of 60 million euros were issued from treasury stock purchased and will be made freely available to qualifying employees on January 1, 2025. The shares transferred to the employees had an average market value of 64.32 euros at the time of allocation. Recognition of the gross investment amount relating to the issuance of treasury shares resulted in a reduction in equity.

Development of the number of shares for the Global LTI Plan 2020+

	2021	2022
Outstanding entitlements at the end of the previous year	380,954	**346,930**
Entitlements freely available on January 1	-212,746	**-3,738**
Entitlements granted in the year	202,606	**899,019**
Entitlements forfeited in the year	-21,810	**-62,453**
Dividend payments converted into shares in the year	5,089	**27,406**
Entitlements that became vested in the year	-7,163	**-28,252**
Outstanding entitlements on December 31	**346,930**	**1,178,912**

In fiscal 2022, an equity-increasing payroll cost of 34 million euros was recognized in connection with the Global LTI Plan 2020+ (previous year: equity increase of 30 million euros).

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Share deferral of the Short Term Incentive (STI) as part of Management Board remuneration

Members of the Management Board are required to invest 35 percent of their variable annual remuneration (Short Term Incentive, STI) in Henkel preferred shares on a long-term basis in accordance with the Share Ownership Guideline (share deferral). As this compensation component represents remuneration in equity instruments from the perspective of the Management Board members, the share deferral is recognized as share-based payment settled in equity instruments in accordance with IFRS 2 Share-Based Payment.

The final value of the variable annual remuneration promised or granted in accordance with the remuneration conditions depends on the achievement of targets in the fiscal year (performance measurement period). Over the one-year performance measurement period, the payroll cost corresponding to the share deferral is recognized proportionately as an addition to equity. After the end of the performance measurement period, the net amount of the share deferral is transferred to the members of the Management Board for the purchase of Henkel preferred shares, and taxes and social security contributions are deducted. Equity is correspondingly reduced with no effect on profit or loss. The number of shares granted under the STI depends on the actual market price (stock exchange price) of the shares at the time of purchase. The shares are subject to a lock-up period that expires at the close of business on December 31 of the fourth year following the remuneration year.

Under the STI, the members of the Management Board were promised share-based payment settled in equity instruments of 4 million euros for fiscal 2022 (previous year: 6 million euros). This amount was calculated on the basis of anticipated target achievement at the time of granting. In fiscal 2022, a payroll cost of 4 million euros was recognized for the share deferral (previous year: 6 million euros).

Employee share plan

Since 2001, Henkel has been offering its employees a share plan whereby employees can voluntarily invest up to 4 percent of their salary up to a maximum amount of 4,992 euros each year in Henkel preferred shares. As was also the case last year, in 2022 Henkel rewarded each euro invested by employees with a bonus of 33 eurocents, which was also invested in Henkel preferred shares. Employees can dispose freely of these bonus shares after a lock-up period of three years on condition that they remain employed by Henkel AG & Co. KGaA or one of its subsidiaries without being under notice during that period. The employee share plan constitutes a share-based remuneration program as defined in IFRS 2 that is serviced through equity instruments.

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Under the plan, the Henkel Group paid its employees a bonus of 8 million euros in Henkel preferred shares in fiscal 2022 (previous year: 8 million euros). Because of the revolving nature of the plan, this bonus was recognized directly as a payroll cost for reasons of simplification. The sale of bonus shares forfeited by employees lowered the payroll cost by 1 million euros in 2022 (previous year: 1 million euros). The following table summarizes the outstanding entitlements of employees from bonus shares in fiscal 2022 and the previous year.

Development of the number of shares for the employee share plan

	2021	2022
Outstanding entitlements on January 1	229,015	**310,316**
Entitlements granted in the year	93,225	**131,328**
Entitlements forfeited in the year	-6,159	**-8,503**
Dividend payments converted into shares in the year	314	**470**
Entitlements that became vested/freely available in the year	-6,078	**-102,448**
Outstanding entitlements on December 31	**310,316**	**331,163**

37 Group segment report

The Group segment report examines the activities of the Henkel Group by operating segments; selected regional information is also provided. The segment report corresponds to the way in which the Group managed its operating business internally in fiscal 2022, and the Group's internal reporting structure.

In keeping with the requirements of IFRS 8 Operating Segments, the three business units – Adhesive Technologies, Beauty Care and Laundry & Home Care – were identified as operating segments in fiscal 2022. The operating segments also constitute the reportable segments.

As announced in January 2022, we are merging the Beauty Care and Laundry & Home Care business to form an integrated business unit under the name Consumer Brands. Starting on January 1, 2023, the two business units Adhesive Technologies and Consumer Brands therefore constitute the reportable segments. Alongside the Adhesive Technologies business unit, the Consumer Brands business unit will form a strong multi-category platform featuring our consumer goods brands and business operations.

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Reportable segments

Adhesive Technologies
The operating segment Adhesive Technologies offers a broad and globally leading portfolio of high-performance solutions in adhesives, sealants and functional coatings. The business unit is composed of four business areas: Automotive & Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

Our Automotive & Metals business area provides our customers in the automotive and metal processing industries with tailor-made, high-impact and advanced system solutions along the value chain, together with an extensive technology portfolio and specialized technical services.

Our Packaging & Consumer Goods business area supplies to small and medium-sized branded goods manufacturers and to major international companies operating in the consumer goods, packaging and furniture industries. We lead the way in developing innovative solutions to address global consumer trends, such as the growing demand for more sustainable products, and actively drive circular economy models.

Our Electronics & Industrials business area ranks among the world's leaders, offering major customers a specialized portfolio of innovative high-technology adhesives, materials for the manufacture of microchips and electronic assemblies, and for industrial fabrication. With our technical knowledge and extensive research expertise, we help our customers develop innovative designs for products that are known the world over. Our solutions are also deployed in the expansion of digital infrastructures.

In our Craftsmen, Construction & Professional business area, we distribute a comprehensive range of brand-name products for private consumers, DIYers, craftspeople and retailers, as well as serving maintenance and installation experts in more than 800 different branches of industry. We supply adhesives and sealants for home use, adhesive, sealant and insulating systems and building materials for use in construction, and a comprehensive portfolio of high-impact solutions for assembling and servicing machinery.

Beauty Care
The operating segment Beauty Care is globally active in the Consumer business area with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as in the Professional business area aligned to its hair salon activities. Both business areas offer focused brand portfolios featuring consumer-relevant innovations that create added value for our customers and consumers.

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Laundry & Home Care

The operating segment Laundry & Home Care covers the global activities of Henkel in laundry and home care branded consumer goods. The Laundry Care business area includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers and other fabric care products. Our Home Care business area encompasses hand and automatic dishwashing products, cleaners for bathroom and toilet applications, and household, glass and specialty cleaners. We also offer air fresheners and insect control products for household applications in selected regions.

Principles of Group segment reporting

In determining the assets and liabilities, we apply essentially the same principles of recognition and measurement as in the consolidated financial statements. We have valued net operating assets in foreign currencies at average exchange rates.

The Group measures the performance of its segments on the basis of a segment income variable referred to internally and in our reporting procedures as “adjusted EBIT,” which is calculated by adjusting operating profit (EBIT) for one-time expenses and income, and also for restructuring expenses (see Note 34 on pages 319 and 320).

The reportable segments account for 32 million euros (previous year: 13 million euros) of the one-time income and for 120 million euros (previous year: 239 million euros) of the one-time expenses. Of the restructuring expenses, 393 million euros (previous year: 191 million euros) is attributable to the reportable segments. Of these restructuring expenses, 58 million euros (previous year: 46 million euros) is attributable to Adhesive Technologies, 200 million euros (previous year: 64 million euros) to Beauty Care, and 135 million euros (previous year: 81 million euros) to Laundry & Home Care.

For reconciliation with the figures for the Henkel Group, Group management overheads are reported under Corporate together with income and expenses that cannot be allocated to the individual business units.

For reconciliation with the pre-tax earnings of the Henkel Group, please refer to the consolidated statement of income and the financial result reported therein.

Proceeds transferred between the segments only exist to a negligible extent and are therefore not separately disclosed.

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Net operating assets, provisions and liabilities are assigned to the segments in accordance with their usage or origin. Where usage or origin is attributable to several segments, allocation is effected on the basis of appropriate ratios and keys.

For regional and geographic analysis purposes, we allocate sales to countries on the basis of the country-of-origin principle. Non-current assets are allocated in accordance with the domicile of the international company to which they pertain.

Reconciliation between net operating assets/capital employed and financial statement figures

	Net operating assets		Financial statement figures	Net operating assets		Financial statement figures
in million euros	Annual average[1] 2021	December 31, 2021	December 31, 2021[4]	Annual average[1] 2022	December 31, 2022	December 31, 2022
Goodwill at carrying amounts	12,722	13,162	13,157	13,801	13,637	**13,637**
Other intangible assets and property, plant and equipment (including assets held for sale)	7,587	7,470	7,458	7,748	7,950	**8,122**
Deferred taxes	–	–	1,195	–	–	**1,183**
Inventories	2,496	2,629	2,629	3,177	3,180	**3,180**
Trade accounts receivable from third parties	3,593	3,456	3,456	3,954	3,535	**3,535**
Intragroup trade accounts receivable	1,878	1,900	–	2,071	1,998	**–**
Other assets and tax refund claims[2]	666	702	2,664	833	916	**2,432**
Cash and cash equivalents	–	–	2,116	–	–	**1,088**
Operating assets/Total assets	**28,941**	**29,320**	**32,674**	**31,584**	**31,217**	**33,178**
Operating liabilities	9,148	9,287	–	9,894	9,586	**–**
Of which:						
Trade accounts payable to third parties	4,226	4,385	4,385	4,817	4,621	**4,621**
Intragroup trade accounts payable	1,878	1,900	–	2,071	1,998	**–**
Other provisions and other liabilities[2] (financial and non-financial)	3,044	3,003	3,733	3,005	2,966	**3,616**
Net operating assets	19,793	20,032	–	21,690	21,631	**–**
– Goodwill at carrying amounts	12,722	–	–	13,801	–	**–**
+ Goodwill at cost[3]	13,104	–	–	14,147	–	**–**
Capital employed	20,175	–	–	22,036	–	**–**

[1] The annual average is calculated on the basis of the 12 monthly figures.
[2] We take only amounts relating to operating activities into account in calculating net operating assets.
[3] Before deduction of accumulated impairment.
[4] Amended following update of purchase price allocation in respect of the shares in Swania International S.A.

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38 Earnings per share

Earnings per share

in million euros		2021 Reported	2021 Adjusted	2022 Reported	2022 Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA		**1,634**	**1,973**	**1,259**	**1,664**
Dividends, ordinary shares		475	475	**473**	**473**
Dividends, preferred shares		323	323	**315**	**315**
Total dividends		798	798	**787**	**787**
Retained earnings, ordinary shares		500	703	**284**	**528**
Retained earnings, preferred shares		336	472	**187**	**348**
Retained earnings		**836**	**1,175**	**471**	**876**
Number of outstanding ordinary shares[2]		259,795,875	259,795,875	**258,366,200**	**258,366,200**
Dividend per ordinary share	in euros	1.83	1.83	**1.83[3]**	**1.83**
Of which: preliminary dividend per ordinary share[1]	in euros	0.02	0.02	**0.02**	**0.02**
Retained earnings per ordinary share	in euros	1.93	2.71	**1.10**	**2.05**
Earnings per ordinary share (basic/diluted)[4]	in euros	**3.76**	**4.54**	**2.93**	**3.88**
Number of outstanding preferred shares[2]		174,482,323	174,482,323	**170,050,347**	**170,050,347**
Dividend per preferred share	in euros	1.85	1.85	**1.85[3]**	**1.85**
Of which: preferred dividend per preferred share[1]	in euros	0.04	0.04	**0.04**	**0.04**
Retained earnings per preferred share	in euros	1.93	2.71	**1.10**	**2.05**
Earnings per preferred share (basic/diluted)[4]	in euros	**3.78**	**4.56**	**2.95**	**3.90**

[1] See combined management report, Corporate governance, Composition of issued capital/Shareholders' rights on pages 44 to 46.
[2] Weighted annual average of preferred and ordinary shares.
[3] Proposal to shareholders for the Annual General Meeting on April 24, 2023.
[4] There are currently no significant dilutive effects.

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39 Consolidated statement of cash flows

The consolidated statement of cash flows shows the movements in cash and cash equivalents, i.e. liquid or financial funds, distinguishing between changes in cash and cash equivalents from operating activities, investing activities and financing activities in accordance with the requirements of IAS 7. Changes in financial funds due to exchange rate movements are presented separately and are not included in cash flow from operating activities, cash flow from investing activities or cash flow from financing activities.

The composition of cash and cash equivalents is discussed in Note 8 on page 251. In some countries, there are administrative hurdles to the transfer of money to the parent company.

There is a requirement that the cash flows of subsidiaries whose functional currency is that of a hyperinflationary economy be presented at current purchasing power. They are therefore adjusted using the relevant conversion factors from the date on which each respective transaction took place.

Cash flow from operating activities is calculated using the indirect method by adjusting the operating profit for non-cash items and adding cash inflows and outflows not reflected in the operating profit. The necessary adjustments to operating profit include in particular depreciation and amortization, impairment losses and write-ups of intangible assets, property, plant and equipment and assets held for sale, as well as changes in provisions, other assets and liabilities, and in net working capital. In addition, payments for income taxes are included in cash flows from operating activities.

In fiscal 2022, non-cash impairment on intangible assets, property, plant and equipment and assets held for sale reported under “Depreciation and amortization, impairment losses and write-ups of intangible assets, property, plant and equipment and assets held for sale” by which operating profit was corrected, amounted to 315 million euros (previous year: 269 million euros).

Cash flows from investing activities are calculated directly and occur essentially as a result of outflows for the purchase and inflows from the disposal of intangible assets and property, plant and equipment, subsidiaries and other business units, and other investments. This item also includes cash inflows and outflows from financial receivables from third parties and other current financial assets.

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Of the outflows for the acquisition of subsidiaries and other business units in the year under review, the entire amount was attributable to the acquisitions described in the section "Acquisitions and divestments" on pages 215 to 218. The cash inflows from proceeds on disposal of subsidiaries, other business units and investments resulted from the divestment of businesses.

The cash flow from financing activities, which is also determined directly, mainly comprises dividends paid, interest paid and received, the change in financial funds from borrowing and repaying financial liabilities and the changes in pension obligations resulting from funding activities.

The other changes in borrowings are essentially due to payments made and received in connection with our revolving short-term commercial paper financing program, which – netted – affected cash flow from financing activities to the tune of 220 million euros in fiscal 2022 (previous year: -438 million euros). Other changes in pension obligations include payment receipts of 250 million euros in fiscal 2022 constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. and an external pension fund. The prior-year reimbursement recognized in cash flow from financing activities amounted to 200 million euros.

Further explanation of the development of the individual cash flows can be found in the discussion of the financial position of the Henkel Group in the management report on page 137.

Free cash flow indicates how much cash is actually available for acquisitions and dividends, reducing debt and/or allocations to pension funds.

Reconciliation of assets and liabilities reflected in cash flow from financing activities 2021

in million euros	Derivative assets and liabilities	Receivables from Henkel Trust e.V. and other external pension funds and reimbursement rights	Provisions for pensions and similar obligations	Borrowings	Lease liabilities	Other assets and liabilities[1]	Total
At January 1, 2021	**-34**	**615**	**-551**	**-3,084**	**-560**	**-16**	**-3,630**
Changes in cash flows (Cash flow from financing activities)	57	-103	12	404	152	-4	517
Of which:							-
Net interest paid[2]	-12	–	–	29	14	-4	27
Issuance and repayment of bonds, repayment of non-current bank liabilities and other changes in borrowings[3]	69	–	–	375	–	–	444
Redemption of lease liabilities	–	–	–	–	138	–	138
Allocations to pension funds and other changes in pension obligations	–	-103	12	–	–	–	-91
Interest income/expense	12	3	-7	-29	-14	-6	-41
Additions of lease liabilities	–	–	–	–	-153	–	-153
Acquisition or disposal of subsidiaries	–	–	–	–	–	–	–
Foreign exchange effects	4	9	-12	-21	-32	–	-52
Changes in fair value	2	7	164	-108	3	–	67
Sundry	–	–	-116	–	–	–	-116
At December 31, 2021	**40**	**531**	**-510**	**-2,838**	**-604**	**-26**	**-3,407**

[1] These include commitments and entitlements relating to incidental tax expenses.
[2] Differs from the cash flow statement due to interest received presented in the cash flow from financing activities that result from cash and cash equivalents and other cash investments and due to fees and other financial charges relating to the procurement of money and loans.
[3] Differs from the cash flow statement due to currency differences and the currency results of intragroup financing and capital transactions, and changes in financial liabilities to third parties.

Reconciliation of assets and liabilities reflected in cash flow from financing activities 2022

in million euros	Derivative assets and liabilities	Receivables from Henkel Trust e.V. and other external pension funds and reimbursement rights	Provisions for pensions and similar obligations	Borrowings	Lease liabilities	Other assets and liabilities[1]	Total
At January 1, 2022	**40**	**531**	**-510**	**-2,838**	**-604**	**-26**	**-3,407**
Changes in cash flows (Cash flow from financing activities)	187	-145	13	-49	168	9	**182**
Of which:							
Net interest paid[2]	-4	–	–	37	18	9	**60**
Issuance and repayment of bonds, repayment of non-current bank liabilities and other changes in borrowings[3]	191	–	–	-78	–	–	**113**
Redemption of lease liabilities	–	–	–	–	149	–	**149**
Allocations to pension funds and other changes in pension obligations	–	-145	13	–	–	–	**-132**
Payments for the acquisition of treasury shares[4]				-8			**-8**
Interest income/expense	8	4	-7	-43	-18	0	**-57**
Additions of lease liabilities	–	–	–	–	-204	–	**-204**
Acquisition or disposal of subsidiaries	–	–	–	–	-3	–	**-3**
Foreign exchange effects	-3	7	-16	-12	-19	–	**-42**
Changes in fair value	-106	-23	78	34	-7	–	**-24**
Sundry	-4	–	25	–	7	–	**28**
At December 31, 2022	**122**	**374**	**-417**	**-2,907**	**-681**	**-18**	**-3,526**

[1] These include commitments and entitlements relating to incidental tax expenses.
[2] Differs from the cash flow statement due to interest received presented in the cash flow from financing activities that result from cash and cash equivalents and other cash investments and due to fees and other financial charges relating to the procurement of money and loans.
[3] Differs from the cash flow statement due to currency differences and the currency results of intragroup financing and capital transactions, and changes in financial liabilities to third parties.
[4] The outstanding payment obligation relating to the acquisition of treasury shares amounted to 8 million euros (previous year: 0 million euros).

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40 Contingent liabilities

Compared to provisions, contingent liabilities are prone to much greater uncertainty as they represent either a potential obligation or a current obligation where payment is unlikely or the amount of the obligation cannot be estimated with sufficient reliability.

Estimating the financial impact from contingent liabilities pertaining to risks arising from legal disputes and proceedings that do not meet the criteria for recognition as provisions is not expedient due to the uncertainty surrounding the likelihood of resolution and amount of resource outflow involved.

Within the Henkel Group, contingent liabilities also exist with respect to guarantee and warranty agreements and to guarantees assumed with respect to public authorities. At December 31, 2022, these contingent liabilities amounted to 6 million euros (previous year: 14 million euros).

41 Other unrecognized financial commitments

As of the end of 2022, commitments arising from orders for property, plant and equipment amounted to 116 million euros (previous year: 118 million euros).

As of the reporting date, payment commitments under the terms of agreements for capital increases and share purchases contracted prior to December 31, 2022 amounted to 29 million euros (previous year: 15 million euros).

42 Related party disclosures

Related parties as defined by IAS 24 Related Party Disclosures are legal entities or natural persons who may be able to exert influence on Henkel AG & Co. KGaA and its subsidiaries, or be subject to control or significant influence by Henkel AG & Co. KGaA or its subsidiaries. These mainly include all members of the Henkel family share-pooling agreement together, the non-consolidated subsidiaries, the associates, and the members of the corporate bodies of Henkel AG & Co. KGaA. Related parties as defined in IAS 24 also include Henkel Trust e.V. and Metzler Trust e.V.

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Henkel AG & Co. KGaA, Düsseldorf, has been notified that the members of the Henkel family share-pooling agreement together held the majority of voting rights in Henkel AG & Co. KGaA (ISIN DE0006048408) as of the reporting date. The voting rights are held by

- 141 members of the families of the descendants of Fritz Henkel, the company's founder,
- 18 foundations set up by members of those families,
- three trusts set up by members of those families,
- two private limited companies (GmbH) set up by members of those families, and 12 limited partnerships with a limited company as general partner (GmbH & Co. KG),

under a share-pooling agreement as defined in Section 34 (2) German Securities Trading Act [WpHG].

No party to the share-pooling agreement is obliged to notify that it has reached or exceeded 3 percent or more of the total voting rights in Henkel AG & Co. KGaA, whether with or without the addition of voting rights expressly granted under the terms of usufruct agreements.

Dr. Simone Bagel-Trah, Germany, is the authorized representative of the parties to the Henkel family share-pooling agreement.

Together, the members of the Henkel family share-pooling agreement represent the ultimate controlling party of the Henkel Group as defined in IAS 24. No business transactions took place between Henkel and this party in fiscal 2022 nor in the previous year.

Accounts receivable from and payable to non-consolidated subsidiaries and associated companies are indicated in Note 3 on pages 246 and 247, and in Note 19 on page 273.

Further detailed information on the remuneration paid to the members of the corporate bodies can be found in the remuneration report compiled by the Management Board and the Supervisory Board in accordance with Section 162 AktG. As was also the case last year, no further material business transactions took place between the corporation and members of the Management Board, Supervisory Board and Shareholders' Committee.

Henkel Trust e.V. and Metzler Trust e.V., as parties to relevant contractual trust arrangements (CTA), hold the assets required to cover the corporation's pension obligations in Germany. The claim on Henkel Trust e.V. for reimbursement of pension payments made is shown under other financial assets (Note 3 on pages 246 and 247). The receivable does not bear interest.

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43 Exercise of exemption options

The following German companies included in the consolidated financial statements of Henkel AG & Co. KGaA exercised exemption options in fiscal 2022:

- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [HGB])
- Henkel Loctite-KID GmbH, Hagen (Section 264 (3) HGB)
- Henkel IP Management and IC Services GmbH, Monheim (Section 264 (3) HGB)
- Sonderhoff Holding GmbH, Cologne (Section 264 (3) HGB)

The Dutch company Henkel Nederland B.V., Nieuwegein, exercised the exemption option afforded in Article 2:403 of the Civil Code of the Netherlands.

44 Remuneration of the corporate bodies

The total remuneration of the members of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA amounted to 1,630,164 euros (previous year: 1,545,356 euros) and 2,350,000 euros (previous year: 2,350,000 euros) respectively. The total remuneration (Section 285 No. 9a and Section 314 (1) No. 6a HGB) of the Management Board, i.e. members of the Management Board of Henkel Management AG, amounted to 23,686,594 euros (previous year: 27,717,410 euros).

Management Board remuneration essentially consists of a fixed basic remuneration and other non-performance-related emoluments, an variable annual remuneration (Short Term Incentive, STI), and a variable cash remuneration based on the long-term performance of the company (Long Term Incentive, LTI). Management Board members are also granted pension commitments under a defined contribution plan or can opt for lump-sum pension payments. The non-performance-related emoluments include fringe benefits and benefits in kind that are commensurate with market conditions and directly related to Management Board activity.

The performance-related Short Term Incentive provides for remuneration in line with achievement within a one-year performance measurement period of targets set for the performance of both the corporation and the individual Management Board members. The performance of the corporation is measured in terms of organic sales growth (OSG) and adjusted earnings per preferred share (EPS) at constant exchange rates, which are equally weighted in the determination of target achievement. EPS for remuneration calculation purposes was additionally adjusted in the reporting year for the one-time effect of the share buyback program. The multiplier for individual performance reflects the absolute and relative performance of the business unit for

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which each officer is responsible compared to market/competition performance, their individual contribution to implementing strategic priorities and achieving sustainability targets, and the attainment of specific individual targets. The Share Ownership Guideline specifies that Management Board members are obligated to invest part of the Short Term Incentive in Henkel preferred shares and to hold them for a reasonably lengthy period. Details of this share deferral are discussed in Note 36 on page 324.

Under the Long Term Incentive plan, Management Board members are awarded cash remuneration based on average target achievement with regard to adjusted return on capital employed (ROCE) over the three-year performance measurement period (remuneration year and the two following fiscal years). A separate target is set for each of the three years in the performance measurement period.

The performance-related components of remuneration also consider the functional factors of the individual Management Board members, which reflect the complexity and significance of the business units for which they are responsible. A cap has been defined for the individual variable components of remuneration and the total compensation payable including other emoluments and pension contributions.

Provisions for pension obligations to former members of the Management Board and the management of Henkel KGaA, as well as the former management of its legal predecessor and surviving dependents, amounted to 99,041,840 euros (previous year: 114,506,524 euros). The total remuneration (Section 285 No. 9b HGB and Section 314 (1) No. 6b HGB) of this group of persons, including the tranches of the Long Term Incentive or discretionary allowance paid to departing Management Board members in the reporting year and a compensation payment made in connection with premature departure from the Management Board, together amounted to 19,397,202 euros in the reporting year (previous year: 12,955,798 euros).

Members of the Supervisory Board and the Shareholders' Committee receive a fixed fee in cash. Supervisory Board members also receive attendance fees. Those members of the Supervisory Board elected as employee representatives are paid a salary that is commensurate with the market, as well as the fixed fee and attendance fees.

The following expenditure was recognized in fiscal 2022 under IFRSs for remuneration paid to members of the Management Board, Supervisory Board and Shareholders' Committee in office in the year under review:

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Remuneration of the corporate bodies

in euros	2021	2022
Management Board remuneration		
Short-term remuneration[1]	24,676,690	**20,310,094**
Of which: share-based remuneration (share deferral)	5,997,889	**3,670,586**
Other long-term remuneration (Long Term Incentive)	5,862,490	**3,558,448**
Service cost of pension obligations	2,721,523	**2,052,646**
Remuneration paid in connection with termination of employment	3,185,000	**10,162,500**
Total	36,445,703	**36,083,688**
Supervisory Board remuneration		
Fixed fee and attendance fee[2]	1,545,356	**1,630,164**
Shareholders' Committee remuneration		
Fixed fee[2]	2,350,000	**2,350,000**
Total expenses relating to the corporate bodies	40,341,059	**40,063,852**

[1] Fixed remuneration, other emoluments, Short Term Incentive, lump-sum pension payouts, one-time special payments.
[2] Including committee activity.

The defined benefit obligation (DBO) outstanding as at December 31, 2022 from pension schemes for Management Board members in office amounted to 21,949,198 euros (previous year: 26,061,729 euros). For the Short Term Incentive and the Long Term Incentive for the Management Board, provision had been accrued or obligations recorded in equity in the amount of 24,726,097 euros as of the reporting date (previous year: 30,626,475 euros).

The Share Ownership Guideline specifies that Management Board members are obligated to invest a total of 1,835,294 euros in Henkel preferred shares from the 2022 Short Term Incentive payout. Henkel preferred shares will be purchased on the stock exchange on the first trading day of the month following the Annual General Meeting 2023 at the then prevailing market price. Based on the Xetra closing price on December 30, 2022 of 65.02 euros per Henkel preferred share (previous year: 71.14 euros), this corresponds to a total number of 28,224 Henkel preferred shares (previous year: 42,152).

Further discussion of the remuneration paid to the individual members who served on the Management Board, Supervisory Board and Shareholders' Committee in the year under review can be found in the audited remuneration report, which is published separately.

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45 Declaration of compliance with the German Corporate Governance Code

In February 2022, the Management Board of Henkel Management AG, and the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA approved a joint declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act [AktG]. The declaration has been made permanently available to shareholders on the company website: **www.henkel.com/ir**

46 Subsidiaries and other investments

Details relating to the investments held by Henkel AG & Co. KGaA and the Henkel Group, which are part of these financial statements, are provided in a separate schedule appended to these notes to the consolidated financial statements but not included in this version of the Annual Report. Said schedule is included in the accounting record submitted for publication in the Federal Gazette and can be viewed there. The schedule is also published on our website: **www.henkel.com/reports**

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47 Auditor's fees and services

The following table lists the total fees charged to the Group for services provided by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and other companies of the worldwide PwC network for fiscal 2022 and the previous year:

Type of fee

in million euros	2021	Of which: Germany	2022	Of which: Germany
Audit services	9.7	3.3	**11.0**	**3.8**
Other attestation services	0.2	0.2	**0.4**	**0.3**
Tax advisory services	0.5	0.1	**–**	**–**
Other services	0.3	0.3	**–**	**–**
Total	**10.7**	**3.9**	**11.4**	**4.1**

The financial statement auditing services relate primarily to the statutory audits of the annual and consolidated financial statements of Henkel AG & Co. KGaA, together with various audits of annual financial statements of its subsidiaries. Reviews of interim financial statements were also included in the audit mandate.

The other attestation services mainly related to the audit of non-financial reporting and sustainability-related disclosures and the audit of the remuneration report.

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SUBSEQUENT EVENTS

After December 31, 2022, there were no reportable events of particular significance for the net assets, financial position and results of operations of the Henkel Group.

Düsseldorf, February 7, 2023

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board
Carsten Knobel,
Mark Dorn, Wolfgang König, Sylvie Nicol, Marco Swoboda

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Recommendation for the approval of the annual financial statements and the appropriation of the profit of Henkel AG & Co. KGaA

It is proposed that the annual financial statements of Henkel AG & Co. KGaA be approved as presented and that the unappropriated profit of 1,741,912,480.98 euros for fiscal 2022 be applied as follows:

a)	Payment of a dividend for fiscal 2022 of 1.83 euros per eligible ordinary share (256,882,347 shares)	= 470,094,695.01 euros
b)	Payment of a dividend for fiscal 2022 of 1.85 euros per eligible preferred share (165,208,354 shares)	= 305,635,454.90 euros
c)	Carried forward as retained earnings	= 966,182,331.07 euros
		1,741,912,480.98 euros

The proposal for appropriation of the profit allows for the 2,913,528 ordinary shares and 12,954,521 preferred shares held directly or indirectly as treasury stock by the corporation as of December 31, 2022. According to Section 71b German Stock Corporation Act [AktG], treasury shares do not qualify for dividends. If the number of shares qualifying for dividends for fiscal 2022 changes between now and the Annual General Meeting, a correspondingly adapted proposal for the appropriation of profit will be submitted to the Annual General Meeting providing for an unchanged payout of 1.83 euros per eligible ordinary share and 1.85 euros per eligible preferred share, with corresponding adjustment of the payout totals and of retained earnings carried forward.

Pursuant to Section 58 (4) sentence 2 AktG, dividends are payable on the third business day following the resolution in the Annual General Meeting, i.e. on Thursday, April 27, 2023.

Düsseldorf, February 7, 2023

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board

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CORPORATE BODIES OF HENKEL AG & CO. KGAA

Boards/memberships as defined by Section 125 (1) sentence 5 German Stock Corporation Act [AktG] as at February 2023

Honorary Chair of the Henkel Group: Dipl.-Ing. Albrecht Woeste

Supervisory Board of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf
Born: January 10, 1969
Member since: April 14, 2008
Elected until: 2024
Memberships:
Henkel AG & Co. KGaA
(Shareholders' Committee, Chair)[2]
Henkel Management AG (Chair)[1]
Bayer AG[1]
Heraeus Holding GmbH[1]

Birgit Helten-Kindlein*
Vice Chair,
Chair of the General Works Council of Henkel AG & Co. KGaA and Chair of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Born: February 16, 1964
Member since: April 14, 2008
Elected until: 2023

Michael Baumscheiper*
Member of the General Works Council of Henkel AG & Co. KGaA and Chair of the Works Council of Henkel AG & Co. KGaA, Hamburg site
Born: September 3, 1966
Member since: December 11, 2020
Elected until: 2023

Jutta Bernicke*
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Born: January 26, 1962
Member since: April 14, 2008
Elected until: 2023

Lutz Bunnenberg
Private Investor, Munich
Born: November 16, 1973
Member since: June 17, 2020
Elected until: 2024

Benedikt-Richard Freiherr von Herman
Private Investor, Wain
Born: October 4, 1972
Member since: April 11, 2016
Elected until: 2024

Prof. Dr. sc. nat. Michael Kaschke
Former Chair of the Executive Board, Carl Zeiss AG, Oberkochen
Born: June 18, 1957
Member since: April 14, 2008
Elected until: 2024
Memberships:
Ottobock Management SE[1]
Robert Bosch GmbH[1]

Barbara Kux
Private Investor, Zurich, Switzerland
Born: February 26, 1954
Member since: July 3, 2013
Elected until: 2024
Membership:
Firmenich S.A. (Vice Chair), Switzerland[2]

* Employee representatives.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

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Simone Menne
Private Investor, Kiel
Born: October 7, 1960
Member since: June 17, 2020
Elected until: 2024
Memberships:
Deutsche Post AG[1]
Johnson Control International plc., Ireland[2]
Russel Reynolds Associates Inc., USA[2]

Andrea Pichottka*
Managing Director, IG BCE Bonusagentur GmbH, Hannover
Managing Director, IG BCE Bonusassekuranz GmbH, Hannover
Born: November 21, 1959
Member since: October 26, 2004
Elected until: 2023

Philipp Scholz
Adjunct Professor at Humboldt University Berlin, Berlin
Born: February 18, 1967
Member since: April 9, 2018
Elected until: 2024

Dr. rer. nat. Martina Seiler*
Chemist, Duisburg
Member of the Senior Staff Representative Committee of Henkel AG & Co. KGaA
Born: April 14, 1971
Member since: January 1, 2012
Elected until: 2023

Dirk Thiede*
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Born: December 3, 1969
Member since: April 9, 2018
Elected until: 2023

Edgar Topsch*
Member of the General Works Council of Henkel AG & Co. KGaA and Vice Chair of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Born: September 16, 1960
Member since: August 1, 2010
Elected until: 2023

Michael Vassiliadis*
Chair of IG BCE, Hannover
Born: March 13, 1964
Member since: April 9, 2018
Elected until: 2023
Memberships:
BASF SE[1]
RAG AG (Vice Chair)[1]
STEAG GmbH[1]
Vivawest GmbH[1]

Poul Weihrauch
(since April 4, 2022)
CEO/Office of the President, Mars Inc., McLean, Virginia, USA
Born: June 19, 1968
Member since: April 4, 2022
Elected until: 2024

* Employee representatives.
[1] Membership of statutory supervisory and administrative boards in Germany.
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Committees of the Supervisory Board

Nominations Committee

Functions
The Nominations Committee prepares the resolutions of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members of the Supervisory Board (representatives of the shareholders).

Members
Dr. Simone Bagel-Trah, Chair
Benedikt-Richard Freiherr von Herman, Vice Chair
Barbara Kux

Audit Committee

Functions
The Audit Committee prepares the proceedings and resolutions of the Supervisory Board relating to the approval of the annual financial statements and the consolidated financial statements, and relating to ratification of the proposal to be put before the Annual General Meeting regarding appointment of the auditor. It also deals with accounting, risk management and compliance issues.

Members
Prof. Dr. Michael Kaschke, Chair
Simone Menne, Vice Chair
Dr. Simone Bagel-Trah
Birgit Helten-Kindlein
Edgar Topsch
Michael Vassiliadis

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Shareholders' Committee of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf
Born: January 10, 1969
Member since: April 18, 2005
Elected until: 2024
Memberships:
Henkel AG & Co. KGaA (Chair)[1]
Henkel Management AG (Chair)[1]
Bayer AG[1]
Heraeus Holding GmbH[1]

Dr. rer. pol. h.c. Christoph Henkel
(until April 4, 2022)
Vice Chair,
Private Investor, London, UK
Born: February 11, 1958
Member from: May 27, 1991
Membership:
Canyon Equity LLC, USA[2]

Konstantin von Unger
Vice Chair,
Partner, Cowen Germany AG, London, UK
Born: September 5, 1966
Member since: April 14, 2003
Elected until: 2024

Dr. rer. pol. HSG Paul Achleitner
Former Chair of the Supervisory Board,
Deutsche Bank AG, Munich
Born: September 28, 1956
Member since: April 30, 2001
Elected until: 2024
Membership:
Bayer AG[1]

Alexander Birken
Chair of the Management Board,
Otto Group (GmbH & Co. KG), Hamburg
Born: November 13, 1964
Member since: June 17, 2020
Elected until: 2024
Memberships:
C&A AG, Switzerland[2]
Otto Group:
Hermes Germany GmbH[1]
Crate & Barrel Holdings, Inc. (Chair), USA[2]
EDI Sourcing, LLC, USA[2]
Euromarket Design, Inc., USA[2]

Kaspar von Braun, Ph.D.
(since April 4, 2022)
Astrophysicist, Pasadena, USA
Born: February 12, 1971
Member since: April 4, 2022
Elected until: 2024

Johann-Christoph Frey
Private Investor, Klosters, Switzerland
Born: November 26, 1955
Member since: April 9, 2018
Elected until: 2024
Memberships:
Henkel Management AG[1]
Antai Venture Builder S.L., Spain[2]

Dr. rer. oec. Christoph Kneip
Tax Consultant, Düsseldorf
Born: February 8, 1962
Member since: June 17, 2020
Elected until: 2024
Memberships:
Arenberg Schleiden GmbH[2]
Arenberg Recklinghausen GmbH[2]
Rheinische Bodenverwaltung AG[1]

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer
Chair of the Supervisory Board of
Bayerische Motoren Werke
Aktiengesellschaft, Munich
Born: May 29, 1956
Member since: April 11, 2011
Elected until: 2024
Memberships:
Henkel Management AG[1]
Bayerische Motoren Werke
Aktiengesellschaft (Chair)[1]

James Rowan
Chief Executive Officer & President Volvo Car AB, Gothenburg, Sweden
Born: October 14, 1965
Member since: April 16, 2021
Elected until: 2024
Memberships:
Link & Co. International AB, Sweden[2]
Polestar Automotive Holding UK PLC, UK[2]
Zenseact AB, Sweden[2]

Jean-François van Boxmeer
Chair of the Board of Directors of
Vodafone Group plc., London, UK
Born: September 12, 1961
Member since: April 15, 2013
Elected until: 2024
Memberships:
Heineken Holding N.V., Netherlands[2]
Vodafone Group plc. (Chair), UK[2]

[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

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Committees of the Shareholders’ Committee

Finance Committee

Functions
The Finance Committee deals principally with financial matters, accounting issues including the statutory year-end audit, taxation and accounting policy, internal auditing, and risk management in the corporation.

Members
Konstantin von Unger, Chair
Dr. Christoph Kneip, Vice Chair
Dr. Paul Achleitner
Kaspar von Braun, Ph.D.
James Rowan

Personnel Committee

Functions
The Personnel Committee deals principally with personnel matters relating to members of the Management Board, issues pertaining to human resources strategy, and with remuneration.

Members
Dr. Simone Bagel-Trah, Chair
Johann-Christoph Frey, Vice Chair
Alexander Birken
Dr. Dr. Norbert Reithofer
Jean-François van Boxmeer

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Management Board of Henkel Management AG*

Carsten Knobel
Chair of the Management Board
Born: January 11, 1969
Member since: July 1, 2012
Membership:
Deutsche Lufthansa AG[1]

Jan-Dirk Auris
(until December 31, 2022)
Adhesive Technologies
Born: February 1, 1968
Member from: January 1, 2011

Mark Dorn
(since February 1, 2023)
Adhesive Technologies
Born: January 31, 1973
Member since: February 1, 2023

Wolfgang König
Consumer Brands (since January 1, 2023)
(Beauty Care until December 31, 2022; Laundry & Home Care from October 1, 2022, until December 31, 2022)
Born: May 2, 1972
Member since: June 1, 2021

Sylvie Nicol
Human Resources/Infrastructure Services
Born: February 28, 1973
Member since: April 9, 2019
Membership:
Henkel Central Eastern Europe GmbH, Austria[2]

Bruno Piacenza
(until September 30, 2022)
Laundry & Home Care
Born: December 22, 1965
Member from: January 1, 2011

Marco Swoboda
Finance
Born: September 23, 1971
Member since: January 1, 2020
Memberships:
Henkel Central Eastern Europe GmbH (Chair), Austria[2]
Henkel Global Supply Chain BV (Chair), Netherlands[2]
Henkel South Africa (Pty.) Ltd. (Chair), South Africa[2]

Supervisory Board of Henkel Management AG*

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf
Born: January 10, 1969
Member since: February 15, 2008
Elected until: 2024
Memberships:
Henkel AG & Co. KGaA (Chair)[1]
Henkel AG & Co. KGaA (Shareholders' Committee, Chair)[2]
Bayer AG[1]
Heraeus Holding GmbH[1]

Johann-Christoph Frey
Vice Chair,
Private Investor, Klosters, Switzerland
Born: November 26, 1955
Member since: June 22, 2020
Elected until: 2024
Memberships:
Henkel AG & Co. KGaA (Shareholders' Committee)[2]
Antai Venture Builder S.L., Spain[2]

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer
Chair of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft, Munich
Born: May 29, 1956
Member since: June 22, 2020
Elected until: 2024
Memberships:
Henkel AG & Co. KGaA (Shareholders' Committee)[2]
Bayerische Motoren Werke Aktiengesellschaft (Chair)[1]

* Personally Liable Partner of Henkel AG & Co. KGaA.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

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INDEPENDENT AUDITOR'S REPORT

To Henkel AG & Co. KGaA, Düsseldorf

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Henkel AG & Co. KGaA, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Henkel AG & Co. KGaA, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.
  Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations

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relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Recoverability of goodwill and trademarks and other rights with indefinite useful lives**
2. **Recognition and measurement of pension provisions**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

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Hereinafter we present the key audit matters:

1. Recoverability of goodwill and trademarks and other rights with indefinite useful lives

1. In the consolidated financial statements of Henkel AG & Co. KGaA, goodwill amounting to € 13.6 billion in total (41.1 % of consolidated total assets) is reported, and trademarks and other rights with indefinite useful lives amounting to € 3.0 billion in total (8.9 % of consolidated total assets) are reported under the line item "Other intangible assets" of the balance sheet.

   Goodwill and trademarks and other rights with indefinite useful lives are tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment tests are performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill and trademarks and other rights with indefinite useful lives are allocated. The carrying amount of the relevant (group of) cash-generating units, including the respective allocated goodwill and trademarks and other rights with indefinite useful lives, are compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined on the basis of fair value less costs of disposal. The valuation to determine the fair value less costs of disposal carried out for the purposes of the impairment tests is based on the present values of the future cash flows derived from the financial planning for the financial year 2023 prepared by the executive directors and acknowledged by the supervisory board which is extrapolated for subsequent years based on assumptions. Expectations relating to future market developments and country-specific assumptions about the development of macroeconomic factors, as well as the effects of geopolitical and economic upheavals on the business activities of the Henkel Group are also taken into account. Present values are calculated using discounted cash flow models. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment test determined that no write-downs were necessary. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows of the cash-generating units, and on the respective discount rates, rates of growth and other assumptions employed. The valuation is therefore, among others also against the background of the effects of geopolitical and economic upheavals, subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

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2. As part of our audit we assessed, among other things, the methodology used for the purpose of the impairment tests and evaluated the calculation of the weighted average cost of capital. In addition, we assessed whether the future cash inflows underlying the valuation together with the weighted average cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things by comparing this data with the Group's extrapolated financial planning, by reconciling it against general and sector-specific market expectations, and on the basis of the executive directors' explanations regarding key planning value drivers. In addition, we assessed the executive directors' assessment of the effects of the geopolitical and economic upheavals on the business activities of the Henkel Group and understood their consideration in the determination of future cash flows. In this context, we also assessed the appropriate consideration of the costs of Group functions in the respective cash-generating unit. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the fair values less costs of disposal calculated in this way, we also focused our assessment on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to assess any impairment risk (lower recoverable amount versus carrying amount) relating to any potential change in a material assumption underlying the valuation. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill and trademarks and other rights with indefinite useful lives are contained in the notes to the consolidated financial statements in the section entitled "Notes to the consolidated balance sheet", note "(1) Goodwill and other intangible assets".

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2. Recognition and measurement of pension provisions

1. Pension provisions amounting to € 0.4 billion are reported in the consolidated financial statements of Henkel AG & Co. KGaA under the balance sheet item "Provisions for pensions and similar obligations". The pension provisions comprise pension obligations amounting to € 3.8 billion, plan assets of € 3.6 billion and a reported surplus of plan assets over benefit obligations of € 0.2 billion. The obligations from defined benefit pension plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy and staff turnover. The average life expectancy is calculated for Germany as at 31 December 2022 based on the mortality tables published by Heubeck-Richttafeln GmbH (Heubeck-Richttafeln RT 2018 G). Country-specific mortality tables are used to calculate obligations outside of Germany. The discount rates must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value, which in turn involves estimation uncertainties.

   From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

2. As part of our audit, we firstly assessed whether the criteria for recognition as defined benefit or defined contribution pension commitments were met and evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the audit of the fair value of the plan assets, we obtained bank and fund confirmations and assessed the methods on which the respective valuation was based and the valuation parameters applied.

   Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

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3. The Company's disclosures relating to the pension provisions are contained in the notes to the consolidated financial statements in the section entitled "Notes to the consolidated balance sheet" in note "(16) Provisions for pensions and similar obligations".

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB as an unaudited part of the group management report.

The other information comprises further

- the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

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- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Henkel_KA+KLB_ESEF-2023-02-07.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

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In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

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GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 4 April 2022. We were engaged by the supervisory board on 3 May 2022. We have been the group auditor of Henkel AG & Co. KGaA, Düsseldorf, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

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Reference to another matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Michael Reuther.

Düsseldorf, February 7, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels German Public Auditor	**Michael Reuther** German Public Auditor

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RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group, which is combined with the management report of Henkel AG & Co. KGaA, includes a fair review of the development, performance and results of the business and the position of the Group, together with a cogent description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, February 7, 2023

Henkel Management AG

Management Board
Carsten Knobel,
Mark Dorn, Wolfgang König, Sylvie Nicol, Marco Swoboda

QUARTERLY BREAKDOWN OF SALES

	1st quarter		2nd quarter		Half year		3rd quarter		4th quarter		Full year	
in million euros	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Adhesive Technologies	2,358	**2,631**	2,394	**2,836**	4,752	**5,467**	2,442	**2,995**	2,446	**2,780**	9,641	**11,242**
Change versus previous year	6.7%	**11.6%**	23.1%	**18.5%**	14.4%	**15.0%**	7.1%	**22.6%**	8.7%	**13.6%**	11.0%	**16.6%**
Adjusted for foreign exchange	13.5%	**10.0%**	28.8%	**12.8%**	20.6%	**11.4%**	7.5%	**14.9%**	6.5%	**9.5%**	13.5%	**11.8%**
Organic	13.0%	**10.7%**	28.5%	**13.7%**	20.2%	**12.2%**	7.0%	**16.8%**	7.1%	**11.5%**	13.4%	**13.2%**
Beauty Care	925	**892**	914	**950**	1,839	**1,842**	934	**1,013**	905	**920**	3,678	**3,775**
Change versus previous year	-1.1%	**-3.5%**	3.5%	**3.9%**	1.1%	**0.2%**	-6.5%	**8.4%**	-3.2%	**1.7%**	-2.0%	**2.6%**
Adjusted for foreign exchange	4.3%	**-3.6%**	8.4%	**-1.0%**	6.3%	**-2.3%**	-5.4%	**2.5%**	-4.2%	**-2.8%**	0.6%	**-1.2%**
Organic	2.3%	**-1.2%**	8.2%	**2.1%**	5.2%	**0.4%**	-3.0%	**0.9%**	-1.4%	**-3.9%**	1.4%	**-0.5%**
Laundry & Home Care	1,656	**1,692**	1,619	**1,802**	3,275	**3,494**	1,680	**1,902**	1,650	**1,756**	6,605	**7,152**
Change versus previous year	-5.6%	**2.2%**	-5.1%	**11.3%**	-5.3%	**6.7%**	-0.8%	**13.2%**	6.3%	**6.4%**	-1.5%	**8.3%**
Adjusted for foreign exchange	4.0%	**4.0%**	3.4%	**8.0%**	3.7%	**5.9%**	2.1%	**7.7%**	6.2%	**2.8%**	3.9%	**5.6%**
Organic	4.1%	**4.9%**	3.6%	**10.1%**	3.9%	**7.4%**	2.0%	**7.3%**	5.9%	**2.9%**	3.9%	**6.3%**
Corporate	30	**56**	31	**54**	61	**110**	35	**65**	47	**53**	142	**228**
Henkel Group	**4,968**	**5,271**	**4,958**	**5,642**	**9,926**	**10,913**	**5,092**	**5,976**	**5,047**	**5,509**	**20,066**	**22,397**
Change versus previous year	**0.8%**	**6.1%**	**8.8%**	**13.8%**	**4.7%**	**9.9%**	**1.9%**	**17.3%**	**5.9%**	**9.1%**	**4.2%**	**11.6%**
Adjusted for foreign exchange	**8.3%**	**5.9%**	**15.3%**	**9.1%**	**11.7%**	**7.5%**	**3.2%**	**10.7%**	**4.7%**	**5.1%**	**7.7%**	**7.7%**
Organic	**7.7%**	**7.1%**	**15.2%**	**10.9%**	**11.3%**	**8.9%**	**3.5%**	**11.3%**	**5.4%**	**6.0%**	**7.8%**	**8.8%**

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MULTI-YEAR SUMMARY

in million euros		2016	2017	2018	2019	2020	2021[1]	2022
Results of operations								
Sales		18,714	20,029	19,899	20,114	19,250	20,066	**22,397**
Adhesive Technologies		8,961	9,387	9,403	9,461	8,684	9,641	**11,242**
Beauty Care		3,838	3,868	3,950	3,877	3,752	3,678	**3,775**
Laundry & Home Care		5,795	6,651	6,419	6,656	6,704	6,605	**7,152**
Corporate		121	123	128	121	110	142	**228**
Gross margin		47.9	46.7	46.0	45.9	46.1	44.7	**41.8**
Research and development expenses		463	476	484	499	501	727	**570**
Operating profit (EBIT)		2,775	3,055	3,116	2,899	2,019	2,213	**1,810**
Adhesive Technologies		1,561	1,657	1,669	1,631	1,248	1,524	**1,500**
Beauty Care		526	535	589	418	246	77	**3**
Laundry & Home Care		803	989	970	973	688	797	**455**
Corporate		-115	-126	-112	-123	-162	-185	**-149**
Income before tax		2,742	2,988	3,051	2,811	1,925	2,149	**1,689**
Tax rate		23.7%	15.0%	23.6%	25.2%	26.0%	24.2%	**25.8%**
Net income		2,093	2,541	2,330	2,103	1,424	1,629	**1,253**
Attributable to shareholders of Henkel AG & Co. KGaA		2,053	2,519	2,314	2,085	1,408	1,634	**1,259**
Earnings per preferred share (EPS)	in euros	4.74	5.81	5.34	4.81	3.25	3.78	**2.95**
Net return on sales[2]		11.2%	12.7%	11.7%	10.5%	7.4%	8.1%	**5.6%**
Net assets								
Total assets		27,951	28,339	29,562	31,409	30,238	32,674	**33,178**
Non-current assets		19,738	19,864	20,879	22,279	20,906	22,264	**22,753**
Current assets		8,213	8,475	8,683	9,130	9,332	10,410	**10,425**
Equity		15,185	15,647	16,999	18,611	17,870	19,794	**20,157**
Liabilities		12,766	12,692	12,563	12,798	12,368	12,879	**13,022**
Equity ratio		54.3%	55.2%	57.5%	59.3%	59.1%	60.6%	**60.8%**
Return on equity[3]		15.2%	16.7%	14.9%	12.4%	7.6%	9.1%	**6.3%**
Leverage		0.9	0.9	0.8	0.8	0.6	0.4	**0.8**

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in million euros		2016	2017	2018	2019	2020	2021[1]	2022
Financial position								
Cash flow from operating activities		2,850	2,468	2,698	3,241	3,080	2,141	**1,247**
Capital expenditures		4,430	2,511	1,104	1,262	1,220	802	**716**
Investment ratio	as % of sales	23.7	12.5	5.5	6.3	6.3	4.0	**3.2**
Shares								
Dividend per ordinary share	in euros	1.60	1.77	1.83	1.83	1.83	1.83	**1.83[4]**
Dividend per preferred share	in euros	1.62	1.79	1.85	1.85	1.85	1.85	**1.85[4]**
Total dividends[5]		704	779	805	805	805	798	**776[4]**
Payout ratio[5]		30.3%	30.7%	30.9%	34.2%	43.7%	40.5%	**46.6%**
Share price, ordinary shares, at year-end[7]	in euros	98.98	100.00	85.75	84.00	78.85	68.70	**60.25**
Share price, preferred shares, at year-end[7]	in euros	113.25	110.35	95.40	92.20	92.30	71.14	**65.02**
Market capitalization at year-end[7,8]	in bn euros	45.9	45.6	39.3	38.2	36.9	30.5	**27.2**
Employees								
Total[6]	(at December 31)	51,350	53,700	53,000	52,450	52,950	52,450	**51,200**
Germany		8,250	8,300	8,500	8,550	8,700	8,700	**8,550**
Abroad		43,100	45,400	44,500	43,900	44,250	43,750	**42,650**

[1] Prior-year figures amended following update of purchase price allocation in respect of the shares in Swania International S.A.

[2] Net income divided by sales.

[3] Net income divided by equity at the start of the year.

[4] Proposal to shareholders for the Annual General Meeting on April 24, 2023.

[5] Since fiscal 2021 calculated based on the number of shares qualifying for dividends as of December 31, 2022.

[6] Basis: permanent employees excluding trainees.

[7] Closing share prices, Xetra trading system.

[8] Based on the total number of shares outstanding.

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GLOSSARY

Adjusted EBIT
Earnings Before Interest and Taxes (EBIT) adjusted for exceptional items in the form of one-time expenses and income, and for restructuring expenses.

Capital employed
Capital invested in company assets and operations.

Compliance
Acting in conformity with applicable regulations; adherence to laws, rules, regulations and in-house or corporate codes of conduct.

Compound annual growth rate
Year-over-year rate of growth, e.g. of an investment.

Corporate governance
System of management and control, primarily within listed companies. Describes the powers and authority of corporate management, the extent to which these need to be monitored and the extent to which structures should be put in place through which certain interest/stakeholder groups may exert influence on the corporate management.

Corporate Governance Code
The German Corporate Governance Code (GCGC; German abbreviation DCGK) is intended to render the rules governing corporate management and control for a stock corporation in Germany transparent for national and international investors, engendering trust and confidence in the corporate management of German companies.

Credit default swap
A financial contract in which the issuer of a bond insures the buyer's potential losses in the event of the issuer defaulting. Instrument used by Henkel to evaluate the credit risks of banks.

Credit facility
Aggregate of all loan services available on call from one or several banks as cover for an immediate credit requirement.

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Declaration of compliance
Declaration made by the management/executive board and supervisory board of a company according to Section 161 German Stock Corporation Act [AktG], confirming implementation of the recommendations of the Governmental Commission for the German Corporate Governance Code.

Defined contribution plans/Defined contribution pension system
Post-employment benefit plans under which an entity pays fixed contributions into a separate, independent fund and is subject to no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

Derivative
Financial instrument, the value of which changes in response to changes in an underlying asset or an index, which will be settled at a future date and which initially requires only a small or no investment.

Earnings per share (EPS)
Net profit divided by the number of shares outstanding. Metric indicating the income of a joint stock corporation divided between the weighted average number of its shares outstanding. The calculation is performed in accordance with International Accounting Standard (IAS) 33.

EBIT
Abbreviation for Earnings Before Interest and Taxes. Standard profit metric that enables the earning power of the operating business activities of a company to be assessed independently of its financial structure, facilitating comparability between entities where these are financed by varying levels of debt capital.

EBITDA
Abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortization; impairment losses and reversals/value write-ups are also eliminated from the earnings calculation.

Economic Value Added (EVA®)
The EVA concept reflects the net wealth generated by a company over a certain period. A company achieves positive EVA when the operating result exceeds the weighted average cost of capital. The WACC corresponds to the yield on capital employed expected by the capital market. EVA is a registered trademark of Stern Stewart & Co.

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Equity ratio
Financial metric indicating the ratio of equity to total capital. It expresses the share of total assets financed out of equity (owners' capital) rather than debt capital (provided by lenders). Serves to assess the financial stability and independence of a company.

Free cash flow
Cash flow actually available for acquisitions, dividend payments, the reduction of borrowings, and contributions to pension funds.

Gross margin
Indicates the percentage by which a company's sales exceed cost of sales, i.e. the ratio of gross profit to sales.

Gross profit
Difference between sales and cost of sales.

Hedge accounting
Method for accounting for hedging transactions whereby the compensatory effect of changes in the fair value of the hedging instrument (derivative) and of the underlying asset or liability is recognized in either the statement of income or the statement of comprehensive income.

KGaA
Abbreviation for "Kommanditgesellschaft auf Aktien." A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company's creditors (personally liable partner, aka general partner), while the liability for such debts of the other partners participating in the share-based capital stock is limited to their share capital (limited shareholders).

Long Term Incentive (LTI)
Bonus aligned to long-term financial performance.

Net financial position
The net financial position is defined as cash and cash equivalents including cash and cash equivalents held for sale plus readily monetizable securities and time deposits and financial collateral provided, less borrowings, plus positive and minus negative fair values of derivative financial instruments.

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Net financial position extended
In the extended definition, provisions for pensions and similar obligations, lease liabilities and sundry financial liabilities are deducted from the net financial position, while receivables arising from reimbursement rights in respect of Henkel Trust e.V. and external pension funds are added.

Net working capital
Inventories plus payments on account, receivables from suppliers and trade accounts receivable, less trade accounts payable, liabilities to customers, and current sales provisions.

Non-controlling interests
Proportion of equity attributable to third parties (non-controlling shareholders, aka minority shareholders) in subsidiaries included within the scope of consolidation. Valued on a proportional net asset basis. A pro-rata portion of the net income of a corporation is attributable to shareholders owning non-controlling interests.

Organic sales growth (OSG)
Growth in sales after adjusting for effects arising from acquisitions, divestments and foreign exchange effects – i.e. "top line" growth generated from within. Also excluded from the calculation is the organic sales development in Russia since the beginning of the second quarter of 2022 against the background of the announced exit of the business activities there, and the effects arising from the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) for Türkiye.

Payout ratio
Indicates what percentage of annual net income (adjusted for exceptional items) is paid out in dividends to shareholders, including non-controlling interests.

Return on capital employed (ROCE)
Profitability metric reflecting the ratio of earnings before interest and taxes (EBIT) to capital employed.

Return on sales (EBIT)
Operating business metric derived from the ratio of EBIT to revenues.

Return-enhancing portfolio
Contains investments in equities and alternative investments, and serves to improve the overall return of the pension plan assets over the long term in order to raise the coverage ratio of pension funds. In addition, a broader investment horizon increases the level of investment diversification.

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Swap
Term given to the exchange of capital amounts in differing currencies (currency swap) or of different interest obligations (interest swap) between two entities.

Value-at-risk (VaR)
Method, based on fair value, used to calculate the maximum likely or potential future loss arising from a portfolio.

Weighted average cost of capital (WACC)
Average return on capital, expressed as a percentage and calculated on the basis of a weighted average of the cost of debt and equity. WACC represents the minimum return expected of a company by its lenders for financing its assets.

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Annual General Meeting
Henkel AG & Co. KGaA 2023:
Monday, April 24, 2023

Publication of
Statement for the First Quarter 2023:
Thursday, May 4, 2023

Publication of
Report for the First Half Year 2023:
Thursday, August 10, 2023

Publication of
Statement for the Third Quarter 2023:
Thursday, November 9, 2023

Publication of
Report for Fiscal 2023:
Monday, March 4, 2024