HENKEL ANNUAL REPORT 2023

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.

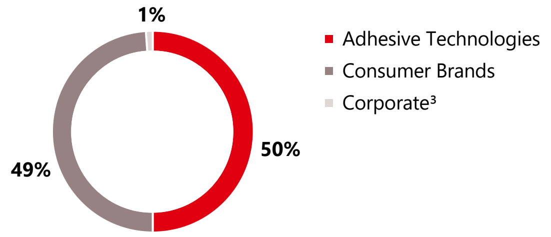
2023 AT A GLANCE

Key financials

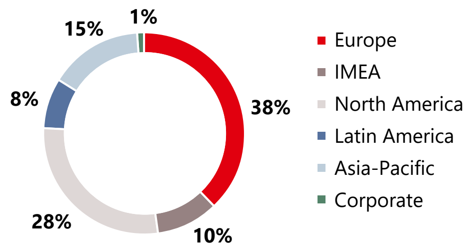
in million euros		2019	2020	2021	2022	2023	+/- 2022–2023
Sales		20,114	19,250	20,066	22,397	**21,514**	-3.9%
Operating profit (EBIT)		2,899	2,019	2,213	1,810	**2,011**	11.1%
Adjusted[1] operating profit (adjusted EBIT)		3,220	2,579	2,686	2,319	**2,556**	10.2%
Return on sales (EBIT margin)		14.4%	10.5%	11.0%	8.1%	**9.3%**	1.3pp
Adjusted[1] return on sales (adjusted EBIT margin)		16.0%	13.4%	13.4%	10.4%	**11.9%**	1.5pp
Net income		2,103	1,424	1,629	1,253	**1,340**	6.9%
Attributable to non-controlling interests		18	16	-5	-5	**22**	–
Attributable to shareholders of Henkel AG & Co. KGaA		2,085	1,408	1,634	1,259	**1,318**	4.7%
Earnings per preferred share (EPS)	in euros	4.81	3.25	3.78	2.95	**3.15**	6.8%
Adjusted[1] earnings per preferred share (adjusted EPS)	in euros	5.43	4.26	4.56	3.90	**4.35**	11.5%
Return on capital employed (ROCE)		13.5%	9.6%	11.0%	8.2%	**9.4%**	1.2pp
Adjusted[1] return on capital employed (adjusted ROCE)		15.0%	12.1%	13.3%	10.5%	**12.0%**	1.4pp
Dividend per ordinary share	in euros	1.83	1.83	1.83	1.83	**1.83[2]**	–
Dividend per preferred share	in euros	1.85	1.85	1.85	1.85	**1.85[2]**	–

pp = percentage points

Sales by business unit 2023



Sales by region 2023



4.2%
Organic sales growth

11.9%
Adjusted[1] EBIT margin

€ 4.35
Adjusted[1] EPS

+20.0%
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 22, 2024.
[3] Sales and services not assignable to the individual business units.

ADHESIVE TECHNOLOGIES

Our top brands

LOCTITE

TECHNOMELT

BONDERITE

Key financials

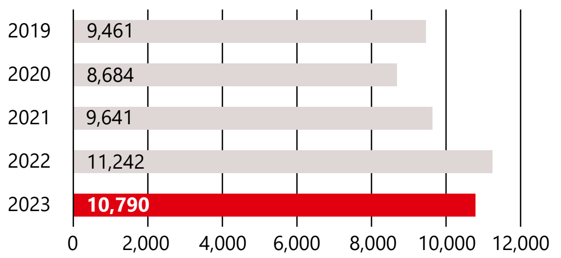
in million euros	2022	2023	+/-
Sales	11,242	**10,790**	-4.0%
Proportion of Henkel sales	50%	**50%**	–
Operating profit (EBIT)	1,500	**1,423**	-5.2%
Adjusted[1] operating profit (adjusted EBIT)	1,530	**1,584**	3.6%
Return on sales (EBIT margin)	13.3%	**13.2%**	-0.2pp
Adjusted[1] return on sales (adjusted EBIT margin)	13.6%	**14.7%**	1.1pp
Return on capital employed (ROCE)	15.4%	**14.7%**	-0.7pp
Adjusted[1] return on capital employed (adjusted ROCE)	15.7%	**16.4%**	0.7pp
Economic Value Added (EVA®)	622	**359**	-42.3%

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

Organic sales growth

3.2%

Sales performance Adhesive Technologies
in million euros



CONSUMER BRANDS

Our top brands

Persil

Schwarzkopf

all stainlifters

Key financials

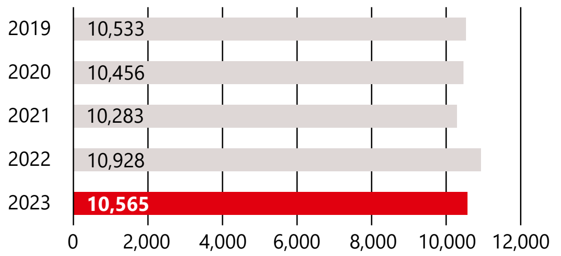
in million euros	2022	2023	+/-
Sales	10,928	**10,565**	-3.3%
Proportion of Henkel sales	49%	**49%**	–
Operating profit (EBIT)	458	**753**	64.4%
Adjusted[1] operating profit (adjusted EBIT)	910	**1,115**	22.5%
Return on sales (EBIT margin)	4.2%	**7.1%**	2.9pp
Adjusted[1] return on sales (adjusted EBIT margin)	8.3%	**10.6%**	2.2pp
Return on capital employed (ROCE)	3.8%	**6.5%**	2.7pp
Adjusted[1] return on capital employed (adjusted ROCE)	7.5%	**9.6%**	2.1pp
Economic Value Added (EVA®)	-363	**-116**	–

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

Organic sales growth

6.1%

Sales performance Consumer Brands
in million euros



“We are well on track and are pursuing the right strategy. We can look toward 2024 and the following years with great confidence.”

CARSTEN KNOBEL
CHAIR OF THE MANAGEMENT BOARD

Dear Shareholders and Friends of the Company,

In 2023, we once again steered Henkel successfully through a year of many challenges. We were confronted with multiple crises, war and military conflicts, geopolitical tensions, as well as economic uncertainties, extraordinarily high inflation rates and persistent muted growth in many countries.

I would like to thank all Henkel employees for their teamwork, resilience, and dedication which enabled us to navigate our company through these challenging times. We have made 2023 a pivotal year for our company in many ways. Together, as a strong global team, we managed to successfully drive our Purposeful Growth Agenda forward, delivered tangible progress across all our strategic priorities, and significantly exceeded the outlook made at the beginning of the year. We promised and we delivered. The performance of our teams, guided by an inspiring purpose, shared values and a strong culture, makes me proud and very confident for our future.

Delivering tangible progress across all strategic priorities

In 2023, we continued to consistently evolve our company and execute our strategic framework for purposeful growth. Over the last four years, since I took over as CEO, Henkel has changed fundamentally in many dimensions: structure, team, and culture. I am glad to share with you the tangible results of these changes. While the last year was full of important achievements, exciting developments, and memorable moments, I would like to highlight three major projects which we executed successfully over the past year – and which have substantially advanced the transformation of Henkel.

Firstly, the sale of our business in Russia was certainly an important step. In April 2022, just a few weeks after Russia's attack on Ukraine, we took the decision to exit our activities in Russia. This was followed by a highly complex divestment process. In April 2023, we were finally able to sell our business in Russia to a consortium of local financial investors. The agreed purchase price amounted to slightly above 600 million euros.

With that, we have concluded our exit from Russia. This makes us one of the very few companies in our competitive environment which acted so boldly. I can assure you that the decision to exit a highly profitable business with around 2,500 employees, almost 20 sites and a sales volume of around one billion euros in 2022 was tough. But we are convinced that we have taken the right decision, also in the interests of our shareholders, especially considering the ongoing war and its far-reaching consequences. With that chapter closed and behind us, we are looking to the future and focusing on our growth agenda.

The second major achievement I would like to comment on in more detail was the merger of our two former consumer businesses, Laundry & Home Care and Beauty Care, to create our new Consumer Brands business unit. By bringing our consumer brands across all categories under a single roof, including iconic brands such as Persil or Schwarzkopf, as well as our successful hair salon business, we have established a multi-category platform to enable dynamic growth. In January 2023, we went "live" with our new business unit.

Since then, we have delivered on or exceeded all our key metrics and financial targets in the Consumer Brands business, for example achieving very strong organic growth and returning to a double-digit adjusted EBIT margin. At the same time, we have made much faster progress with the first phase of the integration process than originally planned. This is reflected in the savings we have realized in 2023. More than 80 percent of the targeted savings of around 250 million euros by the end of 2024 had already been achieved by the end of 2023. This means that the first phase of the integration process has been almost completed, well ahead of time. A great accomplishment by our teams in Consumer Brands, especially the leadership team around Wolfgang König, who heads the Consumer Brands business, and all the Henkel colleagues contributing to this success.

The next phase of integration, which will focus on optimizing the supply chain network in the Consumer Brands business, has also been launched. In addition, the so-called "1-1-1 principle" has already been introduced in initial countries. In line with the principle of "one face to the customer," this means: one order, one delivery, one invoice.

At the same time, we have invested in our businesses to further strengthen our brands and innovation, for example by significantly increasing marketing and sales investments, to fuel future growth and further improve profitability of the business.

In our combined Consumer Brands business, we are focusing on brands and businesses with a strong gross margin, and actively managing our portfolio – even if this might temporarily impact our volume. In addition, we are benefiting from more efficient structures in the merged business. These free up funds to invest in our brands, in innovation, sustainability and digitalization, enabling us to create new momentum for profitable growth in the future.

Changing a long-standing structure with two separate consumer business units, introducing a new leadership, and a fundamentally revised strategic direction for the integrated business required courage and confidence in our abilities and teams. But looking back at 2023, it is evident that it was the right step, and I am very proud of how we have successfully implemented this highly complex and demanding project. Going forward, we are committed to fully capturing the potential for a substantially improved growth and margin profile in our Consumer Brands business.

The third significant change I would like to highlight is how we have evolved our Adhesive Technologies business to further leverage our globally leading market position and take this business to the next level. Under the leadership of Mark Dorn, who took over responsibility for this business at the beginning of 2023, we made several changes at the top management level in the business unit, promoting a more diverse and international composition. At the same time, we optimized the organizational set-up to further enhance our customer and market proximity. The new structure comprises three business areas: Mobility & Electronics, Packaging & Consumer Goods, and Consumer, Craftsmen & Professional. It was established in the course of 2023 and is already fully reflected in our reporting.

The new set-up is based on three central criteria: industry segments, technologies, and leveraging our scale. We carefully analyzed our different markets and the customers we serve. In the new organizational structure, we are combining our industry knowledge and our go-to-market models, which allows us to better serve our customers from more than 800 industry segments. With the new organizational structure, we also want to make better use of our unique technological expertise and capabilities.

And finally, we want to capture synergies across the entire organization through even greater leverage. We are continuously evolving our manufacturing footprint to ensure an even more efficient and resilient production set-up. In addition, we are investing in our business. In June, for example, we celebrated the groundbreaking of a new site in the Asia-Pacific region as part of our global production network. And in India, we opened a new R&D services hub for our Adhesives business.

While global industrial demand was under pressure in 2023, the Adhesive Technologies business unit ended the year with strong organic sales and a significantly improved adjusted EBIT margin, which clearly underpins the resilience and strength of this dynamic business.

Strong business performance in a challenging environment

Overall, Henkel delivered a strong business performance in a very challenging market environment. Group sales amounted to 21,514 million euros in fiscal 2023. This corresponds to very strong organic sales growth of 4.2 percent, driven by both Adhesive Technologies and Consumer Brands.

Even more importantly, we made very good progress in restoring our profitability. Adjusted[1] operating profit (adjusted EBIT) increased by 10.2 percent to 2,556 million euros. At 11.9 percent, adjusted[1] return on sales (adjusted EBIT margin) was significantly higher than in the previous year. This improvement was supported by strong pricing to further compensate for the elevated input costs. The savings from the Consumer Brands merger and continued portfolio measures also contributed substantially to this positive development. Adjusted[1] earnings per share (EPS) rose by 20.0 percent at constant exchange rates.

At the same time, we put a strong emphasis on investing in growth, for example by stepping up marketing activities in the consumer business to further strengthen brand equity, and by promoting strong innovations in both business units.

Looking more closely at the performance of our business units, sales of Adhesive Technologies amounted to 10,790 million euros, reflecting strong organic sales growth of 3.2 percent. This was driven by very strong pricing. Volumes declined overall, in particular due to continued subdued demand in some key end markets. In the course of the year we saw sequential volume development improvement, turning again into positive development in the fourth quarter. Adjusted return on sales increased by 110 basis points compared to the previous year and reached 14.7 percent. The significant increase was achieved primarily through price increases, as well as measures to reduce costs and increase efficiency in order to continue to compensate for still high material prices.

Our Consumer Brands unit reached 10,565 million euros in sales and delivered very strong organic sales growth of 6.1 percent. This development was driven by a double-digit price increase, while volumes declined, also due to continued portfolio optimization measures. However, volume development showed a clear sequential improvement in the second half of the year. Adjusted return on sales reached 10.6 percent, an increase of 220 basis points compared to the previous year. This increase was supported by pricing measures to compensate for the continued high direct material costs, by ongoing measures to reduce costs and enhance production and supply chain efficiency, by savings generated from the creation of the integrated Consumer Brands business unit and by portfolio optimization measures.

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

In 2023, we also successfully completed Henkel's first share buyback program. By the end of March, we had bought back shares amounting in total to around 1 billion euros.

Free cash flow in 2023 was significantly higher than in the previous year and amounted to 2,603 million euros (2022: 653 million euros), reaching the highest level to date. Our net financial position also improved significantly, amounting to 12 million euros at the end of 2023 compared to -1,267 million euros at the end of 2022.

At the Annual General Meeting on April 22, 2024, 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 42.4 percent and is thus slightly above our target range of 30 to 40 percent of adjusted net income after non-controlling interests.

Consistently pursuing our Purposeful Growth Agenda

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 in 2023, we continued to consistently implement our growth agenda across all strategic dimensions.

As part of our **active portfolio management**, we divested or discontinued in our Consumer Brands business brands and activities representing total sales of around 650 million euros following announcement of the merger in early 2022. For example, we divested our North American air freshener business in 2023. At the same time, we strengthened our portfolio with the acquisition of the sustainable laundry and home care brand Earthwise in New Zealand. In the Adhesive Technologies business unit, we expanded our portfolio in the area of maintenance, repair and overhaul with the acquisition of Critica Infrastructure, a specialized provider of innovative fiber-composite solutions for repairs in a wide range of industrial applications. With this transaction, we have added an attractive adjacent business to our adhesives portfolio and created a platform for further growth.

In 2023, we also made progress in the area of **innovation**. Our Adhesive Technologies business opened, for example, a new innovation center in Bridgewater, New Jersey, USA, as well as a battery center at the Inspiration Center Düsseldorf (ICD), which is intended to intensify cooperation with automotive and battery manufacturers. Our Consumer Brands business unit also strengthened its innovative power. For example, we opened a "J-Beauty Innovation Hub" for our hair salon business in Tokyo, Japan, the world's second largest hair professional market, pooling the expertise of Schwarzkopf and the Shiseido Professional business acquired in 2022. Together with our existing Schwarzkopf Professional hubs, we have created a global ecosystem for our Hair Professional business across North America, Europe, and Asia.

In addition, we developed and launched numerous innovative solutions and products, addressing relevant trends and creating value for our customers and consumers. In our Adhesive Technologies business, we introduced a new solution for bonding camera lenses in driver assistance systems. This enables fast and robust camera production in the automotive industry while ensuring greater safety in the next generation of autonomous vehicles. We also further improved our adhesive solutions used in food packaging. The enhanced products allow manufacturers to switch to solvent-free adhesives, enabling more sustainable packaging.

In our Consumer Brands business, we launched Persil Deep Clean in over 30 countries, introducing a new formula with innovative enzyme technology. It provides excellent stain removal, while at the same time preventing unpleasant odors in the washing machine. We also relaunched our entire got2b styling portfolio with a new packaging design and improved sustainability with vegan formulas, natural ingredients and more sustainable packaging. These developments are also the result of close collaboration with our got2b co-creation community, which consists of a diverse group of “Gen Z” consumers from across Europe.

According to data from numerous scientific institutions, 2023 was the warmest year on record, and the topic of climate change and its consequences took center-stage in public and political debate. At Henkel, climate protection is one important pillar of our “2030+ Sustainability Ambition Framework,” which we continued to embed in our business and across the entire value chain. A particular focus is to expand the use of renewable energies and to drive progress toward our ambition to achieve climate-positive operations by 2030. Henkel converted more than a dozen sites to CO_2-neutral production in 2023. By the end of 2023, we were able to achieve a reduction in CO_2 emissions of 51 percent per ton of product (compared to our reference year 2017).

As part of our sustainability efforts, we also put an emphasis on a more sustainable product portfolio, for example through the increased use of renewable and recycled materials, and are systematically tracking our progress in this area. In the Adhesive Technologies business unit, we have further evolved our assessment methodology to create transparency on the sustainability performance of our product portfolio. The results of this assessment, that have also been audited by an external third party, help us to develop a clear understanding about the specific contribution and performance of each of our products. In addition, this approach provides even more transparency for our customers and supports the transformation toward new solutions enabling emission reduction and circular economy. Our progress is also driven by expanding the proportion of recycled material in the plastic packaging of our consumer goods. Global initiatives and co-operation help us to drive innovations in packaging development even further. This is why we, for example, also entered into a partnership with the Circular Valley Foundation, which offers us the opportunity to get in touch with start-ups and scientists from all over the world and further expand our own local networks.

In addition, we have expanded the existing training courses for our employees on the topic of sustainability as part of our holistic engagement program "Sustainability at Heart." To learn more about how we are shaping our business responsibly, I invite you to have a look at our extensive Sustainability Report for 2023: **www.henkel.com/sustainabilityreport**

In 2023, digitalization was a global headline topic, in particular due to the advancement of "Artificial Intelligence" (AI) and the broad public interest in this technology. At Henkel, we have also made significant progress in the area of **digitalization**. In our digital unit "Henkel dx," we continued to optimize internal structures, strengthened the development of digital expertise and further promoted a culture of innovation. We have also deepened our strategic partnerships with globally leading digital companies such as SAP, Microsoft and Adobe. These enable us to integrate cutting-edge technology into our digital platforms and projects. By accelerating digital innovations, our platform strategy and close collaboration between all business units and functions, we were able to further improve IT efficiency last year and create new business opportunities for Henkel, for example in the area of business-to-business marketplaces.

As a foundation to our Purposeful Growth Agenda, we aim to create a collaborative **culture** with empowered employees. Strengthening our company culture is particularly important to me. To support employees in reflecting on their behavior and interaction with one another, we offer a range of learning formats such as the "Iceberg Learning Module." At the same time, cultural change requires greater transparency regarding areas of manager development. We therefore guide our top managers through a 360-degree coaching process that helps them to create an inspiring and modern working environment as role models. To support our employees in accelerating our cultural transformation, we launched and successfully implemented the "Accelerate Cultural Transformation" (ACT) initiative across the entire global organization in 2023 with the aim of promoting a deeper dialog and connection within our teams.

Establishing a strong and collaborative culture is deeply dependent on fostering diversity, equity, and inclusion (DEI). We are convinced that a diverse workforce and an open and appreciative corporate culture are important success factors in a globalized world and provide the foundation for our competitive advantage. Our aim is to promote a culture of belonging and create equal opportunities in order to develop the full potential of our diversity. We have set ourselves the ambition to achieve gender parity across all management levels by 2025. Today, around 39.5 percent of our management positions are held by women.

To further increase diversity, we pursue a clearly defined strategy based on three key pillars: Firstly, we raise awareness of different diversity dimensions via various formats such as campaigns and events. Secondly, we strengthen inclusive behavior through training courses for managers and employees. And thirdly, we continuously improve structural framework conditions, such as work-life balance offerings, to remove structural barriers and define clear targets for monitoring our progress.

Let me summarize the year 2023 as follows: We achieved or exceeded all our financial targets, consistently implemented our Purposeful Growth Agenda across all strategic dimensions and progressed the transformation of our company.

In the year ahead of us, we expect a moderate growth of global GDP driven by a moderate increase in industrial demand, as well as customer demand in our active businesses. In fiscal 2024, we expect Henkel to generate organic sales growth of 2.0 to 4.0 percent and adjusted return on sales in the range of 12.0 to 13.5 percent. For adjusted earnings per preferred share (EPS) at constant exchange rates, we expect a development in the range of 5.0 to 20.0 percent.

THE COMPANY

SHARES AND BONDS

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

CREDITS

CONTACTS

FINANCIAL CALENDAR

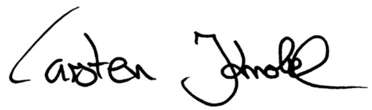
Strong commitment to deliver on our ambitions for the future

On behalf of my colleagues on the Management Board, I would like to sincerely thank our employees and management teams around the world for their great commitment, dedication and hard work. We would also like to express our gratitude to our Shareholders' Committee and Supervisory Board for their valuable guidance in navigating Henkel through this challenging year.

We would also like to thank all our customers, consumers, and business partners for putting their trust in our brands and technologies. And finally, we want to express our sincere gratitude to you, our shareholders. We greatly value your continued confidence in our company.

I am firmly convinced that we are well on track and that we are pursuing the right strategy. We can look toward 2024 and the following years with great confidence and are fully committed to delivering on our ambitions for the future.

Düsseldorf, February 7, 2024



Carsten Knobel
Chair of the Management Board

“We have done well in overcoming the challenges of 2023, and I remain convinced that we are well equipped to successfully continue Henkel’s growth.”

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

Dear Shareholders and Friends of the Company,

Last year was, once again, characterized in both economic and geopolitical terms by a host of uncertainties and pronounced volatility. Although inflation has weakened, it continues to adversely affect economic performance and is slowing private demand. By the same token, the situation surrounding energy and raw material prices continues to pose a huge challenge. In addition, the ongoing war in Ukraine and the escalating conflict between Israel and Hamas pose risks for future global economic development. In this changeable and difficult 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 successful further development of our company over the past year. My thanks are equally due to the members of the Management Board who have steered the transformation of the company through a difficult market environment. I am also grateful to our employee representatives and works councils for their consistently constructive support in growing Henkel.

Finally, I would like to extend my thanks to you, our shareholders, for your continued confidence in our company, its management and employees, and our brands and technologies over this past fiscal year.

Ongoing dialog with the Management Board

We continued to diligently discharge in full our Supervisory Board duties in fiscal 2023 in accordance with the legal statutes, Articles of Association and rules of procedure governing our actions. This included consistently monitoring 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 2023 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 on issues relating to 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. We also regularly discussed the status of transformation of the Consumer Brands business unit. 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 respective Chairs 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.

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 company. The company again offered information and training events focusing on specific topics in the year under review. This included an explanation of the significance of and outlook for the IMEA (India, Middle East, Africa) region for Henkel and an in-depth discussion of digitalization and artificial intelligence.

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 special 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.

In an extraordinary meeting on January 23, 2023, we discussed the appointment of Mark Dorn to succeed Jan-Dirk Auris on the Management Board, and options for developing the Adhesive Technologies business unit.

As already discussed in our last Annual Report, our meeting on February 28, 2023 focused on the annual and consolidated financial statements for 2022, 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 2023, and examined how the discontinuation of our business activities in Russia and the transformation of the new Consumer Brands business unit were progressing.

Our meeting on April 24, 2023, focused on the sale of our business activities in Russia and the associated impacts. We also discussed the performance of our business units in the first three months of the fiscal year, including volumes and margins and provisional expectations regarding future business development in a market environment that remains volatile.

In our meeting on September 20, 2023, 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. These discussions related particularly to the progress in the transformation and the mid-term goals of our Consumer Brands business unit, together with the continued development and innovations of Adhesive Technologies. We also examined issues relating to our corporate culture, the development of our employees and our sustainability progress.

Our meeting on December 8, 2023 focused on the expected results for 2023 and our assets and financial planning for fiscal 2024. We also examined in detail the associated budgets of our business units based on comprehensive documentation. Personnel development and our most recent transactions were also discussed.

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 as Chair of the Audit Committee in the reporting year until April 24, 2023, Ms. Simone Menne as a member and Chair since April 24, 2023 and Mr. Laurent Martinez as a member since April 24, 2023, each meet the statutory requirements for independence and expertise in the areas of accounting and auditing applicable to the Audit Committee. For more details on the responsibilities and composition of the committees, please refer to the corporate governance statement (on pages 52 to 92) and the membership lists (on page 364).

Committee activities

Following the appointment, by the 2023 Annual General Meeting, of the external auditor, 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 2023. The audit fee was also established and the key audit matters were discussed. It was agreed that the auditor would notify the Supervisory Board immediately of any findings or occurrences 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 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 conference. In the run-up to each meeting, the Chair of the Audit Committee held confidential talks with the auditor 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 Corporate Audit – 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.

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. Some consultations with the auditors took place without the Management Board being present.

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 compliance within the Group was also discussed, as was the status report submitted by Corporate Audit. The audit plan submitted by Corporate 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 German 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 26, 2024, 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, the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2023, the respective audit reports and auditor's opinions, 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 2024 Annual General Meeting for resolution with regard to the forthcoming election of new shareholder representatives. The Nominations Committee drew up appropriate requirements profiles for potential candidates for the vacancies, bearing in mind the objectives and competencies specified by the Supervisory Board for its own composition, and conducted a structured process to select potential candidates with the assistance of an external consultant.

Efficiency audit

The Supervisory Board and Audit Committee regularly review the efficiency with which they perform their duties. This assessment is performed on the basis of an extensive company-specific checklist focusing on the relevant key aspects, such as meeting frequency, duration, preparation and organization, scope and content of the underlying documentation, information and reports submitted by the Management Board, minutes, committee work and information disclosure, financial control and risk management systems, requests for information, collaboration with the auditor, corporate governance matters and improvement opportunities. Such a self-assessment took place in the reporting year. The results and individual assessments were examined in detail in the meetings of the Audit Committee and Supervisory Board on February 26 and 27, 2024, where issues relating to corporate governance and opportunities for improvement were also discussed and are now being implemented. The efficiency with which the Supervisory Board and Audit Committee carry out their duties and the required independence of their membership were duly confirmed.

Corporate governance and declaration of compliance

The Supervisory Board again dealt with questions of corporate governance in the reporting year. The work and remuneration of our committees was a particular area of focus. Given the importance of ESG issues for the company and the future sustainability reporting requirements, the Supervisory Board plans to establish a Sustainability Committee to oversee the Management Board's sustainability strategy and ongoing development, and also ESG reporting procedures. Accordingly, the remuneration policy needs to be revised to include remuneration for the members of this Sustainability Committee. In light of the increased requirements, it is also intended that the activities of the members of the Nominations Committee will be remunerated. A corresponding proposal to revise the remuneration policy in the Articles of Association will be submitted to the 2024 Annual General Meeting. Further details of Henkel's corporate governance can be found in the corporate governance statement (pages 52 to 92 of this Annual Report), with which we fully acquiesce.

At our meeting on February 27, 2024, we discussed and approved the joint declaration of compliance for 2024 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.

Individual meeting attendance

Members' participation in the meetings of the Supervisory Board and the Audit Committee was 95 percent overall. The following table lists the attendance of each Supervisory Board member:

Individual meeting attendance 2023

Supervisory Board member	Supervisory Board and Audit Committee meetings[1]	Attendance	Presence
Dr. Simone Bagel-Trah (Chair)	8	8	100%
Birgit Helten-Kindlein (Vice Chair)	8	7	88%
Michael Baumscheiper	4	4	100%
Dr. Konstantin Benda (since 4/25/2023)	3	3	100%
Jutta Bernicke (until 9/22/2023)	3	2	67%
Lutz Bunnenberg	4	4	100%
Sabine Friedrich (since 9/23/2023)	1	1	100%
Benedikt-Richard Freiherr von Herman	4	4	100%
Prof. Dr. Michael Kaschke (until 4/24/2023)	1	1	100%
Barbara Kux	4	4	100%
Laurent Martinez (since 4/25/2023)	6	6	100%
Simone Menne	8	8	100%
Andrea Pichottka	4	3	75%
Philipp Scholz	4	4	100%
Dr. Martina Seiler (until 4/24/2023)	1	1	100%
Dirk Thiede	4	4	100%
Edgar Topsch	8	8	100%
Michael Vassiliadis	8	7	88%
Poul Weihrauch	4	4	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.

Annual and consolidated financial statements/Audit

In its capacity as auditor appointed for 2023 by the Annual General Meeting on April 24, 2023, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, Germany, examined the annual financial statements and the consolidated financial statements, together with the consolidated management report, which has been combined with the management report for Henkel AG & Co. KGaA for fiscal 2023. The annual financial statements and the combined management report were prepared by the Management Board in accordance with German statutory provisions. The consolidated financial statements were prepared by the Management Board 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) 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 2023 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 assurance. 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 2023 have not been prepared in compliance with all material aspects of commercial law provisions.

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 2023 were presented in good time to all members of the Supervisory Board, together with the corresponding audit reports and relevant auditor's opinions 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 27, 2024, in the presence of the auditor, which reported on its main audit findings. We received and approved the audit reports. The respective Chairs 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 26, 2024.

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 27, 2024, 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 company 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 27, 2024. 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 2024.

Remuneration report

The remuneration report for fiscal 2023 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 27, 2024.

In addition to its formal audit, PwC also examined the content of the remuneration report with regard to the disclosures required by law; no substantial 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 its audit of the annual financial statements 2023, in compliance with Section 317 (4) 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

The composition of both the Supervisory Board and the Management Board have changed. We have already discussed some of these changes.

In connection with the routine election of new employee representatives – which was conducted by the Assembly of Delegates in March 2023 – Dr. Martina Seiler left the Supervisory Board effective the end of the Annual General Meeting on April 24, 2023, to be replaced on the Supervisory Board by Dr. Konstantin Benda. The other employee representatives were re-elected.

Of the shareholder representatives, Prof. Dr. Michael Kaschke – who had been on the Supervisory Board since April 2008 – left effective the end of the Annual General Meeting on April 24, 2023, while Laurent Martinez, CFO of Orange S.A., France, was elected to the Supervisory Board by the Annual General Meeting on April 24, 2023.

In its constituent meeting on April 24, 2023, the Supervisory Board elected Birgit Helten-Kindlein to Vice Chair and confirmed myself as Chair. Furthermore, new members were elected to the Audit and Nominations Committees, with others being re-elected.

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Effective September 22, 2023, Jutta Bernicke – employee representative on the Supervisory Board since April 2008 – left the Supervisory Board to be replaced effective September 23, 2023, by Sabine Friedrich, elected to the Supervisory Board by the Assembly of Delegates.

We thanked those members departing the Supervisory Board for their successful dedication to the interests of the corporation. Our special thanks go to Prof. Michael Kaschke for his valuable advice and for his chairing of the Audit Committee.

The following changes occurred in the Management Board:

Effective January 1, 2023, Wolfgang König – member of the Management Board since June 1, 2021 – was made responsible for the new Consumer Brands business unit that brings together the former Laundry & Home Care and Beauty Care business units.

Effective February 1, 2023, Mark Dorn was appointed to the Management Board to take over responsibility for the Adhesive Technologies business unit from Jan-Dirk Auris.

2023 was not an easy year. However, we managed to overcome the challenges presented to us and I believe we remain well equipped to continue growing Henkel successfully in these challenging times.

We thank you for your ongoing trust and support.

Düsseldorf, February 27, 2024

On behalf of the Supervisory Board

Dr. Simone Bagel-Trah
Chair

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.

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.

Sylvie Nicol

Executive Vice President
Human Resources/Infrastructure/Sustainability

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

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.

WHAT DRIVES US

Our purpose describes what unites everyone at Henkel: Pioneers at heart for the good of generations. Every day, around 47,750 employees worldwide give of their best to enrich and improve peoples' 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.

SHAPING OUR FUTURE

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

Our strategic framework has 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.

SHARES AND BONDS

In a market environment that remained challenging and was characterized, in particular, by the impacts of geopolitical crises – such as the war in Ukraine and the Middle East conflict – and persistently high levels of inflation around the globe resulting in significantly higher interest rates, Henkel's shares performed well overall in fiscal 2023. After getting off to a weaker start than the market as a whole, Henkel shares subsequently experienced a very positive upturn due particularly to good operating results in the first quarter, and also to the successful disposal of our business activities in Russia. As analysts raised their share price expectations, the prices of both ordinary and preferred shares reached their highest levels for the year in May. At the start of the second half of the year, the performance of Henkel shares dipped below that of the DAX – due partially to declining volumes in the Consumer business – before the whole market started trending downward in September as macroeconomic conditions continued to worsen and central banks further raised interest rates. As a result, our ordinary shares recorded their lowest price level for the year in October, while the preferred share prices were only just above the level recorded at the start of the year. Year-end then saw a marked recovery in Henkel share prices in a market environment that was positive overall. The substantial increase was bolstered by Henkel raising its sales and earnings guidance for fiscal 2023 in November.

Henkel preferred shares closed the year at 72.86 euros, up 12.1 percent year on year. The ordinary shares closed the year up 7.9 percent at 64.98 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 14.8 percent, and the ordinary shares 10.7 percent. Henkel preferred shares therefore underperformed the DAX but outperformed the STOXX® Europe 600, which gained 20.3 percent and 12.7 percent respectively over the course of the year. Henkel preferred shares traded at an average premium of 10.5 percent over the ordinary shares in 2023. Year on year, the trading volume (Xetra) of preferred shares decreased significantly in 2023, this being partly due to the share buyback program from February 15, 2022 to March 31, 2023.[1] Each trading day saw an average of around 434,000 preferred shares changing hands (2022: 664,000).

[1] Further details of treasury shareholdings and the share buyback program can be found in the section "Treasury shares" in the notes to the consolidated financial statements.

The average trading volume of the ordinary shares also decreased year on year to around 91,000 shares (2022: 139,000). The market capitalization of the ordinary and preferred shares totaled 28.5 billion euros as of year-end 2023.[3]

Key data on Henkel shares 2019 to 2023

in euros		2019	2020	2021	2022	2023
Earnings per share						
Ordinary share		4.79	3.23	3.76	2.93	**3.13**
Preferred share		4.81	3.25	3.78	2.95	**3.15**
Share price at year-end[1]						
Ordinary share		84.00	78.85	68.70	60.25	**64.98**
Preferred share		92.20	92.30	71.14	65.02	**72.86**
High for the year[1]						
Ordinary share		89.55	87.55	85.80	76.85	**69.90**
Preferred share		97.02	96.02	98.92	82.34	**78.40**
Low for the year[1]						
Ordinary share		76.20	55.00	65.55	57.05	**58.62**
Preferred share		81.78	64.94	69.52	57.54	**64.52**
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	**37.9**	**36.6**	**30.3**	**26.2**	**28.5**
Ordinary shares	in bn euros	21.8	20.5	17.8	15.5	**16.7**
Preferred shares	in bn euros	16.1	16.1	12.4	10.7	**11.9**

[1] Closing share prices, Xetra trading system.
[2] Proposal to shareholders for the Annual General Meeting on April 22, 2024.
[3] Based on all outstanding shares, i.e. number of shares issued less treasury stock.

Henkel shares still represent a good investment for investors with a very long-term horizon. 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 28,079 euros at the end of 2023. This represents an increase in value of 2,708 percent or an average return of 9.1 percent per year. Over the same period, the DAX provided an annual return of 7.3 percent.

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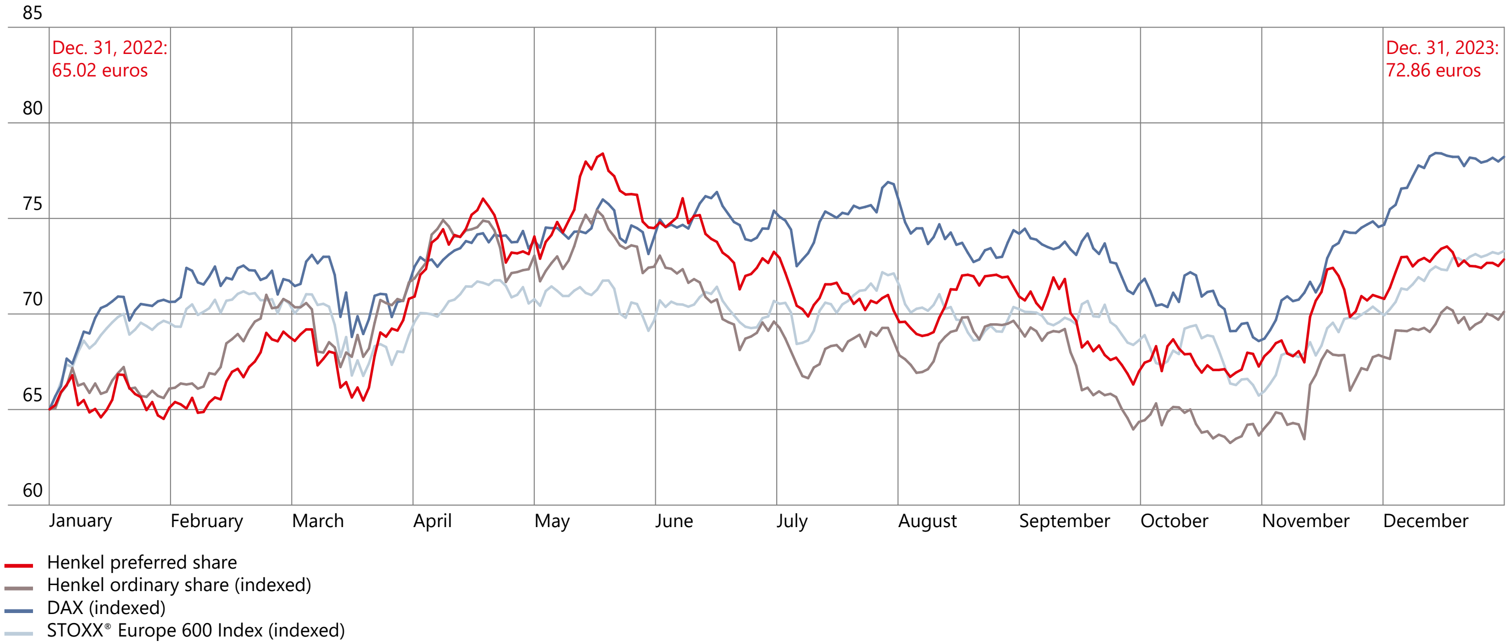
Performance of Henkel shares versus market
January through December 2023

in euros



Performance of Henkel shares versus market
2014 through 2023
in euros

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. Following a strong increase in the previous year, the number of ADRs outstanding for ordinary and preferred shares decreased to 34.7 million at year-end (2022: 38.0 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]	15,340,779	3,290,703

[1] Further details of treasury shareholdings and the share buyback program can be found in the section "Treasury shares" 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.

At year-end 2023, Henkel ranked unchanged 27th in terms of free float-weighted market capitalization of the preferred shares included in the DAX index. The weighting of Henkel preferred shares in the DAX increased slightly to 1.01 percent (2022: 0.92 percent).

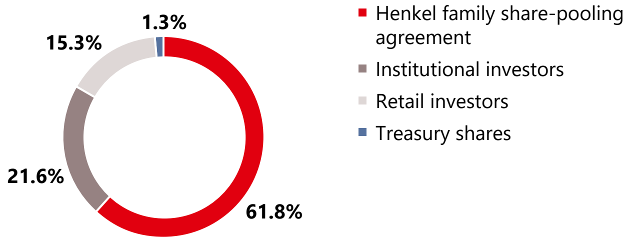
Once again, our advances in sustainable management earned recognition from external experts in 2023. Our performance with respect to non-financial indicators (environmental, social and governance themes) was reflected in regular positive assessments by various national and international rating agencies, 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 Europe 120, Euro 120 and EN Vigeo World 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.

International shareholder structure

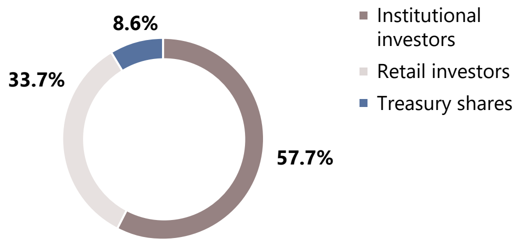
According to notifications received by the company, members of the Henkel family share-pooling agreement owned a majority of the ordinary shares amounting to 61.82 percent as of November 23, 2023. We have received no other notices indicating that a shareholder holds more than 3 percent of the voting rights (notifiable ownership). As of December 31, 2023, moreover, Henkel held 3.3 million ordinary shares as treasury stock, equivalent to 1.27 percent of all ordinary shares (2022: 1.12 percent). This increase was due to the share buyback program that expired on March 31, 2023.[1]

Ordinary shares



At December 31, 2023
Source: Henkel, CMi2i

Preferred shares

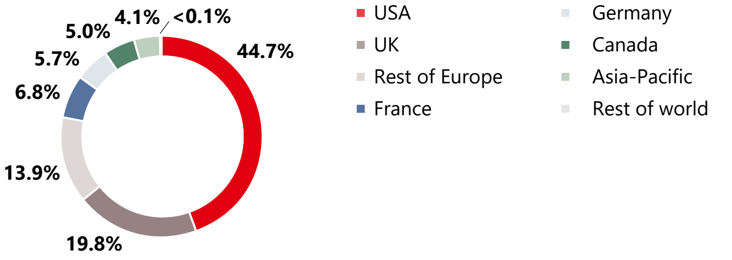


At December 31, 2023
Source: Henkel, CMi2i

[1] Further details of treasury shareholdings and the share buyback program can be found in the section "Treasury shares" in the notes to the consolidated financial statements.

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 8.61 percent of the preferred shares (2022: 7.27 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, 2023, treasury stock amounted to 15.3 million preferred shares. The year-on-year change is also due to the aforementioned share buyback program.[1]

Institutional investors holding Henkel shares by region



At November 30, 2023
Source: CMi2i

[1] Further details of treasury shareholdings and the share buyback program can be found in the section "Treasury shares" in the notes to the consolidated financial statements.

Employee share plan

Since 2001, Henkel has offered an employee share plan (ESP) enabling its employees to acquire Henkel shares. In 2023 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 program in 2023. At year-end, some 17,000 employees held a total of around 3.2 million shares in the ESP securities accounts, representing 1.8 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 77,324 euros at the end of 2023 (assuming reinvestment of the dividends before tax deduction), which equates to a total return of 50,924 euros or 293 percent of the cumulative investment.

Henkel bonds

At the end of fiscal 2023, six Henkel bonds were outstanding with a total volume of around 1.9 billion euros and maturities ranging between 2025 and 2032. In April 2023, Henkel redeemed the 330 million Swiss franc bond issued in April 2020.

The Sustainable Finance Framework established in October 2021 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 650 million euro 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.

With the three bonds tied to sustainability criteria that were outstanding at the end of fiscal 2023, around 80 percent of the capital market funding obtained by Henkel (measured in terms of the euro redemption amount) is linked to sustainability. 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	USD	EUR	EUR	USD	EUR
Volume	350 million	70 million	25 million	500 million	250 million	650 million
Sustainability link[2]	–	yes	yes	yes	yes	yes
Coupon	1.25% 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	7/7/2025	7/10/2025	11/17/2032	11/17/2026	09/13/2027
Issue price	99.99%	100%	100%	99.989%	99.692%	99.649%
Issue yield	1.25% 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	Act/Act (ICMA)	Act/Act (ICMA)	30/360 (ISMA)	Act/Act (ICMA)
Denomination	100,000 GBP	200,000 USD	200,000 EUR	100,000 EUR	200,000 USD	100,000 EUR
Security code No.	A2YN23	A289QD	A289X0	A3MQMC	A3MQMB	A30VN3
ISIN	XS2057835808	XS2198440260	XS2202774969	XS2407955827	XS2407954002	XS2530219349
Listing	Regulated Market of the Luxembourg Stock Exchange	not listed	not listed	Regulated Market of the Luxembourg Stock Exchange		

[1] Bonds outstanding as of December 31, 2023.
[2] Including bonds linked to sustainability criteria and "green bonds."

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.

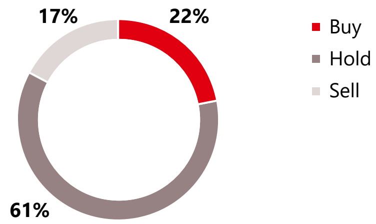
Up-to-date information is incorporated in the regular financial reporting undertaken by the company. The dates of the major publications, and also the dates for the press conference on the preceding fiscal year and the Annual General Meeting (AGM), are published together with all relevant information 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. After the COVID-19 pandemic years, we were able to largely return our capital market communication efforts to normal and to reinstate numerous face-to-face events.

After three years of meeting virtually, shareholders were again able to physically attend our Annual General Meeting of 2023, giving them the opportunity to receive comprehensive information about the corporation in person again.

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 our Sustainability Report.

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, 2023
Basis: 23 equity analysts

Henkel places great importance on dialog with investors and analysts. At 29 capital market conferences and roadshows attended by people 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 500 different institutional investors and financial analysts around the globe in individual or group meetings and telephone or video conferences.

COMBINED MANAGEMENT REPORT

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 April 28, 2022, and contain

- the takeover-relevant information required according to Sections 289a, 315a German Commercial Code [HGB] and
- the corporate governance statement per Sections 289f, 315d HGB,

together with explanations pertaining to same.

Unless expressly indicated otherwise, further links or references are not part of the report.

Takeover-relevant information

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

Composition of issued capital

As of December 31, 2023, the issued capital (capital stock) of the company 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.

Shareholders' rights/Annual General Meeting

The rights and obligations of shareholders are governed by the provisions of the German 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 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 proxy-holder 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). Ordinary annual general meetings must be held within the first eight months following the close of the fiscal year (Section 175 (1) sentence 2 AktG); they usually take place within the first four months of the fiscal year.

Until June 9, 2025, the Management Board is authorized to hold Annual General Meetings virtually, without the shareholders or their proxies being physically present at the AGM venue.

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 a 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 company 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. Curricula vitae are published for all candidates standing for election to the Supervisory Board as shareholder representatives or to the Shareholders' Committee.

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 company (Section 71b AktG) and to ordinary shares for which the statutory notification requirement has not been met (Section 44 sentence 1 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.

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 company, as of November 23, 2023, 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 related party disclosures provided in the notes to the consolidated financial statements under Note 42 on pages 352 and 353). 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 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.

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 to Chair of the Management Board (Section 84 (2) AktG; Art. 7 (1) of the Articles of Association of Henkel Management AG).

If its management or executive board comprises more than three people, a listed company that is subject to the German 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). 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.

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 company 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 in terms of distribution of profits or of the corporation's assets as the preferred bearer shares already in circulation in respect of eligibility. Existing 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 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 has yet been passed by the Annual General Meeting on the appropriation of profit.

The authorization by the Annual General Meeting on April 8, 2019, to acquire and utilize treasury shares, which was valid for the acquisition of treasury shares until April 7, 2024, was canceled by the same resolution of the Annual General Meeting on April 24, 2023, that replaced it with a new authorization to acquire treasury shares until April 23, 2028, per Section 71 (1) no. 8 AktG to ensure the continued ability to acquire treasury shares and utilize them in the interests of the corporation. According to the new authorization, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the company for any permissible purpose at any time until April 23, 2028 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 contracts 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 effective date 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 23, 2028, it will not be possible to acquire treasury shares through exercise of such derivatives.

Moreover, by resolution of the Annual General Meeting of April 24, 2023, the Personally Liable Partner is authorized to utilize the acquired treasury shares for any permissible purpose, subject to the approval of the Shareholders' Committee and the Supervisory Board. 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 significantly 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 or employee participation programs. The shares may likewise be used to satisfy warrants or conversion rights granted by the company. Moreover, the Personally Liable Partner was authorized to withdraw treasury shares without 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 company 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. This share buyback program – which commenced on February 15, 2022 – was completed for both share classes on March 31, 2023. Over the entire period of share buyback authorization from February 15, 2022, until the close of business on March 31, 2023, a total of 12,641,546 preferred shares representing a total purchase price of 799,999,958.32 euros and 3,290,703 ordinary shares representing a total purchase price of 199,989,661.35 euros were repurchased, equivalent to a total purchase price of 999,989,619.67 euros for both share classes (all amounts excluding incidental acquisition costs in each case).

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 264 and 265.

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

The company 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.

Corporate governance statement

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

In the corporate governance statement issued jointly by the Management Board and Supervisory Board of Henkel AG & Co. KGaA, the Management Board and Supervisory Board provide information in the relevant sections of the report 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 is limited to the question as to whether the requisite information has been disclosed.

The GCGC stipulates disclosures relating to the internal control and risk managements systems that extend beyond the legal requirements governing management reports. These disclosures have been allocated thematically to the corporate governance statement.

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 company) 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 company 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 entity) 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 company 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 company is the sole shareholder of Henkel Management AG.

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 company 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 the German 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 earnings, 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 personally liable partners and that of the limited partners (Section 285 (2) AktG) or relate to the adoption of annual financial statements (Section 286 (1) AktG).

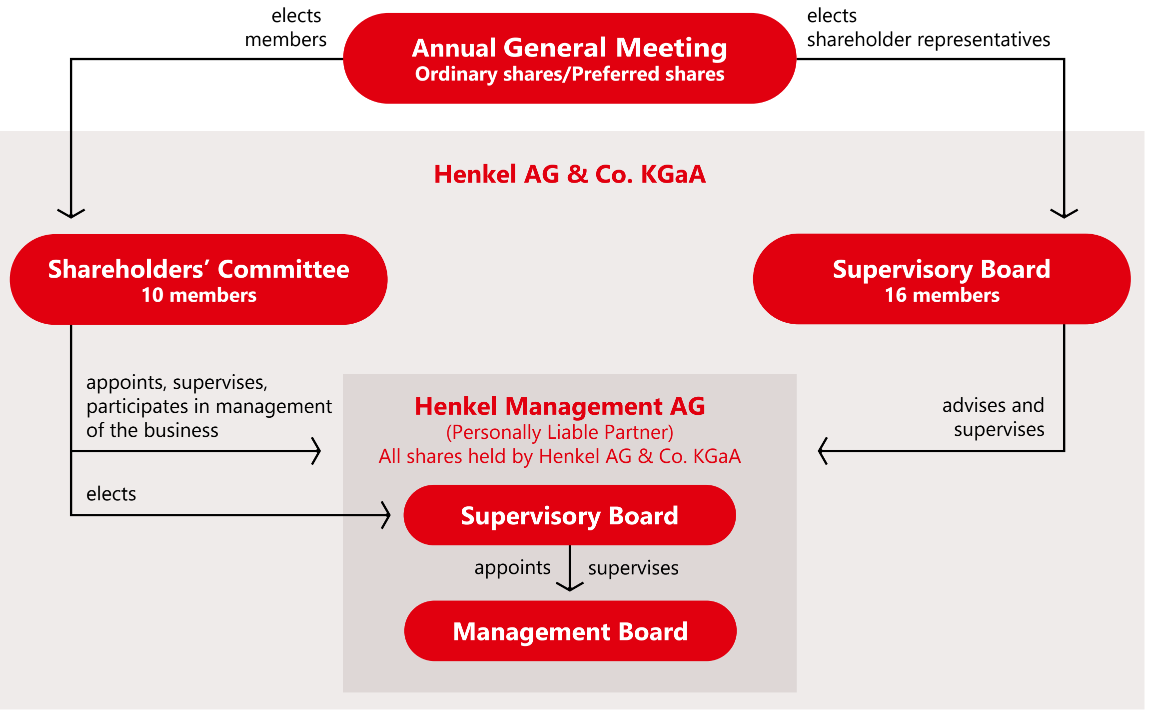
According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of ten members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). The Shareholders' 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):

- The Shareholders' Committee acts in place of the Annual General Meeting in guiding the business activities of the company.
- 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 company and Henkel Management AG, the Personally Liable Partner.
- It exercises the voting rights of the company 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.

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

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 company'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 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 March 2023, the Management Board, Supervisory Board and Shareholders' Committee issued the following declaration, which was published on the company's website:

"Declaration for 2023 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 ("Company") 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 company has complied with the current recommendations of the German Corporate Governance Code ("GCGC") as amended on December 16, 2019 ("GCGC 2019") since the last declaration of compliance of February 2021, and is currently complying and will comply in future with the GCGC recommendations as amended on April 28, 2022 ("GCGC 2022") subject to certain derogations indicated below:

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

- The Company 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 Company is Henkel Management AG, the Management Board ("Management Board") of which is thus responsible for managing the business activities of the Company. The Company is the sole shareholder of Henkel Management AG.
- The Shareholders' Committee established in accordance with the company's bylaws acts in place of the General Meeting of the Company, its primary duties being to engage in the management of the company'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 Company 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 likewise responsible for exercising the Company's voting rights at Annual General Meetings 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.

GCGC recommendations that refer to the duties and responsibilities of a supervisory board that are performed by the Shareholders' Committee in accordance with the Company'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 Company 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 company 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 company.

GCGC recommendations

Where the GCGC offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the company'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 2019/2022 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 company complies with all recommendations ("shall" provisions) of the GCGC 2019/2022, with the following exceptions:

- According to Recommendation C.5 GCGC, the supervisory board should not include any management board members of (other) listed companies who hold more than two supervisory board appointments or comparable offices in non-Group listed companies. Nor should these management board members chair a supervisory board of a non-Group listed company. Whether the number of mandates held by members of the management board who sit on the supervisory 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 company 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 are required to accumulate a significant share portfolio during the rolling lock-up period, and that they participate in the long-term performance of the company, 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 was three years. The LTI is paid in cash once the Company'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 not only promotes and rewards sustainably profitable growth and thus the long-term development of Henkel; at the same time, Management Board remuneration is aligned to the interests of the Company's shareholders.

As part of the efforts to modify the remuneration policy for Management Board members starting from fiscal 2023, variable remuneration will be largely share-based overall in future. This policy will be submitted to the Annual General Meeting 2023 for approval. Moreover, the aforementioned derogations do not apply to the LTI term, whose term is four years anyway.

- The Company has derogated and continues to derogate 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 based on the originally agreed targets and comparison parameters and in accordance with the due dates or lock-up periods specified in the contract – insofar as – under the former remuneration policy – all lock-up periods relating to a board member's own investment in Henkel preferred shares (share deferral) expire upon termination or in the event of death. By the same token, if the recipient dies, LTI entitlements with regard to outstanding tranches are settled on the basis of budget figures and paid to the heirs.

Suggestions of the Code
Notwithstanding the aforementioned special features arising from its legal form, the company has adopted and will continue to adopt the discretionary suggestions of the GCGC 2019/2022.

Düsseldorf, March 2023

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/corporate-governance**.

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 24, 2023, approved the remuneration policy applicable from 2023 onward for the Management Board per Section 87a (1) AktG by a majority of 98.04 percent. The remuneration policy and the corresponding resolution are publicly accessible on the website: **www.henkel.com/corporate-governance**.

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 board members 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 was amended accordingly. The remuneration policy for the members of the

Supervisory Board and the Shareholders' Committee and the respective resolutions are publicly accessible on the website **www.henkel.com/ir**.

According to Section 120a (4) AktG, the 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 2022, which details the remuneration of the corporate bodies of Henkel, is publicly accessible on the website, together with the associated audit opinion relating to the statutory formal audit and additional substantive audit: **www.henkel.com/ir**. Likewise, the remuneration report for fiscal 2023 including audit opinion will be made publicly accessible on the website.

3. Material corporate governance principles and practices

Material codes of conduct at Henkel

The Management Board, the Shareholders' Committee and the Supervisory Board are committed to ensuring that the management and stewardship of the company 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 company's business with the care of a prudent and conscientious business director in accordance with statutory 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 company 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.

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

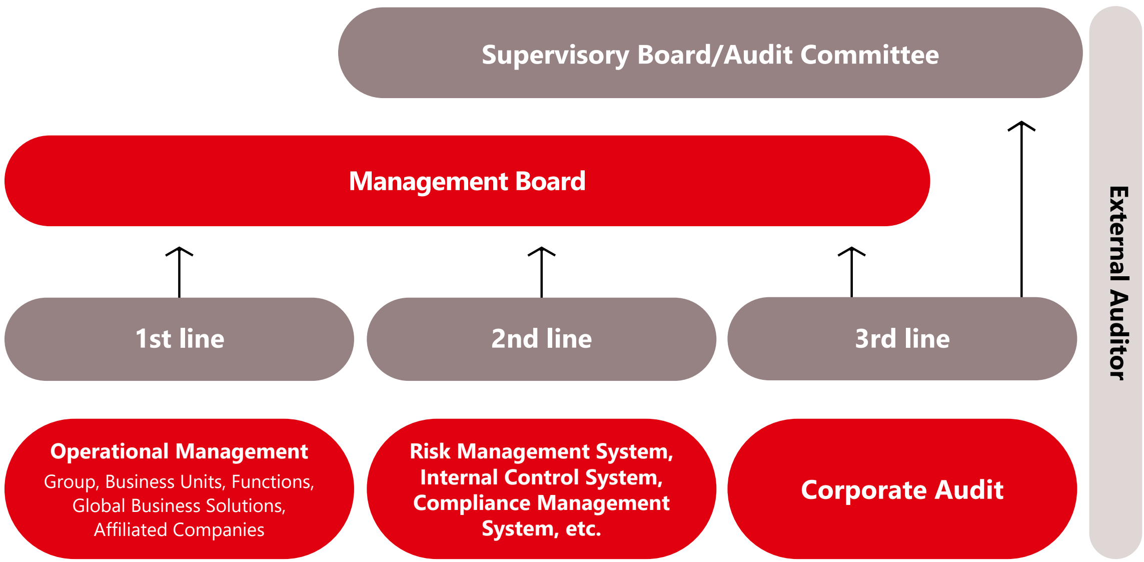
Our values:
- We put our **customers** and **consumers** at the center of what we do.
- We value, challenge and reward our **people.**
- We drive excellent sustainable **financial performance.**
- We are committed to leadership in **sustainability.**
- We shape our future with a strong entrepreneurial 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 company'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 company. 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.

Key principles governing the internal control and risk management systems

A responsible and appropriate approach to managing risks and opportunities is a central element of corporate governance at Henkel. To enable us to identify and assess risks and opportunities early on, we have established coordinated risk management and internal control systems that are closely aligned to the nature and scope of the business activities and the risk situation of Henkel. Both systems feature operational components alongside the accounting-related elements. Sustainability aspects are also taken into account, whereby the internal control system related to sustainability is still being established. The internal control system and the risk management system are subject to continuous improvement in line with regulatory requirements. The aforementioned systems are supplemented by a compliance management system aligned to the risk situation of the company. Overall responsibility for ensuring effective control and risk management and compliance with laws and guidelines lies with the Management Board.



The three-lines model provides the organizational framework for these systems. The **first line of defense** is provided by those charged with managing business operations, who are responsible for identifying, assessing and managing the associated risks. The **second line of defense** relates to the specific governance of Henkel and is responsible for developing/improving and implementing the processes and systems for use by the first line. The Management Board and Supervisory Board each receive regular risk management, internal control system and compliance reports. The **third line of defense** is provided by the Corporate Audit function, which acts as an impartial oversight body and regularly reports to the Management Board and the Supervisory Board's Audit Committee on its audit findings. For financial reporting, the three lines of defense are supplemented by the activities of the external auditor.

Risk management

Further details relating to governance and the risk management processes that have been put in place can be found in the risks and opportunities report on pages 177 to 203.

Internal control system

The internal control system encompasses all systematically defined control mechanisms and oversight activities and aims to ensure:

- Effective and efficient business operations
- Proper reporting procedures
- Compliance with all laws and regulations of relevance for Henkel

At Henkel, the design of the internal control system is aligned to COSO – the internationally acknowledged internal control framework – and to auditing standard IDW PS 982. It is subject to continuous development and improvement. Policies that apply throughout the Group describe the material principles and objectives, as well as the structure, of the internal control system and the approach to examining the effectiveness of same. The design of the internal control system extends beyond just an internal accounting control system and includes control mechanisms for material operational and other business processes, such as procurement, distribution, personnel management and – to a certain degree – supply chain. The key characteristics of our internal control and risk management systems relating to financial reporting and accounting processes per Section 315 (4) HGB are described in our risks and opportunities report on pages 201 and 202.

Compliance management

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 compliance organization operates on three levels: “Prevention,” “Detection,” and “Response.” 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 adherence to both internal and external regulations, supports the development and implementation of in-house standards that are binding worldwide, and takes appropriate action in the event of compliance violations.

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 Supervisory Board's Audit Committee and the Shareholders' Committee on identified compliance violations. In addition, compliance issues and potential violations are also regular items on the agenda of other local corporate management bodies.

The issue of compliance is moreover an integral part of 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 company 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 company who, due to their function or involvement in projects, have access to potential insider information.

Sustainability management

Our sustainability management is integrated vertically, horizontally and interdepartmentally into our organizational structure, whereby the internal sustainability control system is still being established and is therefore not included in the following description. The Sustainability Council chaired by CPO Sylvie Nicol is the central corporate management body in charge of our global sustainability activities. At the request of the Management Board, the Council performs initiative and control functions relating to sustainability issues. They include strategic issues and issues of operational relevance, such as climate change and the impacts of same, human rights, sustainable products and technologies, packaging, product safety, and management systems. The Sustainability Council establishes project groups to address sustainability issues and oversees the findings. Additionally, overarching projects are initiated and the achievement of sustainability targets is regularly monitored. The Sustainability Council is composed of senior executives from all business units and functions throughout the company.

The operating business units are responsible for the operational design of our sustainability strategy and for providing the resources needed to implement same. They align their brands and technologies, and the sites involved, to sustainability in line with the specific challenges and priorities of their product portfolio. The managers in charge of the regional and national companies are responsible for implementing Group specifications and for ensuring compliance with legal requirements. With the support of the corporate functions and the operating business units, they develop an implementation strategy appropriate to the individual sites and their local circumstances.

The corporate functions support the implementation of our sustainability strategy in the respective areas and the measurement of progress. In this respect, the central Corporate Sustainability function headed by the Chief Corporate Sustainability Officer acts as an important coordinator and steward.

Internal audit

The primary task of our internal audit function (Corporate Audit) is to provide independent and objective auditing and consultancy services aimed at adding value and improving business processes. A systematic and target-oriented approach assesses the effectiveness of the risk management system, control mechanisms and management and monitoring processes and is used to coordinate improvement programs. Regular audits are conducted around the globe at our production and administrative sites, as well as at our toll/contract manufacturers and at logistics centers to assure compliance with our codes and standards. Our audits focus particularly on the areas of procurement, distribution, marketing, finance, IT, personnel, supply chain, production, and health and environmental safety. Our Corporate Audit function reports regularly to the Management Board and the Supervisory Board’s Audit Committee on the findings of its audits.

Audit Committee

The Supervisory Board's Audit Committee focuses regularly on the appropriateness and effectiveness of the Group-wide internal control and risk management systems and on the further improvement of same. The efficacy of the control and risk management systems are examined on the basis of risk reports, the report on the internal control system and reports submitted by the General Counsel & Chief Compliance Officer and the Corporate Audit function. The Audit Committee also approves the relevant risk-based audit schedule submitted by the Corporate Audit function.

Appropriateness and efficacy of the internal control and risk management systems

After examining the internal control and risk management systems, including the compliance management system, and the internal audit reports, the Management Board is not aware of any circumstances that might indicate that these systems are not appropriate and effective. Generally speaking, however, internal control and risk management systems – irrespective of their individual design – cannot guarantee with absolute certainty that all risks will be identified in time or that (compliance) violations will be avoided or discovered.

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 Chair. As a rule, members are appointed to the Management Board for an initial term of no more than three years. As of December 31, 2023, the Management Board had five members.

The Management Board is solely responsible for managing the company and for representing Henkel AG & Co. KGaA in transactions with third parties. 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.

The Management Board is responsible for managing the entire corporation. One of its material tasks is to define the organizational structure, objectives, and strategic orientation of the company, including its sustainability strategy. In doing so, the Board systematically identifies and evaluates the social and environmental risks and opportunities facing the corporation as well as the environmental and social impacts of the company's business activities. In addition to long-term financial targets, sustainability objectives are also used to determine the remuneration payable to the Management Board and senior executives.

The Management Board also manages and monitors the activities of the company by planning, coordinating and allocating resources, resolving and supporting key individual measures and ensuring appropriate internal control and risk management systems that also already incorporate sustainability aspects in some areas. 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 compliance management system aligned to the corporation's risk situation in place that also offers employees and third parties the option of reporting suspicions of relevant violations in the company without fear of retribution.

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.

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 company 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.

The Management Board adopts its resolutions in regular meetings called and chaired by the CEO 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, corporate 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. The Chair cannot force a decision against a majority vote but does have a veto right if outvoted. 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 company in which they were outvoted.

The Management Board has established various committees and councils – some of which are chaired by a member of the Management Board – to consult and decide on individual issues, especially in respect of acquisition/divestment/investment decisions, personnel policy issues and sustainability issues. These committees and councils examine the planned measures, assess the opportunities and risks, and communicate their decisions to the Management Board or – to the extent that the Management Board is responsible for making the appropriate decision – submit appropriate proposals for decision.

Supervisory Board

Composition, duties

The company's Supervisory Board is composed of equal numbers of shareholder and employee representatives as specified in the Codetermination Act of 1976 [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 Codetermination Act of 1976 and the relevant voting procedures. A member of the Management Board cannot simultaneously be a member of the Supervisory Board. All members of the Supervisory Board are bound in equal measure to protect the interests of the corporation. Members 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, including consideration of sustainability aspects. At regular intervals, the Supervisory Board discusses with the Management Board the progress regarding implementation of the business and sustainability strategy, 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, taking into account the reviews and audit reports submitted by the auditor, and the sustainability reporting procedure that includes both the non-financial statement and the sustainability report. 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. Moreover, the Supervisory Board 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. The Management Board often 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 is made up of three shareholder and three employee representative members of the Supervisory Board. Each member is elected by the Supervisory Board based on nominations of their fellow shareholder or fellow employee representatives on the Board. The Chair of the Audit Committee is elected based on a proposal of the shareholder representative members. As of December 31, 2023, the following were members of the Audit Committee: Simone Menne (Chair), Laurent Martinez (Vice Chair) and Dr. Simone Bagel-Trah as shareholder representatives, and Birgit Helten-Kindlein, Edgar Topsch and Michael Vassiliadis as employee representatives. All members must be familiar with the sector in which the corporation operates (Section 107 (4) sentence 3 and Section 100 (5) AktG). It is, moreover, 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. 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, Chair of the Audit Committee until April 24, 2023, Simone Menne, already a member who became Chair of the Audit Committee from April 24, 2023 onward, and Laurent Martinez, member since April 24, 2023, have spent many years working on management boards, as chief 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 was, and Dr. Bagel-Trah is, independent from the company 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 was, moreover, not dependent on the controlling shareholder in that he was not a party to the Henkel family share-pooling agreement. Likewise pursuant to the aforementioned Recommendation, Simone Menne and Laurent Martinez are also independent from the company, 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 the sustainability report, 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, sustainability and audit quality. The Heads of Group functions – particularly Legal & Compliance, Treasury and Corporate Audit – report regularly to the Audit Committee. Prior to the respective publication dates, the Audit Committee 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 Chair of the Audit Committee reports promptly and in full to the plenary Supervisory Board on the content and results of each of the committee meetings.

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 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 the agreed diversity strategy for its composition. As of December 31, 2023, the following were members of the Nominations Committee: Dr. Simone Bagel-Trah (Chair), Benedikt-Richard Freiherr von Herman (Vice Chair) and Barbara Kux.

Given the importance of ESG issues for the company and the future sustainability reporting requirements, the Supervisory Board plans to establish a Sustainability Committee to oversee the Management Board's sustainability strategy and ongoing development, and ESG reporting procedures.

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). A member of the Management Board cannot simultaneously be a member of the Shareholders' Committee. 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 company. 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 company, 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 company 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, it meets without participation of the Management Board. It also holds a joint conference with the Management Board lasting several days to discuss issues surrounding corporate strategy, including sustainability. The Shareholders' Committee reaches its decisions by a simple majority of the votes cast. It has established Finance and Personnel Committees that likewise meet six times per year, as a rule.

The Finance Committee deals primarily with financial matters, questions of financial strategy, financial position and structure, taxation, balance sheet and insurance policy, accounting, non-financial reporting procedures, compliance issues and 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, 2023, the following were members of the Finance Committee: Konstantin von Unger (Chair), Dr. Christoph Kneip (Vice Chair), Dr. Paul Achleitner and James Rowan.

The Personnel Committee deals primarily with personnel matters relating to members of the Management Board and succession planning, with issues pertaining to human resources strategy, and with remuneration, donations and corporate citizenship activities. 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, 2023, the following were members of the Personnel Committee: Dr. Simone Bagel-Trah (Chair), Johann-Christoph Frey (Vice Chair), Alexander Birken, Dr. Kaspar von Braun, Dr. Dr. Norbert Reithofer and Jean-François van Boxmeer.

The respective Chairs of the Finance and Personnel Committees report promptly and in full to the Shareholders' Committee on the content and results of each of the committee meetings.

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.

Onboarding/Upskilling
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 – as recommended, for example, in the case of amendments to legal frameworks. These efforts are appropriately supported by the company. 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 company.

The Management Board agrees the strategic direction of the company 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 strategy and business policy, corporate planning, profitability, the business development of the company and major affiliated companies, and also matters relating to risk exposure, risk management, and compliance. It also regularly discusses the status of strategy implementation, including sustainability strategy.

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 owed 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 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 company'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 company are publicly accessible on our website **www.henkel.com/company/corporate-culture**.

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 2023 in accordance with the legal statutes and Articles of Association. In compliance with the Articles of Association, it engaged in the management of the company 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 company. It also discussed and ruled on those transactions that required its approval.

Six scheduled meetings took place in the year under review, together with one ad hoc meeting and 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 in person; others took part by video conference. The budget for 2023 was approved by written procedure.

Participation in the meetings of the Shareholders' Committee and its (sub)committees was 96 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. Areas of particular focus included the strategic alignment of the company and its implementation status – particularly the exit from Russia, status of transformation of the new Consumer Brands business unit, and the strategies and respective progress updates of the business units, financial reporting, overall performance by the business units and in the 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.

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 personnel 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. This assessment is performed on the basis of an extensive company-specific checklist focusing on the relevant key aspects, such as meeting frequency, duration, preparation and organization, scope and content of the underlying documentation, information and reports submitted by the Management Board, minutes, committee work and information disclosure, financial control and risk management systems, requests for information, collaboration with the auditor, corporate governance matters and improvement opportunities.

The efficiency of the activities of the Supervisory Board and Shareholders' Committee and their respective (sub)committees, and the impartiality of their members, were confirmed in the efficiency audit performed in 2023/2024. Some improvement opportunities were discussed and are in the process of being implemented. The next efficiency audit is scheduled to take place in 2025/2026.

Supervisory Board of Henkel Management AG

The company holds all shares in Henkel Management AG. The voting rights to which the company 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, 2023, 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 responsible for managing the corporation. Effective control of management – i.e. of the Management Board of Henkel Management AG – is therefore also assured:

- Monitoring and control of the Management Board by the Supervisory Board of Henkel Management AG in accordance with laws governing joint stock corporations
- Monitoring and control of Henkel Management AG as the Personally Liable Partner and therefore (also) its Management Board
  - by the Shareholders' Committee, thus exercising the powers of the company's shareholders, and
  - by the Supervisory Board at KGaA level in accordance with laws governing joint stock corporations.

The Supervisory Board of Henkel Management AG is responsible for appointing and dismissing members of the Management Board, the drafting of their contracts, the assignment of their business duties, and their remuneration. Regarding Management Board remuneration, the Supervisory Board of Henkel Management AG is responsible, in particular, for:

- Determining and reviewing remuneration policy
- Specifying the non-performance-related and variable, performance-related components of remuneration
- Defining individual targets each year, and measuring performance with regard to same

- Determining the extent to which the financial and non-financial targets have been met each year and quantifying annual and multi-year variable, performance-related remuneration
- Approving the assumption of voluntary duties and supervisory board, advisory board or similar mandates in other companies, as well as other ancillary professional activities

Corresponding resolutions are adopted by the Supervisory Board of Henkel Management AG after prior consultation in the Shareholders' Committee's Personnel Committee. The general rules governing the treatment of conflicts of interest are applied. Specifically, members of the Management Board are excluded from such consultations and resolutions to the extent necessary to avoid conflicts of interest. The Supervisory Board of Henkel Management AG is responsible for engaging external remuneration experts to either develop or modify the remuneration system or to assess whether Management Board remuneration is appropriate. At the same time, it ensures the independence of remuneration experts from both the Management Board and the corporation at large.

Members of the corporate bodies

Details of the composition of the corporate bodies of Henkel and their 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 362 to 367. Members' curricula 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 or executive boards of companies that are listed or subject to codetermination regulations must set targets for the proportion of women in the first two management levels below the management or executive 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 schedules 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 are expected to be achieved by December 31, 2026:

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

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, 2023, women accounted for 28.0 percent of the first management level, and for 42.4 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 ambition to increase the ratio of women at all levels of management within the Henkel Group to 50 percent by 2025. In 2023, we were again able to raise the proportion of women in management worldwide – to 39.5 percent as of December 31, 2023 (previous year: 38.7 percent).

Statutory gender quota for Management Board composition

If its management or executive board comprises more than three people, a listed company that is subject to the German Codetermination Act of 1976 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 German 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. As of December 31, 2023, the Management Board was comprised of four men and one woman. This represents a ratio on the Management Board of 80 percent men and 20 percent women.

Statutory gender quota for Supervisory Board composition

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

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. As of December 31, 2023, the Supervisory Board was comprised of ten men and six women. Shareholder representatives consisted of five men and three women, as did the employee representatives. This represents an overall ratio of around 62 percent men and 38 percent women.

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.

  - 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.

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 function 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; this is then 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 company'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 by-election, the Supervisory Board considers these objectives, whereby the particular regulations of the German Codetermination Act of 1976 must be observed with regard to the employee representative candidates.

- 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 personnel, 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 company's ownership structure. According to Recommendation C.6 GCGC, a member of a supervisory board is considered independent if they are independent from the company 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 company and the Management Board. Supervisory Board members are considered independent from the company and its Management Board if they have no personal or business relationship with the company or its Management Board that could create a substantial and not merely temporary conflict of interest. Assessing the independence of shareholder representatives from the company 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 company,
  - 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 company 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 company'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 company'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/executive 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),
- who – if members of a management/executive 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 company 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 company's tradition as an open family business, this applies particularly to members of the Henkel family share-pooling agreement.

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/executive boards in relevant companies 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 company 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, former Audit Committee Chair, have been or were 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 is, and Prof. Dr. Kaschke was, regarded as independent from the company and its Management Board as seen from an overall perspective. Dr. Bagel-Trah maintains, and Prof. Dr. Kaschke maintained, the necessary impartiality toward the company and the Management Board in the performance of their respective office and their 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 company 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 therefore independent from the company and the Management Board. The shareholder side therefore believes that all shareholder representatives on the Supervisory Board are independent from the company and the Management Board.

Four of the eight shareholder representatives – Barbara Kux, Simone Menne, Laurent Martinez 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, 2023

Name, gender*, membership on the Supervisory Board	Independence: from the company and Management Board[1]	Independence: from the controlling shareholder[2]	Skills/Experience: 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) (f) (since 4/14/2008)	X	–	X	X	X	–	X	X	X
Lutz Bunnenberg (m) (since 6/17/2020)	X	–	X	X	–	–	–	X	–
Benedikt-Richard Freiherr von Herman (m) (since 4/11/2016)	X	–	X	X	X	–	–	X	X
Barbara Kux (f) (since 7/3/2013)	X	X	X	X	X	X	X	X	X
Laurent Martinez (m) (since 4/24/2023)	X	X	X	X	X	X	–	X	X
Simone Menne (f) (since 6/17/2020)	X	X	X	X	X	X	–	X	X
Philipp Scholz (m) (since 4/9/2018)	X	–	X	–	X	–	X	–	X
Poul Weihrauch (m) (since 4/4/2022)	X	X	X	X	X	X	X	X	X

* Gender: male (m); female (f)

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

[2] As defined in Recommendation C.9 GCGC 2022.

Employee representatives

Skills and experience of the employee representatives serving on the Supervisory Board as of December 31, 2023

	Skills/Experience						
Name, gender*, membership on the Supervisory Board	**Entrepre-neurship/ Leadership experience**	**Understanding of the business**	**Sustainability**	**Financial expertise**	**HR/ Society/ Commu-nication/ Media**	**Financial control/ Risk management**	**Governance/ Compliance**
Birgit Helten-Kindlein (Vice Chair) (f) (since 4/14/2008)	X	X	x	–	X	X	–
Michael Baumscheiper (m) (since 12/11/2020)	X	X	–	–	X	–	X
Dr. Konstantin Benda (m) (since 4/24/2023)	X	X	–	X	X	–	X
Sabine Friedrich (f) (since 9/23/2023)	X	X	X	–	X	–	–
Andrea Pichottka (f) (since 10/26/2004)	X	–	–	X	X	X	X
Dirk Thiede (m) (since 4/9/2018)	X	X	–	–	X	–	–
Edgar Topsch (m) (since 8/1/2010)	X	X	–	–	X	–	X
Michael Vassiliadis (m) (since 4/9/2018)	X	X	X	–	X	X	X

* Gender: male (m); female (f)

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 by-elections. In this respect, 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 German company law [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.

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 company or its Management Board that could create a substantial and not merely temporary conflict of interest.

In keeping with the ownership structure and the company'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 company'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 company's Supervisory Board, and they must be named accordingly in the corporate governance statement.

Implementation progress

As of December 31, 2023, the Shareholders' Committee was comprised of nine men and one woman. This represents an overall ratio of 90 percent men and 10 percent women. 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/executive 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 company 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, 2023 – 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 company's Supervisory Board.

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, 2023

	Independence		**Skills/Experience**							
Name, gender*, membership on the Shareholders' Committee	**from the company 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) (f) (since 4/18/2005)	X	–	X	X	X	X	X	–	X	X
Konstantin von Unger (Vice Chair) (m) (since 4/14/2003)	X	–	X	X	X	X	X	X	–	–
Dr. Paul Achleitner (m) (since 4/30/2001)	X	X	X	X	X	X	X	X	X	X
Alexander Birken (m) (since 6/17/2020)	X	X	X	X	X	X	X	X	X	X
Kaspar von Braun, Ph.D. (m) (since 4/4/2022)	X	–	–	–	X	X	X	X	–	X
Johann-Christoph Frey (m) (since 4/9/2018)	X	–	–	X	X	X	X	X	–	X
Dr. Christoph Kneip (m) (since 6/17/2020)	X	–	–	–	X	X	X	X	X	X
Dr. Dr. Norbert Reithofer (m) (since 4/11/2011)	X	X	X	X	X	X	X	X	X	X
James Rowan (m) (since 4/16/2021)	X	X	X	X	X	X	X	X	X	X
Jean-François van Boxmeer (m) (since 4/15/2013)	X	X	X	X	X	X	X	–	–	X

* Gender: male (m); female (f)

[1] No personal or business relationship with the company 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 by-elections. To facilitate this, the Shareholders' Committee and the Supervisory Board are required to submit appropriate proposals for adoption by the Annual General Meeting.

When elections are required, appropriate profiles are defined that consider the aforementioned diversity objectives 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 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. Transactions disclosed to the company 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 from fiscal 2020 onward was publicly tendered in accordance with Regulation (EU) No. 537/2014 of April 16, 2014. Based on the outcome of the tender process, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany (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 signed off the audit opinion relating to the consolidated financial statements and the annual financial statements of Henkel AG & Co. KGaA for fiscal years 2020 to 2022 were Dr. Peter Bartels and Michael Reuther (the latter being the auditor responsible for the engagement), while the financial statements for fiscal 2023 were signed off by Dr. Peter Bartels and Antje Schlotter (the latter being the auditor responsible for the engagement).

FUNDAMENTAL PRINCIPLES OF THE GROUP

Operational activities

1876
Year of foundation

Overview

Henkel was founded in 1876. Therefore, the year under review marks the 147th in our corporate history. At the end of 2023, Henkel employed around 47,750 people worldwide. We hold globally leading market positions in our consumer and industrial businesses.

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.

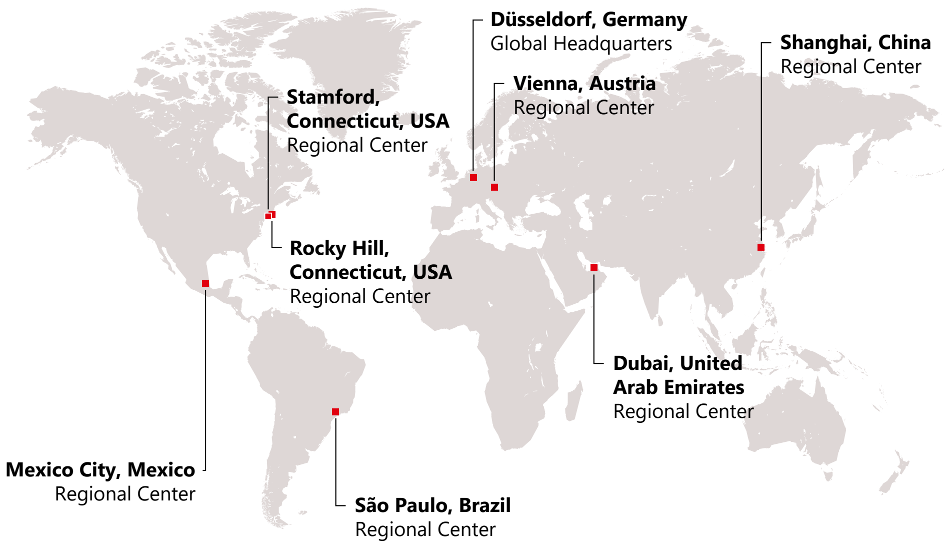
Since the start of fiscal 2023, Henkel has been organized in two business units: Adhesive Technologies and Consumer Brands.

As global market leader for adhesives, the **Adhesive Technologies** business unit offers a broad portfolio of high-impact solutions in adhesives, sealants and functional coatings. The organizational structure of the business unit was optimized in fiscal 2023. The new structure comprising the three business areas Mobility & Electronics, Packaging & Consumer Goods, and Craftsmen, Construction & Professional enables us to use scale and competence benefits even more efficiently, while at the same time ensuring close customer and market proximity.

We have merged our consumer goods businesses and brands into the integrated business unit **Consumer Brands**, focusing on our global business areas Laundry & Home Care and Hair. Additionally, with our business area Other Consumer Businesses, we are active in selective body care markets. We occupy leading positions in numerous markets and categories and offer a strong brand portfolio 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.

Details of the individual business areas of both business units can be found on page 122 for Adhesive Technologies and page 130 for Consumer Brands.

Henkel around the world: Regional Centers



The business activities of our **business units** are supported by the central, corporate 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.

Further details on the organization of our business activities along the value chain can be found in the sections “Procurement” (pages 152 to 154), “Production” (pages 155 to 157), “Research and development” (pages 158 to 163) and “Marketing and distribution” (pages 164 to 167).

Explanatory notes to amended reporting structure since Q1 2023

Starting from the first quarter of 2023, Henkel has amended its reporting structure to reflect its new organizational set-up and has since been reporting on the performance of its two business units Adhesive Technologies and Consumer Brands. We had also announced our intention to report key sales figures at the business area level, thus increasing transparency. Specifically, we report sales as well as nominal and organic sales growth. In the Consumer Brands business unit, these figures are reported for the business areas Laundry & Home Care, Hair and Other Consumer Businesses. Henkel has, moreover, optimized the organizational structure of its Adhesive Technologies business unit. The new structure comprising the three business areas Mobility & Electronics, Packaging & Consumer Goods, and Craftsmen, Construction & Professional was already reflected in the report on the first quarter of 2023.

The company has also slightly modified its regional reporting structure to better reflect the allocation of management responsibilities. Since the first quarter of 2023, we have been commenting on business performance in the regions of Europe, IMEA (India, Middle East, Africa), North America, Latin America and Asia-Pacific.

Accordingly, the prior-year figures included in this report for the Consumer Brands business unit, for the business areas within the two business units, and for the regions Europe, IMEA and Asia-Pacific, reflect in each case the new structure.

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 place 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 help our employees to grow both professionally and personally at Henkel.

Our mid- to long-term financial ambitions

Driving our growth agenda supports us in achieving 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 **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 with strong brands and solutions, a 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.

Rigorously shape a winning portfolio
A successful portfolio is the key to sustainably profitable business performance. This is why we are consistently evolving our brands and businesses as part of our active portfolio management – not least in light of the creation of our integrated business unit Consumer Brands (for more details, see pages 99 to 101). At the same time, M&A activities in both business units remain an integral part of our strategy, supported by our strong balance sheet.

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 occurs close to the market. In our collaboration with external partners, we are also increasingly leveraging the potential of open innovation, using agile methods and continuing to invest in innovation centers. We consistently invest in innovations and brands in core categories and regions.

Boost sustainability as a true competitive differentiator
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.

To drive sustainable development, we have set ourselves ambitious goals as part of our 2030+ Sustainability Ambition Framework that build on our progress to date and which we are rigorously pursuing. We have included different ESG dimensions and defined key areas of focus:

- **Regenerative Planet**: We strive to achieve a circular economy, a 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, circularity and nature.
- **Thriving Communities**: 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, focusing on performance, transparency and collaboration.

We 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 with customers and consumers. Assessments in the relevant sustainability ratings provide important and independent confirmation and acknowledgment of our achievements and progress.

Please refer to our Sustainability Report 2023 for a detailed discussion of our sustainability strategy and progress.

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 striving to grow our digital sales. In the process, we are building a pool of digital talents, which we support in a targeted manner. Ultimately, 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.

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.

Integration of the Consumer Brands business unit

At the start of 2022, Henkel announced its plans to merge the two former business units Laundry & Home Care and Beauty Care. The creation of the integrated business unit Consumer Brands – which we continued to drive in 2023 – represents the most significant transformation of our company in recent decades.

With the Consumer Brands business unit, which has been operating worldwide under the new structure since the beginning of 2023, we are creating a multi-category platform with a focus on the global categories Laundry & Home Care and Hair, and which represents more than 10 billion euros in sales. The business unit brings together all 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 to raise the profitability of our consumer goods business and thus of the Group as a whole. Furthermore, we want to create additional positive growth stimulus. To this end, we are focusing the Consumer Brands portfolio on strategic core brands and businesses with attractive growth and margin potential. The integration will allow us to realize significant synergies, which in part will be used to facilitate, for example, targeted investment in strategic priorities such as innovation, sustainability and digitalization, and to strengthen our attractive and leading brands.

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 even better capture the full potential for organic and inorganic growth. To achieve this, we are focusing the portfolio on attractive growth potential and high gross margins, and are aligning investments to core platforms in relevant markets. At present, our Consumer Brands portfolio comprises the global categories Laundry & Home Care and Hair, together with the business area Other Consumer Businesses which is present in selective body care markets.

The combined size of our consumer businesses offers improved opportunities for further reducing complexity and for even more rigorous 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 appeal, for example. Henkel had announced plans to review businesses and brands representing a total sales volume of up to 1 billion euros. Accordingly, we had already fundamentally changed our portfolio of consumer businesses back in 2022 with our global exit from the Oral and Skin Care categories and our exit from selective Body Care markets.

As a multi-category platform, there are also additional opportunities for targeted acquisitions – in existing core categories or in other new consumer goods categories. This will be our approach in optimizing the portfolio and in further strengthening the growth dynamics in our consumer businesses as we move forward.

Creating advantages of scale: Significant synergies and efficiency gains
The Consumer Brands business unit will enable Henkel to leverage scale, allowing us to substantially increase efficiency. It will also help us to act faster and become more flexible in a highly volatile environment. Based on consistent implementation, which we were able to drive forward faster than originally planned in the past fiscal year, we have raised our expectations in respect of the savings to be generated from the merger.

In the mid-term, we are now striving to generate significant gross savings (before reinvestment) totaling around 650 million euros (previously around 500 million euros). These savings will emerge primarily from optimizing both our sales and administrative structures and our supply chain (production and logistics). A part of these savings will be reinvested. Net savings are now expected to total around 525 million euros on an annualized basis (previously around 400 million euros).

Implementation is taking place in two phases. In the first phase, we implemented measures up to the end of 2023 that are now expected to lead to net savings of around 275 million euros on an annualized basis (previously 250 million euros) – with full impact on earnings expected from 2024 onward. Related to this, Henkel had announced that, among other effects, around 2,000 jobs globally – mainly in sales and administration – would be affected.

The second phase of integration is focusing on optimizing the supply chain, i.e. the production and logistics network. Here, Henkel plans to improve the efficiency and regional footprint of its own production and to optimize its network of toll/contract manufacturers and its procurement costs. In addition, we plan to drive commercial integration with optimized logistics processes in line with the 1-1-1 principle – one order, one shipment, one invoice. Measures in this second phase are expected to be mostly implemented by the end of 2025. Henkel now anticipates additional annual net savings from these measures of around 250 million euros (previously at least 150 million euros), which are expected to fully materialize from 2026 onward.

The targeted efficiency and cost advantages arising from these two phases will increasingly enable higher and more targeted investments in innovations and in more sustainability and digitalization, enabling us to further extend our competitive edge. Moreover, they facilitate focused and strong marketing support to further strengthen our attractive and leading brands.

Integrated approach: Leaner structures and faster decision-making processes
The new business unit places a particular focus on customer and channel centricity – with an integrated approach for trade partners across all consumer categories. Under one leadership, the team focuses on advancing the entire consumer business, with leaner structures and faster decision-making throughout the entire integrated organization.

A detailed discussion of the major **progress** relating to the ongoing integration of the Consumer Brands business unit in fiscal 2023 can be found on pages 130 to 132.

Consistent implementation of our growth agenda in fiscal 2023

In 2023, we again consistently implemented our growth agenda and made further progress in all areas – despite the manifold macroeconomic and geopolitical challenges.

We continued to resolutely evolve our **portfolio** in both business units in 2023.

Since announcing the merger of our consumer businesses, we have divested or discontinued brands and activities representing total sales of around 650 million euros in the Consumer Brands business unit. For example, we exited our North American air freshener business in 2023. At the same time, Henkel strengthened its portfolio by acquiring the sustainable Laundry & Home Care brand Earthwise in New Zealand. In January 2024, Henkel also signed an agreement to acquire the Vidal Sassoon brand and the related consumer hair care business in China from Procter & Gamble. The acquisition strengthens our Consumer Brands business in China and expands our hair care portfolio in an attractive market. The business generated sales of more than 200 million euros in Procter & Gamble's 2022/2023 financial year.

In addition, our Adhesive Technologies business unit has underpinned its more pronounced focus on growth through M&A and has added an attractive acquisition to its maintenance, repair and overhaul portfolio. By acquiring Critica Infrastructure in the year under review, Henkel has added an adjacent business to its portfolio with the aim of creating a platform for further growth: Critica is a specialized supplier for innovative composite repair and reinforcement solutions used in a wide range of industrial applications.

Following Russia's war on Ukraine, Henkel had announced in 2022 to exit its business activities in Russia. Effective April 21, 2023, Henkel sold its business activities in Russia to a consortium of local financial investors, resulting in a cash inflow of 615 million euros.

We also made advancements in the area of **innovations**. Our innovation and customer centers play a key role in this respect. In 2023, the Adhesive Technologies business unit opened a new innovation center in Bridgewater in New Jersey, USA, and a battery center at the Inspiration Center Düsseldorf (ICD), which will serve to strengthen collaboration with automotive and battery manufacturers. The Consumer Brands business unit likewise enhanced its innovation strength. For example, the research and development center in Shanghai, China, was expanded. We also opened a J-Beauty Innovation Hub for our Professional business in Tokyo, Japan, where we are pooling the expertise of Schwarzkopf and the Shiseido Professional business in the Asia-Pacific region that we acquired in 2022.

We have developed and launched numerous innovative products and solutions across both business units that address important trends and offer relevant added value to customers and consumers. Major innovations are showcased on pages 124 (Adhesive Technologies) and 133 (Consumer Brands).

In 2023, we continued to integrate **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 the use of renewable and recycled raw materials. We systematically track our progress in this field. For example, we evolved the methodology used in our Adhesive Technologies business unit to assess the sustainability of the product portfolio.

By further expanding our use of renewable energies, we also came a step closer to achieving our ambition of a climate-positive greenhouse gas balance in production by 2030: In 2023, Henkel converted additional plants to carbon-neutral production.

Our work likewise focused on the circular economy. We further increased the share of recycled materials in our plastic packaging, and entered into a partnership with the Circular Valley Foundation which allows us to engage with startups and academics around the globe and to further expand our own local networks.

We are steadily expanding our communication efforts in order to make our advancements tangible for customers and consumers. For example, last year we launched “It starts with us” – a joint campaign with our retail customers in different countries, through which we are supporting our consumers with targeted communication that also includes advice on the responsible use of our products. In addition, we expanded our sustainability training program for employees within our holistic engagement program “Sustainability at Heart.”

In 2023, we also made important progress in the area of **digitalization**. 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 enabled us to further improve our efficiency in IT last year and to create new business opportunities for Henkel. The use of artificial intelligence (AI) is playing an increasingly important role in this field. For example, we have further developed Schwarzkopf SalonLab. Here, an AI-based technology enables real-time analysis of consumers' hair at a salon so that hyper-personalized products can be offered tailored to the exact needs of the individual. We use AI in Adhesive Technologies, for example, in our global research labs to predict the chemical and physical properties of new formulas – with the aim of substantially shortening the time needed for product development while at the same time enhancing the performance of the new solutions.

To establish future-ready **operating models**, our focus in 2023 was on further integrating the Consumer Brands business unit. Details of the progress in this respect can be found on pages 130 to 132.

In addition, Henkel has optimized the organizational structure of the Adhesive Technologies business unit, for which Mark Dorn has been the responsible Executive Vice President since February 1, 2023. As a result, the business unit with its three business areas Mobility & Electronics, Packaging & Consumer Goods and Craftsmen, Construction & Professional can make more efficient use of scale and leverage competencies while at the same time ensuring close customer and market proximity.

We have also further strengthened our **corporate culture**, building on our purpose – Pioneers at heart for the good of generations – and our Leadership Commitments. To support our employees in fostering our cultural change, we launched the "Accelerate Cultural Transformation" (ACT) initiative in 2023. The aim is to encourage engagement across teams and to define specific action points. A further area of focus was the implementation of our integrated Smart Work concept that provides the global framework for topics such as mobile working, digital workplaces or employee health, together with further global diversity, equity and inclusion (DEI) initiatives.

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.

These performance indicators are represented in both the annual and medium-term plans of Henkel. 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. Adjusting for one-time expenses and income – such as effects of acquisitions and divestments, and impairment losses on non-current assets –, for restructuring expenses and for the effects of fluctuating exchange rates, enables better comparability of the performance indicators over time, thus enhancing transparency.

The performance indicators of relevance for management at Henkel – for which we have also defined mid- to long-term ambitions – are discussed below.

- **Organic sales growth**
  Organic sales growth is defined as the increase in sales after adjustment for the effects of acquisitions, divestments and foreign exchange. As such, it serves to quantify growth from within the company. In addition, organic sales growth is one of the metrics used to determine the annual variable remuneration (Short Term Incentive) payable to the Management Board.

- **Adjusted return on sales**
  Adjusted return on sales describes the ratio of adjusted operating profit (adjusted EBIT) to sales. As such, adjusted return on sales is indicative of the company's profitability.

- **Growth in adjusted earnings per preferred share at constant exchange rates**
  Earnings per share compares the net income to the weighted average number of shares in free float. Calculation is based on IAS 33 (Earnings per share). Calculation of this earnings metric as a performance indicator is based on adjusted earnings per share compared to the prior-year figure. Furthermore, growth in adjusted earnings per preferred share at constant exchange rates is one of the metrics used to determine the annual variable remuneration (Short Term Incentive) payable to the Management Board.

Moreover, we regularly disclose other key financials and non-financial metrics.

- **Other key financials**
  Other key financials include adjusted earnings per preferred share, net working capital as a percentage of sales, adjusted return on capital employed (adjusted ROCE), Economic Value Added (EVA®) and free cash flow. These key financials are explained in the glossary.

- **Non-financial metrics**
  In line with the goal of sustainable corporate development, non-financial indicators are also used as part of our sustainability strategy and reporting – for example, the reduction of the carbon footprint of our production sites, the share of recycled plastic used in consumer goods packaging or the proportion of women in management positions. Furthermore, ESG (Environmental, Social, Governance) targets count among of the metrics to determine the long-term variable share-based remuneration (Long Term Incentive) payable to the Management Board.

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. Moreover, 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 table indicates the WACC rates before and after tax for the Henkel Group and each business unit.

WACC by business unit

	WACC before tax		WACC after tax	
in percent	**2023**	**2024**	**2023**	**2024**
Adhesive Technologies	11.00	11.50	8.25	8.50
Consumer Brands	7.50	7.50	5.75	5.75
Henkel Group	**8.75**	**8.25**	**6.50**	**6.25**

Separate non-financial report

With regard to the reporting pursuant to Sections 289b and 315b HGB for fiscal 2023, please refer to our Sustainability Report 2023. This also constitutes the separate, combined non-financial report for the Henkel Group and Henkel AG & Co. KGaA for fiscal 2023 within the meaning of Sections 315b, 315c in conjunction with 289b to 289e HGB, and similarly 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**

ECONOMIC REPORT

Macroeconomic development

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

Overview: Global economy with continued modest growth

In 2023, the global economy again recorded modest growth in the face of a persistent overall inflationary environment with higher interest rate levels. While the economic environment was also impacted by geopolitical uncertainties, the gradual reduction of logistics bottlenecks and material shortages, and slightly easing inflationary pressure compared to the previous year, had a positive impact on overall economic growth.

As was also the case in the previous year, the global economy recorded gross domestic product growth of around 3 percent in 2023.

For the year under review, economic growth in Europe was approximately 1 percent, with North America recording an increase of around 2 percent. Both the IMEA and Asia-Pacific regions posted economic growth of approximately 4 percent. Economic output in Latin America increased by approximately 2 percent.

Unemployment: Global unemployment rate at constant levels

The global unemployment rate was on a par with the previous year at approximately 7 percent. Unemployment remained at approximately 5.5 percent in Europe and was unchanged year on year in North America at approximately 4 percent. The unemployment rate was around 11 percent in the IMEA region, approximately 6.5 percent in Latin America, and around 4 percent in the Asia-Pacific region.

Inflation: Slight decline in global inflation rates

Global inflation in 2023 was approximately 5.5 percent and thus lower year on year overall (2022: approximately 7.5 percent). Prices in Europe and North America rose by approximately 6 percent and approximately 4 percent respectively – inflation therefore remained high but was significantly lower year on year. At around 16 percent, inflation in the IMEA region was slightly below the prior-year level. In Latin America, prices increased significantly year on year by approximately 22 percent. Inflation in the Asia-Pacific region was around 2 percent.

Direct materials: Slight increase versus prior year

Year on year, prices for direct materials (raw materials, packaging, and purchased goods and services) increased by a low single-digit percentage on average in 2023. Following substantial increases in prior years, raw material prices remained high overall but recorded an increasing downward trend over the course of the year, due among other things to continued high uncertainty in the marketplace and to lower industrial demand. The year-on-year increase in prices for direct materials was caused particularly by rising labor costs and by in part still elevated logistics and energy costs.

Currencies: Mainly negative trend in currencies

The US dollar depreciated slightly versus the euro on average over the year. At year-end, the exchange rate of US dollar to euro was 1.11. Most of the currencies of relevance for Henkel in the emerging markets depreciated on average over the year – with a few exceptions. The Mexican peso appreciated, whereas the Turkish lira depreciated by a double-digit percentage. Changes in the average exchange rates of the currencies of relevance to Henkel in fiscal 2023 are indicated in the following table:

Average rates of exchange versus the euro

	2022	2023	Appreciation (+)/ Depreciation (-)
Chinese yuan	7.08	**7.66**	-7.6%
Mexican peso	21.19	**19.18**	10.5%
Polish zloty	4.69	**4.54**	3.3%
Turkish lira	17.41	**25.76**	-32.4%
US dollar	1.05	**1.08**	-2.8%

Source: ECB daily foreign exchange reference rates.

The Russian ruble, which was one of the currencies relevant to Henkel until the divestment of our business activities in Russia in April 2023, had – by the time of the sale – depreciated by a high single-digit percentage compared to the average exchange rate of the previous year (2022: 73.65).

Development by sector

Consumption and retail: Continued slowdown in global consumption

The increase in global private consumption spending in 2023, at approximately 3 percent, was less pronounced year on year.

Private spending increased by approximately 1 percent in Europe and by approximately 2 percent in North America. In the IMEA and Asia-Pacific regions, private consumption rose by approximately 5 percent, while Latin America recorded an increase of approximately 2.5 percent.

Industrial production index: Persistently muted development

At around 1 percent globally, the increase in the industrial production index (IPX) was significantly lower year on year.

Industrial production contracted by approximately -1 percent in Europe in 2023 and stagnated in North America. The IMEA region recorded growth of approximately 1.5 percent and Latin America of approximately 1 percent. Industrial production in the Asia-Pacific region increased by approximately 2 percent.

Review of overall business performance

Henkel delivered a good performance overall in a challenging fiscal 2023 that was characterized by an inflationary environment with persistently high commodity, logistics and energy prices, together with rising labor costs and the impacts of geopolitical crises. Growth in the Mobility & Electronics business area – due to strong automotive business – and in the Craftsmen, Construction & Professional business area, in particular, had a positive impact on the performance of our Industrial business. The Consumer business benefited particularly from positive performance in the Laundry & Home Care and Hair business areas.

Results of operations of the Group

Sales

Sales in fiscal 2023 totaled 21,514 million euros, down -3.9 percent year on year in nominal terms. Foreign exchange effects had a negative impact of -4.3 percent on sales.[3] Adjusted for these foreign exchange effects, sales growth was 0.4 percent. At -3.9 percent, acquisitions/divestments also had a negative impact on sales, which was mainly due to the divestment of our business activities in Russia. Organic sales growth, i.e. adjusted for foreign exchange and acquisitions/divestments, was very strong at 4.2 percent, driven by price increases in the high single-digit percentage range, whereas volumes declined.

Sales development

in percent	2022	2023
Change versus previous year	**11.6**	**-3.9**
Foreign exchange	3.9	**-4.3**
Adjusted for foreign exchange	**7.7**	**0.4**
Acquisitions/divestments	-1.1	**-3.9**
Organic	**8.8**	**4.2**
Of which price	12.6	**9.6**
Of which volume	-3.8	**-5.4**

4.2%
Organic sales growth

11.9%
Adjusted[1] EBIT margin

€ 4.35
Adjusted[1] EPS

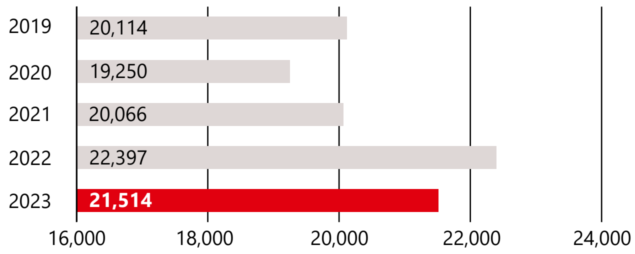
+20.0%
Development of adjusted[1] EPS at constant exchange rates

€ 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 22, 2024.
[3] Including the impacts of the mandatory application of IAS 29 Financial Reporting in Hyperinflationary Economies for Türkiye. This note also applies to the remainder of the management report.

Sales

in million euros



The Adhesive Technologies business unit generated strong organic sales growth of 3.2 percent, driven by the business areas Mobility & Electronics, and Craftsmen, Construction & Professional. The Consumer Brands business unit achieved very strong organic sales growth of 6.1 percent, driven particularly by the Laundry & Home Care and Hair business areas.

Sales performance by business unit

	Sales					
in million euros	2022	2023	+/-	Organic	Of which price	Of which volume
Henkel Group	22,397	**21,514**	-3.9%	**4.2%**	9.6%	-5.4%
Adhesive Technologies	11,242	**10,790**	-4.0%	**3.2%**	7.0%	-3.8%
Consumer Brands	10,928	**10,565**	-3.3%	**6.1%**	12.4%	-6.3%

From a regional perspective, Europe achieved organic sales growth of 2.2 percent. In the IMEA region, Henkel generated substantial double-digit organic sales growth of 24.7 percent that was driven in particular by strong price developments in both business units. Organic sales growth was 2.4 percent in the North America region. We achieved organic sales growth of 11.7 percent in the Latin America region. In contrast, organic sales development in the Asia-Pacific region was negative at -1.5 percent, mainly due to the challenging market environment in China.

Sales performance by region

in million euros	Europe	IMEA	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales 2023[1]	**8,270**	**2,071**	**6,073**	**1,681**	**3,260**	**159**	**21,514**
Sales 2022[1]	8,970	2,193	5,984	1,548	3,474	228	22,397
Change versus previous year	-7.8%	-5.6%	1.5%	8.6%	-6.2%	–	-3.9%
Organic	2.2%	24.7%	2.4%	11.7%	-1.5%	–	4.2%
Proportion of Group sales 2023	**38%**	**10%**	**28%**	**8%**	**15%**	**1%**	**100%**
Proportion of Group sales 2022	40%	10%	27%	7%	16%	1%	100%

[1] By location of company.

Operating profit

Operating profit in fiscal 2023 came in at 2,011 million euros after 1,810 million euros in the previous year, which corresponds to an increase of 11.1 percent. The operating expense and income items leading to the operating profit result were impacted by one-time expenses and income, and by restructuring expenses.

Adjusted operating profit (adjusted EBIT)

in million euros	2022	2023	+/-
EBIT (as reported)	**1,810**	**2,011**	**11.1%**
One-time income	-32	**-4**	–
One-time expenses	137	**281**	–
Restructuring expenses	405	**267**	–
Adjusted EBIT	**2,319**	**2,556**	**10.2%**

One-time expenses totaled 281 million euros, of which 210 million euros is attributable to the disposal of our business activities in Russia. The figure for one-time expenses also includes 36 million euros relating to the merger of the former Beauty Care and Laundry & Home Care business units into the combined Consumer Brands business unit. This expenditure is essentially attributable to external consultancy services and project management costs. A further 31 million euros relates to impairment losses in connection with the discontinuation of a brand in our North American consumer goods business.

One-time income of 4 million euros resulted from smaller divestments during the period under review.

In order to adapt our structures to our markets and customers, we spent 267 million euros on restructuring (previous year: 405 million euros). A significant portion of this amount is attributable to the ongoing merger of our consumer goods businesses. Restructuring expenses were also incurred for the optimization of our production, logistics and sales and distribution structures. Please refer to pages 332 and 333 for additional disclosures relating to the restructuring expenses, and to the one-time expenses and income.

Adjusted operating profit (adjusted EBIT) increased by 10.2 percent to 2,556 million euros (previous year: 2,319 million euros).

Positive selling price developments, ongoing measures to reduce costs and enhance production and supply chain efficiency, and portfolio optimization measures more than offset negative impacts on Group profitability from continued high prices for direct materials (raw materials, packaging and purchased goods and services) and logistics. Adjusted return on sales (adjusted EBIT margin) in fiscal 2023 was significantly higher year on year at 11.9 percent (2022: 10.4 percent).

Adjusted return on sales increased for both business units, reaching 14.7 percent in the Adhesive Technologies business unit (2022: 13.6 percent) and 10.6 percent in the Consumer Brands business unit (2022: 8.3 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 332 and 333.

Cost of sales was 9.7 percent down year on year at 11,672 million euros, with foreign exchange effects and portfolio measures exerting an influence. Gross profit increased by 3.9 percent to 9,842 million euros. Adjusted gross margin increased by 3.4 percentage points versus prior year, to 45.7 percent.

Reconciliation from sales to adjusted operating profit

in million euros	2022	%	2023	%	+/-
Sales	**22,397**	**100.0**	**21,514**	**100.0**	**-3.9%**
Cost of sales	-12,921	-57.7	**-11,672**	**-54.3**	-9.7%
Gross profit	**9,476**	**42.3**	**9,842**	**45.7**	**3.9%**
Marketing, selling and distribution expenses	-5,682	-25.4	**-5,661**	**-26.3**	-0.4%
Research and development expenses	-543	-2.4	**-580**	**-2.7**	6.9%
Administrative expenses	-1,010	-4.5	**-1,056**	**-4.9**	4.6%
Other operating income/expenses	77	0.3	**11**	**0.1**	-85.5%
Adjusted operating profit (adjusted EBIT)	**2,319**	**10.4**	**2,556**	**11.9**	**10.2%**

Marketing, selling and distribution expenses, at 5,661 million euros, were roughly on a par with the prior year (2022: 5,682 million euros). By contrast, the ratio to sales increased to 26.3 percent, due largely to an increase in the Consumer Brands business unit. We spent a total of 580 million euros for research and development. The ratio to sales, at 2.7 percent, increased slightly year on year. Administrative expenses totaled 1,056 million euros in fiscal 2023 following 1,010 million euros in the previous year. At 4.9 percent, administrative expenses as a percentage of sales were slightly higher year on year.

Other operating income and expenses

At 11 million euros, the balance of adjusted other operating income and expenses decreased year on year (2022: 77 million euros). The change compared to the previous year was essentially due to lower proceeds from the disposal of various business activities, higher currency losses from operations, and lower proceeds from the reversal of provisions.

Financial result

At -85 million euros, the financial result in 2023 – adjusted for expenses relating to the application of IAS 29 Financial Reporting in Hyperinflationary Economies for Türkiye – was roughly on a par with the prior year (2022: -83 million euros). Due to higher interest rates, increased US dollar financing costs in particular had a negative impact here, countervailed primarily by higher interest income in other currencies.

Income before tax, net income and earnings per share (EPS)

Income before tax increased from 1,689 million euros in the previous year to 1,888 million euros. Taxes on income amounted to 549 million euros (2022: 436 million euros). The tax rate of 29.1 percent was higher year on year (2022: 25.8 percent). At 25.5 percent, the adjusted tax rate was slightly above the prior-year level (2022: 25.2 percent). Net income increased by 6.9 percent to 1,340 million euros (2022: 1,253 million euros). After allowing for 22 million euros attributable to non-controlling interests, net income attributable to shareholders of Henkel AG & Co. KGaA amounted to 1,318 million euros, 4.7 percent above the prior-year figure (2022: 1,259 million euros). Adjusted net income after deducting non-controlling interests was 1,819 million euros compared to 1,664 million euros in fiscal 2022, representing an increase of 9.3 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 168 to 176.

At 3.15 euros, earnings per preferred share were above the prior-year figure of 2.95 euros. Earnings per ordinary share increased to 3.13 euros (2022: 2.93 euros).

Adjusted earnings per preferred share increased by 11.5 percent to 4.35 euros (2022: 3.90 euros). At constant exchange rates, adjusted earnings per preferred share increased by 20.0 percent. In calculating adjusted earnings per preferred share, figures are adjusted for one-time expenses and income, and for restructuring expenses.

THE COMPANY
SHARES AND BONDS
COMBINED MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS
FURTHER INFORMATION
CREDITS
CONTACTS
FINANCIAL CALENDAR

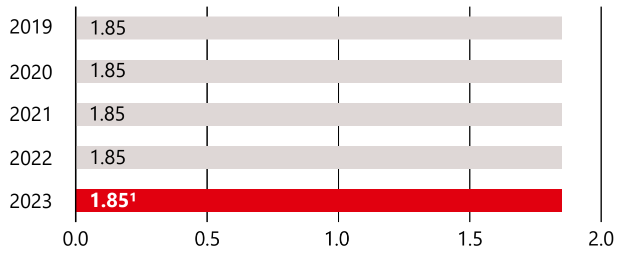
Dividend

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

We will propose to the Annual General Meeting an unchanged dividend compared 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 42.4 percent,[1] which is slightly above the target bandwidth of 30 to 40 percent. Thus we are able to maintain dividend continuity for our shareholders. This payout is possible thanks to the strong financial base and the positive development of the net financial position of the Henkel Group.

Dividend per preferred share

in euros



[1] Proposal to shareholders for the Annual General Meeting on April 22, 2024.

[1] Calculation based on the number of shares qualifying for dividends as of December 31, 2023.

Net working capital

Net working capital as a percentage of sales amounted to 2.6 percent, thus coming in substantially lower than the prior-year level (2022: 4.5 percent) due particularly to lower inventories.

Free cash flow and net financial position

Free cash flow totaled 2,603 million euros, representing a significant increase compared to the previous year (2022: 653 million euros). This was due in particular to the much higher cash flow from operating activities resulting from higher operating profit and lower net working capital. As a result, the net financial position improved significantly to 12 million euros (December 31, 2022: -1,267 million euros).

Adjusted return on capital employed (ROCE)

Return on capital employed adjusted for one-time income and expenses, and for restructuring expenses (adjusted ROCE) increased significantly year on year from 10.5 percent to 12.0 percent, mainly as a result of higher adjusted operating profit.

Economic Value Added (EVA®)

Economic Value Added (EVA®) decreased to 141 million euros (2022: 267 million euros), with the improved operating profit not fully offsetting the higher cost of capital in the wake of globally higher interest rates. In addition, EVA was impacted by the loss from the divestment of our business activities in Russia in April 2023 and the resulting lack of a positive contribution to earnings.

Comparison between actual business performance and guidance

In light of business performance and evolving assumptions regarding further business development, the Management Board of Henkel AG & Co. KGaA updated its guidance for fiscal 2023 over the course of the year.

Performance versus guidance 2023

	Original guidance for 2023	Guidance for 2023 as updated on August 10	Guidance for 2023 as updated on November 9	Results 2023
Organic sales growth				
Henkel Group:	1.0 to 3.0 percent	2.5 to 4.5 percent	3.5 to 4.5 percent	4.2 percent
Adhesive Technologies:	1.0 to 3.0 percent	2.0 to 4.0 percent	2.5 to 3.5 percent	3.2 percent
Consumer Brands:	1.0 to 3.0 percent	3.0 to 5.0 percent	5.0 to 6.0 percent	6.1 percent
Adjusted[1] return on sales (adjusted EBIT margin)				
Henkel Group:	10.0 to 12.0 percent	11.0 to 12.5 percent	11.5 to 12.5 percent	11.9 percent
Adhesive Technologies:	13.0 to 15.0 percent	13.5 to 15.0 percent	14.0 to 15.0 percent	14.7 percent
Consumer Brands:	7.5 to 9.5 percent	9.5 to 11.0 percent	10.0 to 11.0 percent	10.6 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	Development in the range of -10.0 to +10.0 percent	Development in the range of +5.0 to +20.0 percent	Development in the range of +15.0 to +25.0 percent	+20.0 percent

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

The results for fiscal 2023 are compared below against the guidance that was last updated on November 9, 2023.

At 4.2 percent, organic sales growth of the Henkel Group was in the upper half of our forecast range of 3.5 to 4.5 percent. Organic sales growth in the Adhesive Technologies business unit was 3.2 percent, also in the upper half of the forecast range of 2.5 to 3.5 percent. At 6.1 percent, organic sales growth in the Consumer Brands business unit was slightly above the forecast range of 5.0 to 6.0 percent.

Adjusted return on sales (adjusted EBIT margin) for the Henkel Group was 11.9 percent, which was within the forecast range of between 11.5 and 12.5 percent. Adjusted return on sales in Adhesive Technologies was 14.7 percent and therefore in the upper half of our forecast range of between 14.0 and 15.0 percent. In Consumer Brands, adjusted return on sales, at 10.6 percent, was also in the upper half of the forecast range between 10.0 and 11.0 percent.

Adjusted earnings per preferred share at constant exchange rates increased by 20.0 percent, which was in the middle of the expected bandwidth of +15.0 to +25.0 percent.

Beyond these key indicators, we had forecasted restructuring expenses in 2023 of around 300 million euros. At 267 million euros, restructuring expenses were slightly lower than expected. Cash outflows from investments in property, plant and equipment and intangible assets were predicted to be around 650 million euros. At 613 million euros, this spend was also slightly lower than expected.

ADHESIVE TECHNOLOGIES

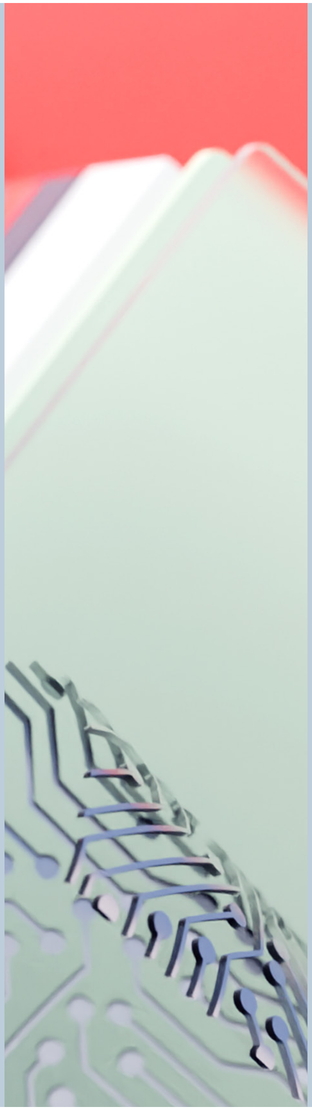
Our Adhesive Technologies business unit leads the global market with technologies for adhesives, sealants and functional coatings – for industrial applications as well as for consumers and craftsmen. As experts for industrial applications in more than 800 industries, we work closely with our customers and partners. Our strong technology portfolio results in customized solutions in our Mobility & Electronics, Packaging & Consumer Goods, and Craftsmen, Construction & Professional business areas.

Our top 3 brands

LOCTITE

TECHNOMELT

BONDERITE



Sales

€ 10,790 m

Organic sales growth

3.2%

Adjusted[1] EBIT

€ 1,584 m

Adjusted[1] EBIT margin

14.7%

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

Overview of business activities and key developments

The Adhesive Technologies business unit offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings.

In fiscal 2023, Henkel optimized the organizational structure within its Adhesive Technologies business unit in order to use scale and competence benefits even more efficiently, while at the same time ensuring close customer and market proximity. The new structure comprising the three business areas Mobility & Electronics, Packaging & Consumer Goods, and Craftsmen, Construction & Professional was already reflected in the reporting on the first quarter of 2023 and is fully established.

In the **Mobility & Electronics** business area, we offer our international customers tailor-made solutions and specialized technical services in the automotive and electronics industries as well as for industrial key accounts. In doing so, we create added value for our customers at the interface of technology, semiconductors, automobiles and industrial goods. With our technology portfolio and market expertise, we deliver responses to global trends such as electrification, connectivity and autonomous driving. We also enable our customers in achieving their sustainability goals by ensuring that our solutions require fewer fossil raw materials during further processing.

In the **Packaging & Consumer Goods** business area, we distribute innovative solutions for manufacturers of consumer goods and branded products around the globe. Building on strong, long-lasting and trusting business relationships, our high-impact solutions add value to branded and customer products. With our technology portfolio and market expertise, we address global consumer trends such as sustainability and promotion of a circular economy, while striving to achieve the maximum possible levels of food safety.

In the **Craftsmen, Construction & Professional** business area, we offer high-impact solutions for private consumers and craftsmen, the construction sector, and for manufacturing and professional maintenance in more than 800 industry segments. We develop innovations for transformative products and customer solutions on strong global brand platforms. In doing so, we shape global trends, such as sustainability and digitalization – from sustainable construction and DIY to predictive maintenance and smart production processes.

In addition to optimizing its organizational structure, the Adhesive Technologies business unit – which has been under leadership of Mark Dorn as the responsible Executive Vice President since February 2023 – further developed its portfolio. By **acquiring Critica Infrastructure** in 2023, Henkel has added an adjacent business to its portfolio with the aim of creating a platform for further growth: Critica is a specialized supplier for composite repair and reinforcement solutions used for servicing, repairing and overhauling critical infrastructure, such as oil and gas piping or municipal water supply systems. The acquired company operates in numerous countries with a strong geographical focus on North America, and generated sales of 93 million euros in fiscal 2023. In recent years, Henkel has steadily expanded its portfolio of maintenance, repair and overhaul (MRO) solutions. This transaction represents an important step toward significantly strengthening our existing MRO portfolio with the addition of innovative solutions in adjacent applications in a dynamically growing market. Our aim is to create a new platform for adding further adjacent businesses, stimulating growth and strengthening our position as global leader in adhesive technologies.

At the same time, we have optimized our portfolio and divested our European impregnation, sealants and adhesives business for cast and electronic components.[1]

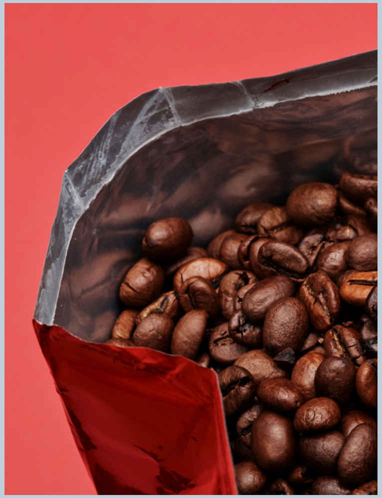
We also drove forward relevant **innovations** under our largest brands in the year under review. Fiscal 2023 thus saw us realize more than 75 percent of all sales with our five technology-based brand clusters for industrial customers and our four biggest brands for consumers. The proportion of Adhesive Technologies sales from products successfully launched onto the market in the last five years was around 25 percent. Here, the innovation centers operated by the business unit played a key role. Our Inspiration Center Düsseldorf (ICD), opened in 2022, has enhanced the innovative strength of Henkel. In 2023, we launched a state-of-the-art application center for electric vehicle battery technologies at this center. At the same time, we opened a further innovation center in Bridgewater, New Jersey, USA, and made good progress in the construction of our innovation center in Shanghai, China, in order to further expand our approach of customer-oriented development.

Significant innovations in the Adhesive Technologies business unit in fiscal 2023 include new adhesive solutions for assembling high-resolution camera modules used in the automotive industry, optimized formulas for solvent-free adhesives in the packaging and consumer goods industry, and the development of bio-based adhesives for timber components in the construction industry.

[1] This divestment had no material impact on the net assets, financial position or results of operations of the Henkel Group.

SELECTED INNOVATIONS IN 2023

New solution for bonding camera lenses in driver assistance systems
Our innovative adhesive solutions combine manufacturing efficiency and performance, enabling fast and reliable production of high-resolution cameras for the automotive industry, designed to enhance passenger safety in the next generation of self-driving vehicles.



Optimization of solvent-free adhesive for sustainable packaging
The optimized packaging adhesive makes it easier for manufacturers to switch to a more sustainable solvent-free alternative while maintaining quality and a sophisticated appearance. At the same time, a high standard of food safety is guaranteed.

First bio-based polyurethane adhesives for load-bearing timber construction
The two new solutions for load-bearing timber construction have been developed using bio-based materials, aiming to significantly reduce CO_2-equivalent emissions compared to their fossil alternatives. By using bio-based solutions, Henkel is helping to drive transformation in the construction industry.

Market environment

The economic environment in which the Adhesive Technologies business unit operates was characterized in particular by modest development overall in industrial demand and by an inflationary environment with continued high material and energy prices. Year on year, the global industrial production index (IPX) gained around 1 percent, a less dynamic performance compared to what was expected at the start of the year. By contrast, automotive production increased significantly year on year, exceeding the growth forecast from the beginning of the year. For the first time since the end of the COVID-19 pandemic, production volumes in the automotive industry exceeded the pre-crisis level of 2019.

In these volatile economic conditions, the Adhesive Technologies business unit delivered a good performance in 2023 overall.

Sales performance

Sales in the Adhesive Technologies business unit totaled 10,790 million euros in the year under review, -4.0 percent below the prior year in nominal terms. Exchange rate effects had a negative impact of -4.3 percent. Acquisitions/divestments reduced sales by a further -2.9 percent.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.2 percent. This sales growth was driven by a very strong price development compared to prior year. Volumes declined overall, mainly due to demand remaining muted in some key end markets. As the year progressed, however, volume development showed a sequential recovery, recording a stable level in the fourth quarter.

Sales development

in percent	2022	2023
Change versus previous year	**16.6**	**-4.0**
Foreign exchange	4.8	**-4.3**
Adjusted for foreign exchange	**11.8**	**0.3**
Acquisitions/divestments	-1.4	**-2.9**
Organic	**13.2**	**3.2**
Of which price	13.8	**7.0**
Of which volume	-0.6	**-3.8**

Organic sales development by business area
Organic sales growth in fiscal 2023 was driven by the Mobility & Electronics and Craftsmen, Construction & Professional business areas.

Sales performance by business area

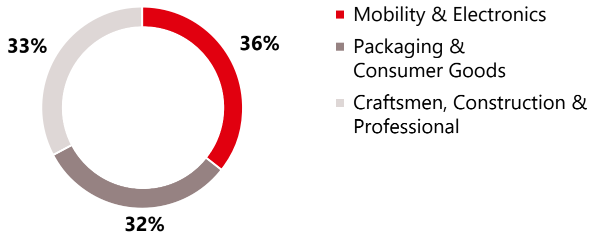
	Sales			
in million euros	**2022**	**2023**	**+/-**	**Organic**
Adhesive Technologies	11,242	**10,790**	-4.0%	**3.2%**
Mobility & Electronics	3,727	**3,848**	3.2%	**8.5%**
Packaging & Consumer Goods	3,770	**3,413**	-9.5%	**-2.4%**
Craftsmen, Construction & Professional	3,744	**3,529**	-5.7%	**3.4%**

The **Mobility & Electronics** business area generated significant organic sales growth of 8.5 percent, driven by a double-digit sales increase in the Automotive business. This development was backed in particular by automotive production levels that increased as the year progressed. We generated growth stimulus in particular in the field of electromobility. The Industrial business demonstrated strong sales performance throughout fiscal 2023. The Electronics business, by contrast, showed a declining development due to continued muted demand – not least as a result the market environment in China that remained strained.

The **Packaging & Consumer Goods** business area recorded a negative organic sales development of -2.4 percent. In both businesses, this performance was due to high comparison figures from the previous year and to weaker market development. Especially in the Packaging business, the fact that the prior year had been characterized by above-average demand related to the COVID-19 pandemic was noticeable throughout the reporting period.

The **Craftsmen, Construction & Professional** business area achieved strong organic sales growth overall of 3.4 percent, driven by all three businesses. Sales in the Consumers & Craftsmen business grew strongly over both halves of the year, whereas the General Manufacturing & Maintenance business recorded a weakening development as the year progressed, although still posting a strong sales increase for fiscal 2023 as a whole. The Construction business also generated strong organic sales growth despite continued soft market development.

Sales by business area 2023



Organic sales development by region

From a regional perspective, the Adhesive Technologies business unit generated good organic sales growth in **Europe**. Over the course of the year, the Mobility & Electronics business area was able to offset the negative development in the Packaging & Consumer Goods business area. The **North America** region generated positive organic sales growth that was also driven by the Mobility & Electronics business area. In the **IMEA** region, the Adhesive Technologies business unit achieved double-digit organic sales growth, to which all business areas contributed. **Latin America** also posted double-digit organic sales growth, with the Mobility & Electronics business area as the biggest contributor. In contrast, organic sales development in the **Asia-Pacific** region was negative across all business areas, mainly due to the strained market environment in China.

Operating profit

Adjusted operating profit was slightly higher year on year at 1,584 million euros. Adjusted return on sales increased year on year by 110 basis points to 14.7 percent. The significant increase in gross margin was driven mainly by higher prices combined with measures to reduce costs and increase efficiency in order to continue offsetting persistently elevated material prices.

At 11.9 percent, net working capital as a percentage of sales was lower compared to prior year. Adjusted return on capital employed (adjusted ROCE) increased to 16.4 percent, mainly as a result of the higher adjusted operating profit. Economic Value Added (EVA®) decreased to 359 million euros, mainly due to the significantly higher cost of capital against the background of globally higher interest rates compared to the prior year.

Key financials

in million euros	2022	2023	+/-
Sales	11,242	**10,790**	-4.0%
Proportion of Henkel sales	50%	**50%**	–
Operating profit (EBIT)	1,500	**1,423**	-5.2%
Adjusted[1] operating profit (adjusted EBIT)	1,530	**1,584**	3.6%
Return on sales (EBIT margin)	13.3%	**13.2%**	-0.2pp
Adjusted[1] return on sales (adjusted EBIT margin)	13.6%	**14.7%**	1.1pp
Return on capital employed (ROCE)	15.4%	**14.7%**	-0.7pp
Adjusted[1] return on capital employed (adjusted ROCE)	15.7%	**16.4%**	0.7pp
Economic Value Added (EVA®)	622	**359**	-42.3%

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

CONSUMER BRANDS

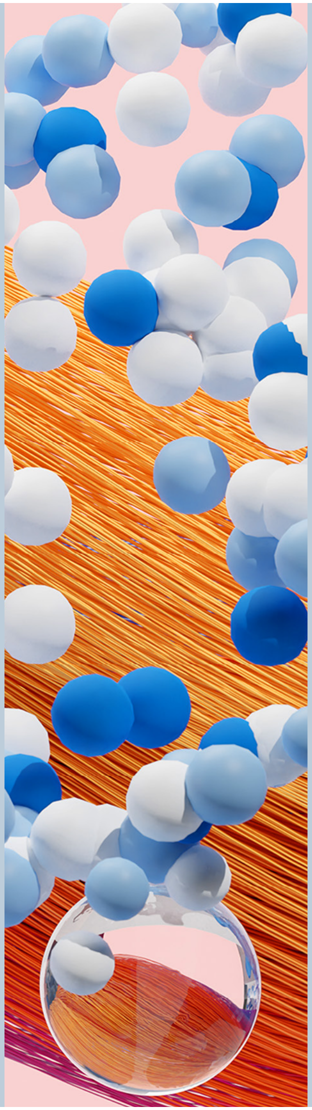
Within the Consumer Brands business unit, we hold leading positions in attractive markets and have a strong brand portfolio. Our focus is on the two global business areas Laundry & Home Care and Hair, and on the business area Other Consumer Businesses, which is present in selective markets. Our portfolio comprises laundry detergents and household cleaners, and hair styling, hair coloring, and hair care products for both the Consumer and Professional businesses, together with body care products. In all business areas, we offer 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.

Our top 3 brands

Persil

Schwarzkopf

all stainlifters



Sales

€ **10,565 m**

Organic sales growth

6.1%

Adjusted[1] operating profit (EBIT)

€ **1,115 m**

Adjusted[1] return on sales (EBIT margin)

10.6%

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

Overview of business activities and key developments

Since the beginning of 2023, the Consumer Brands business unit – which evolved from the merger of the two former business units Laundry & Home Care and Beauty Care – has been operating globally in this new set-up. The integrated business unit Consumer Brands encompasses the business areas Laundry & Home Care, Hair and Other Consumer Businesses. In all business areas, we hold leading positions in numerous markets and categories, and feature a strong brand portfolio.

In the **Laundry & Home Care** business area, we operate globally, offering a broad product portfolio. The Laundry Care business is comprised of the fabric cleaning and fabric care products, plus laundry additives. Our products address a wide range of consumer needs, from deep cleaning and sensitive product variants to fabric care across different price tiers. The portfolio in our Home Care business covers a range of categories – from dishwashing and hard surface cleaners to toilet cleaners.

Our **Hair** business area is also represented globally – both in the Consumer and Professional businesses. We are active with various brands covering hair care, hair colorants and hair styling products, and appeal to a broad base of consumers. We offer comprehensive expertise and innovative technologies that are employed in both the Consumer and Professional businesses.

In the business area **Other Consumer Businesses**, we are primarily active in the Body Care category in selective markets, such as North America and Europe.

By merging our consumer goods businesses and driving the **further integration of the Consumer Brands business unit**, we are laying the foundation for further profitable growth. We are focusing the portfolio on strategic businesses and brands with attractive growth and margin potential. In the course of the integration, we aim to leverage significant synergies to enhance profitability, with some of the savings being used for reinvestment into innovations, sustainability and digitalization, and also to strengthen our brands. Details on the strategic objectives associated with the creation of the integrated business unit Consumer Brands can be found on pages 99 to 101. In 2023, we continued driving the integration of our consumer businesses and were able to implement numerous measures at a faster pace than anticipated.

In the **first phase of integration**, we had announced our intention of focusing our portfolio on brands and products with strong margins and growth potential and, in the process, reviewing businesses representing a total sales volume of up to one billion euros. In 2023, we consistently pushed ahead with streamlining our portfolio: Since announcing the merger of our consumer businesses, we have divested or discontinued businesses and brands representing total sales of around 650 million euros. For example, last year, we divested our air freshener business in North America and also smaller brands in Europe. At the same time, we strengthened our portfolio by acquiring the sustainable Laundry & Home Care brand Earthwise in New Zealand. In January 2024, Henkel also signed an agreement to acquire the Vidal Sassoon brand and the associated consumer hair care business in China from Procter & Gamble. The acquisition strengthens our Consumer Brands business in China and expands our hair care portfolio in an attractive market. The business generated sales of more than 200 million euros in Procter & Gamble's 2022/2023 financial year.

Henkel had also announced that the merger of the consumer businesses would affect around 2,000 jobs globally – mainly in sales and administration. Corresponding agreements covering this number had been concluded by year-end 2023.

The realized savings also reflect the fact that the integration of the consumer businesses is progressing much faster than planned: Of the annual net savings of around 250 million euros previously targeted by the end of 2024, over 200 million euros and therefore more than 80 percent had already been realized by the end of 2023. We now expect net savings totaling around 275 million euros by the end of 2024. At the same time, we have invested in our businesses, further strengthening our brands and innovations. For example, we significantly increased our marketing, selling and distribution spend in the Consumer Brands business unit in 2023.

The effect of the stronger focus of our portfolio and the enhanced marketing support for our brands is already visible, for example, in improved growth momentum. In the Hair business area, for example, where the portfolio measures have already progressed further, volume development was positive in 2023. We were also able to expand market shares in the Hair Styling category globally.

The **second phase of integration** is focusing on optimizing the production and logistics network. Here, too, we were resolute in implementing corresponding measures in 2023, including the consolidation of the production network for the European Hair and Body Care businesses. In North and Latin America, we have consolidated our logistics structures and have driven forward the insourcing of toll/contract manufacturing. In addition, we rolled out the 1-1-1 principle in initial countries: Applying this “one face to the customer” approach, we are driving commercial integration with optimized logistics processes based on one order, one shipment, one invoice.

Of the previously announced annual net savings target of at least 150 million euros by the end of 2026, around 80 million euros had already been realized by the end of 2023. Due to the implementation of the savings measures, which exceeded original expectations, we now anticipate annual savings of around 250 million euros by the end of 2026 (previously at least 150 million euros).

We also fostered relevant **innovations** under our strong brands – such as Persil or Schwarzkopf. In 2023, the business unit generated around 50 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 55 percent.

SELECTED INNOVATIONS IN 2023

Persil Deep Clean with innovative enzyme technology
In more than 30 countries, we have rolled out a new formula based on an innovative enzyme technology under our premium detergent brand Persil. It not only removes stubborn stains, it also gives a hygienic freshness to the washing machine by removing unpleasant odors.

Relaunch of the got2b hair styling brand
We totally revamped our styling brand got2b, which focuses on young consumers, in more than 35 countries. In addition to a modernized and sophisticated design, the products now feature vegan formulas, natural ingredients and more sustainable packaging.

Schwarzkopf Professional BlondMe with new formula
Our hair colorant brand Schwarzkopf Professional BlondMe comes with an innovative color and care system based on a new improved formula: The Dual Bond technology protects the hair during the coloring process, ensuring strong and healthy hair after application.

Market environment

Overall, the global markets of relevance for the Consumer Brands business unit recorded significant growth in 2023, to which all regions contributed with the exception of Asia-Pacific. This market growth continued to be characterized by considerably higher consumer prices in response to overall inflationary pressure, with volumes declining.

The global laundry detergents and household cleaners market of relevance for the Laundry & Home Care business area showed significant growth year on year. Growth in the laundry care area was very strong, driven mainly by double-digit market growth in the fabric care category. The home care market recorded significant growth driven primarily by a double-digit increase in the dishwashing category.

The consumer markets of relevance for the Hair business area demonstrated very strong growth overall. This development was driven by a double-digit increase in the hair styling category. The hair colorants and hair care categories also showed a very strong performance.

The body care markets, which are of relevance for the business area Other Consumer Businesses, posted significant growth in 2023.

Within this environment, the Consumer Brands business unit posted a good performance overall in fiscal 2023.

Sales performance

Sales in the Consumer Brands business unit totaled 10,565 million euros in the year under review, and was thus -3.3 percent below the prior year in nominal terms. Foreign exchange effects reduced sales by -4.4 percent. Acquisitions/divestments also had a negative impact of -5.1 percent on sales, mainly due to the disposal of our business activities in Russia.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 6.1 percent. This sales growth was driven by double-digit price increases, while volumes declined, due in part to continued portfolio optimization measures. Volume development did, however, show a significant sequential improvement in the second half of the year.

Sales development

in percent	2022	2023
Change versus previous year	**6.3**	**-3.3**
Foreign exchange	3.1	**-4.4**
Adjusted for foreign exchange	**3.2**	**1.0**
Acquisitions/divestments	-0.7	**-5.1**
Organic	**3.9**	**6.1**
Of which price	11.5	**12.4**
Of which volume	-7.6	**-6.3**

Organic sales development by business area

All business areas contributed to the organic sales growth in fiscal 2023.

Sales performance by business area

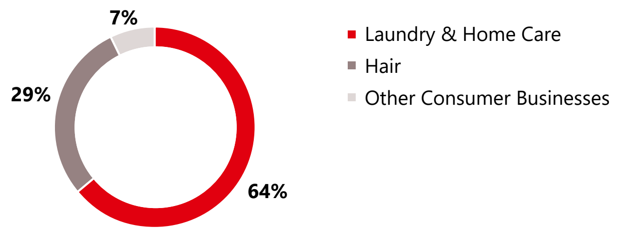
	Sales			
in million euros	2022	2023	+/-	Organic
Consumer Brands	10,928	**10,565**	-3.3%	**6.1%**
Laundry & Home Care	7,152	**6,794**	-5.0%	**5.5%**
Hair	2,981	**3,075**	3.2%	**8.9%**
Other Consumer Businesses	794	**696**	-12.4%	**0.2%**

The **Laundry & Home Care** business area achieved very strong organic sales growth of 5.5 percent to which both businesses contributed. The very strong organic sales growth in the Laundry Care business was driven particularly by double-digit growth in the Fabric Care category and very strong growth in the Fabric Cleaning category. Our brands Perwoll and Persil made a substantial contribution to this growth, boosted by relevant innovations such as Persil Deep Clean, by the expansion of Perwoll and by strong media support. Our North American brands all and Purex also achieved very strong sales growth. The very strong organic sales growth in the Home Care business was driven mainly by a double-digit increase in the Dishwashing category. Our core brand Pril made a substantial contribution to this growth, posting a significant double-digit increase.

The **Hair** business area achieved significant organic sales growth of 8.9 percent. The Consumer business generated double-digit growth that was mainly driven by the Hair Colorants and Hair Styling categories featuring our core brands got2b, Palette and Taft. Here, again, we reaped the benefits of innovative products, particularly in the Hair Styling category. The Hair Care category achieved strong organic growth. The Professional business was able to continue its positive performance from the previous year and delivered very strong organic sales growth. One of the drivers of this growth was our BlondMe brand, which now features an improved formula.

At 0.2 percent, the business area **Other Consumer Businesses** recorded a flat organic sales development overall. The North America region achieved very strong growth, driven by the Dial brand. By contrast, sales development was negative in Europe, mainly due to continued portfolio optimization measures.

Sales by business area 2023



Organic sales development by region

All regions contributed to the very strong organic sales growth achieved in the Consumer Brands business unit. In the **Europe** region, we posted good organic sales growth, mainly driven by the Hair business area. The **North America** region generated strong organic sales growth, thus continuing its growth path of the previous year. All business areas contributed to this development. The **Latin America** region generated significant growth, again driven by all business areas. Organic growth in the **Asia-Pacific** region was very strong, driven by both Laundry & Home Care and Hair. The **IMEA** region generated a double-digit increase that was also driven by the Laundry & Home Care and Hair business areas.

Operating profit

The Consumer Brands business unit generated adjusted operating profit of 1,115 million euros, a significant increase versus the previous year (910 million euros). Gross margin also improved significantly – driven by the increase in selling prices to offset persistently high prices for direct materials, by ongoing measures to reduce costs and enhance production and supply chain efficiency, by savings generated from the creation of the integrated Consumer Brands business unit and by portfolio optimization measures. At the same time, we increased our marketing and advertising spend versus prior year, aimed at strengthening our brands and businesses. Adjusted return on sales reached 10.6 percent, representing an increase of 220 basis points compared to the previous year – despite the lack of the positive contribution to earnings from the business activities in Russia, which were divested in April 2023.

Net working capital as a percentage of sales improved year on year to -6.5 percent. At 9.6 percent, adjusted return on capital employed (adjusted ROCE) increased significantly versus prior year, due mainly to improved adjusted operating profit. Economic Value Added (EVA®) was -116 million euros following -363 million euros in the previous year. The positive impact of the improved operating profit was offset by the higher cost of capital due to globally high interest rate levels. Expenses (including restructuring expenses) relating to the further integration of our consumer businesses continued to have an adverse impact, albeit to a much lesser degree compared to 2022.

Key financials

in million euros	2022	2023	+/-
Sales	10,928	**10,565**	-3.3%
Proportion of Henkel sales	49%	**49%**	–
Operating profit (EBIT)	458	**753**	64.4%
Adjusted[1] operating profit (adjusted EBIT)	910	**1,115**	22.5%
Return on sales (EBIT margin)	4.2%	**7.1%**	2.9pp
Adjusted[1] return on sales (adjusted EBIT margin)	8.3%	**10.6%**	2.2pp
Return on capital employed (ROCE)	3.8%	**6.5%**	2.7pp
Adjusted[1] return on capital employed (adjusted ROCE)	7.5%	**9.6%**	2.1pp
Economic Value Added (EVA®)	-363	**-116**	–

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

Net assets and financial position

Acquisitions and divestments

Effective July 1, 2023, Henkel in its Consumer Brands business unit completed the acquisition of the sustainable laundry detergents and household cleaners business sold under the Earthwise brand in the Asia-Pacific region. Effective November 1, 2023, we acquired in our Adhesive Technologies business unit all the shares in the US-American company Composite Technology Intermediate, Inc. whose subsidiaries operate worldwide under the name Critica Infrastructure and are specialized in repair solutions for composite piping carrying water, gas and chemical substances in industrial and civilian infrastructures. The acquisitions did not have any material effect on the net assets, financial position and results of operations of the Henkel Group.

Effective April 21, 2023, Henkel sold all shares in its subsidiary LAB Industries Ltd. (formerly: OOO Henkel Rus), which was responsible for the operations of both business units in Russia. In fiscal 2022, Russian business contributed about 5 percent to Group sales. At the time of completion, the transaction produced a cash inflow of 615 million euros, which was mainly attributable to the purchase price received for the transaction. The cash inflow also included a deferral for the use of trademark rights. The divestment resulted in a net loss before taxes of 210 million euros. Henkel has the option of buying back the business. The call option can be exercised for the first time in 2026 and expires in ten years.

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. In fiscal 2023, Henkel disposed of some of its small local and regional consumer goods businesses in its Consumer Brands business unit. In addition, on November 1, 2023, we sold all shares in our German subsidiary Henkel Loctite-KID GmbH and the associated European impregnation, sealant and adhesives business for cast and electronic components that was part of the Adhesive Technologies business unit. These divestments, which took place within the framework of our active portfolio management regime, did not have any material effect on the net assets, financial position and results of operations of the Henkel Group.

Acquisitions and divestments in the year under review did not result in any material changes in the business and organizational structure of the Henkel Group. For detailed information on our organization and business activities, please refer to the disclosures on pages 93 to 95.

Additional disclosures relating to our acquisitions and divestments can be found on pages 223 to 226 of the notes to the consolidated financial statements.

Capital expenditures

In the reporting period, capital expenditures (excluding acquisitions) amounted to 613 million euros (previous year: 600 million euros). At 560 million euros, investments in property, plant and equipment for existing operations came in above the 2022 figure of 549 million euros.

Capital expenditures on property, plant and equipment totaled 287 million euros (previous year: 237 million euros) in the Adhesive Technologies business unit, and 264 million euros (previous year: 299 million euros) in the Consumer Brands business unit. We invested 53 million euros in intangible assets (previous year: 51 million euros).

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

The major projects of 2023 were as follows:

- Construction of an adhesives production plant, China (Adhesive Technologies)
- Construction of an Innovation Center in Shanghai, China (Adhesive Technologies)
- Construction of a hotmelts manufacturing plant, Hungary (Adhesive Technologies)
- Expansion of the production facilities for innovative detergent capsules, Serbia (Consumer Brands)
- Construction of a plant for compacting liquid detergents, USA (Consumer Brands)

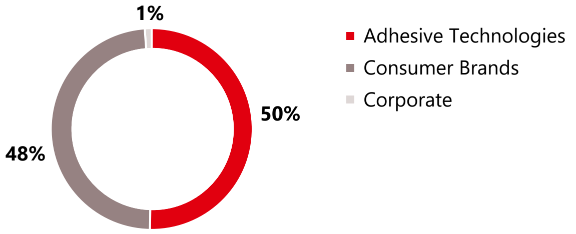
In regional terms, capital expenditures focused primarily on Europe, North America and Asia-Pacific.

The acquisitions resulted in additions to intangible assets and property, plant and equipment in the amount of 507 million euros. Details of these additions can be found on pages 242 to 254 of the notes to the consolidated financial statements.

€ 613 m

Investments in property, plant and equipment and intangible assets

Capital expenditures by business unit in 2023[1]



[1] Existing operations

Capital expenditures 2023

in million euros	Existing operations	Acquisitions	Total
Intangible assets	53	496	**549**
Property, plant and equipment	560	11	**571**
Total	**613**	**507**	**1,120**

Right-of-use assets

In the course of its business operations, Henkel enters into various lease agreements as a lessee. In 2023, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 99 million euros in total (previous year: 204 million euros). Acquisitions resulted in additions of 4 million euros (previous year: 3 million euros). Additional disclosures relating to leases can be found on pages 253 and 254 of the notes to the consolidated financial statements.

Net assets

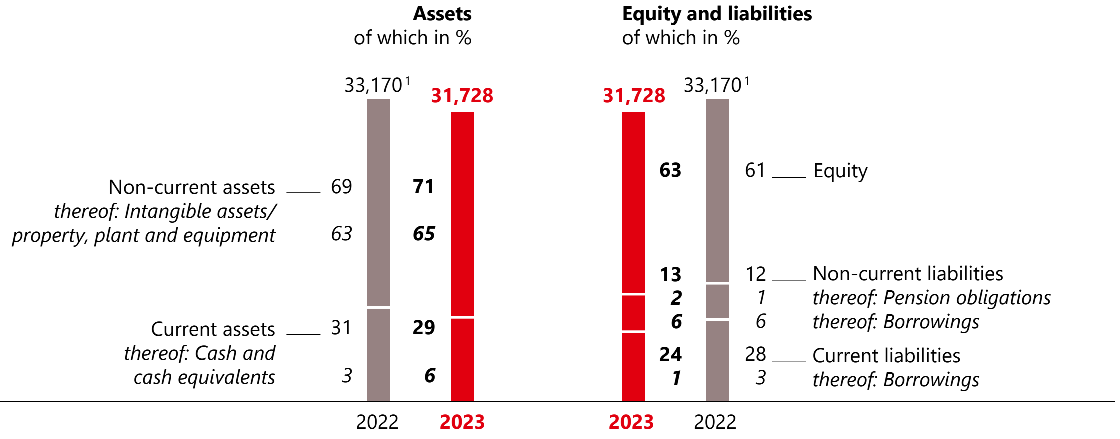
At 31.7 billion euros, total assets decreased compared to year-end 2022 (33.2 billion euros).

Under **non-current assets**, intangible assets decreased by 117 million euros in total to 16,991 million euros. Additions of 549 million euros from acquisitions and capital expenditures were offset primarily by negative currency effects (453 million euros), scheduled amortization (117 million euros) and impairment (56 million euros). At 3,732 million euros, property, plant and equipment was below the level at year-end 2022 (3,911 million euros). The additions described under the sections dealing with capital expenditures and right-of-use assets were more than offset by, in the main, scheduled depreciation (585 million euros, of which 141 million euros is attributable to right-of-use assets), impairment (161 million euros) and negative currency effects (71 million euros).

Current assets totaled 9.3 billion euros, a decrease compared to year-end 2022 (10.4 billion euros). Inventories and other current financial assets decreased by 737 million euros and 283 million euros respectively. The development of inventories was caused by various factors, such as negative currency effects, efficiency measures in inventory management, and portfolio measures. The change in other financial assets was predominantly due to lower receivables both from Henkel Trust e.V. and from external pension funds, and also to lower fair values in respect of derivatives. In addition, income tax refund claims decreased by 137 million euros and other assets by 155 million euros. The development in other assets was primarily due to lower tax receivables compared to the previous year. Countervailing this, cash and cash equivalents increased by 863 million euros. Details on the development of cash and cash equivalents are discussed in the section on our financial position on pages 144 and 145. In addition, the assets held for sale in current assets decreased by 631 million euros due in particular to the divestment of the business activities in Russia in fiscal 2023. For further discussion of the assets held for sale, please refer to the notes to the consolidated financial statements on pages 261 to 263.

Equity including non-controlling interests totaled 20.0 billion euros, slightly down compared to year-end 2022 (20.2 billion euros). The net income of 1,340 million euros increased equity, whereas dividend payments in particular, as well as the currency translation of the financial statements of our subsidiaries, had the countervailing effect of reducing equity by 783 million euros and 409 million euros respectively. Following purchases under our share buyback program in fiscal 2023, the value of our treasury shareholdings has increased by 186 million euros. The individual components influencing equity development are shown in the consolidated statement of changes in equity in tables on pages 214 and 215.

Financial structure
in million euros



[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

Non-current liabilities totaled 4.0 billion euros as at December 31, 2023, and were thus on a par with the level at year-end 2022. The composition of same was comparable to that of the previous year.

Compared to year-end 2022, **current liabilities** decreased by 1.4 billion euros to 7.8 billion euros in total. Other provisions increased by 165 million euros, whereas current borrowings decreased by 652 million euros, due mainly to the repayment of a bond with a nominal volume of 330 million Swiss francs and to the reduction of our commercial paper liabilities. In addition, trade accounts payable and income tax liabilities both decreased – by 546 million euros and 120 million euros respectively. Liabilities held for sale in an amount of 177 million euros at year-end 2022 were derecognized following divestment of the business activities in Russia in fiscal 2023.

Effective December 31, 2023, our **net financial position**[1] amounted to 12 million euros (previous year: -1,267 million euros).

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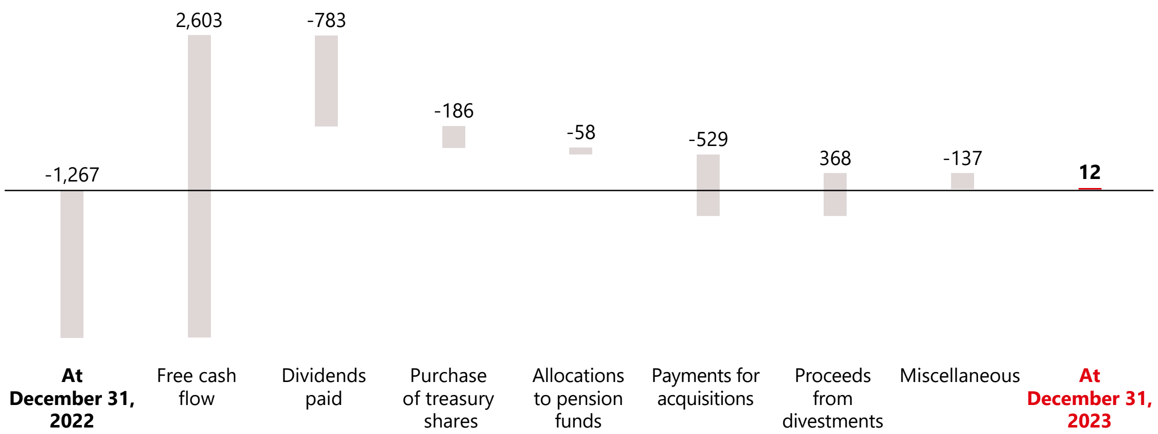
Net financial position

Net financial position
in million euros



Net financial position 2018 to 2023

in million euros	
2018	-2,895
2019	-2,047
2020	-888
2021	-292
2022	-1,267
2023	**12**

[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.

Financial position

Cash flow from operating activities in the year under review came in at 3,255 million euros, representing a significant increase versus fiscal 2022 (1,247 million euros). The higher cash flow was primarily due to the higher operating profit, lower income tax payments and a reduction in net working capital[1]. Cash flow from operating activities in fiscal 2022 was impacted by an increase in net working capital resulting mainly from a higher value of inventories due to higher prices. Year on year, the ratio of net working capital to sales decreased by 1.9 percentage points to 2.6 percent in fiscal 2023.

In fiscal 2023, **cash flow from investing activities** showed a cash outflow of -684 million euros, while in the prior-year period the Henkel Group recorded a cash outflow of -200 million euros. With purchases of intangible assets and property, plant and equipment including payments on account on a par with the prior-year level, the increased cash outflow in the year under review came primarily from payments for the acquisition of subsidiaries and other business units, which exceeded the proceeds on disposal of subsidiaries, other business units and investments. Further discussion of the acquisitions and divestments in 2023 can be found in the "Acquisitions and divestments" section on page 138. Moreover, cash flow in fiscal 2022 included proceeds from realized gains on current cash deposits recognized under other current financial assets.

At -1,754 million euros in fiscal 2023, the cash outflow in **cash flow from financing activities** was lower year on year (2022: -1,905 million euros). Payments made to reduce our commercial paper liabilities were higher in the year under review than in the previous year. The higher cash outflow in connection with financing activities in the prior-year period related, however, primarily to higher payments – compared to the period under review – for the purchase of treasury shares, and payments for the acquisition of non-controlling interests with no change in control.

Cash and cash equivalents increased compared to December 31, 2022 by 863 million euros to 1,951 million euros.

At 2,603 million euros, **free cash flow** was significantly up year on year (2022: 653 million euros), due in particular to the higher cash flow from operating activities in the period under review.

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

The development of our financial position is indicated in detail in the consolidated statement of cash flows on pages 216 and 217.

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 146). 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 2023, Henkel paid the same dividends as in 2022 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. The Henkel Group had access to confirmed credit lines of 1.6 billion euros that remained unutilized as of December 31, 2023 (previous year: 1.6 billion euros).

Our credit rating is regularly assessed by the rating agencies S&P, Moody’s and Scope Ratings. As in previous years, our ratings remain within the “single A” target corridor. This is a good rating in the prime investment grade segment.

Credit ratings

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

At December 31, 2023

Our long-term ratings remain at A (S&P), A2 (Moody's) and A (Scope Ratings) with a stable outlook. Our short-term ratings are on the highest possible level in each case. This ensures our continued unrestricted access to the money and capital markets and to favorable financing terms and conditions.

As of December 31, 2023, our borrowings totaled 2,269 million euros (previous year: 2,907 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 177 to 203. Further detailed information on our financial instruments can be found in the financial instruments report on pages 286 to 319 of the notes to the consolidated financial statements.

Key financial ratios

Leverage in fiscal 2023 was 0.3 compared to 0.8 in 2022. The interest coverage ratio in the year under review was 26.3, following 35.0 in fiscal 2022. The equity ratio as at December 31, 2023 was 63.0 percent (previous year: 60.8 percent).

Key financial ratios

	2022	2023
Leverage		
Net financial position extended[1] * (-1)/EBITDA	0.8	**0.3**
Interest coverage ratio		
EBITDA/(interest expenses + pension interest)	35.0	**26.3**
Equity ratio		
Equity/total assets	60.8%	**63.0%**

[1] The extension additionally considers provisions for pensions and similar obligations, lease liabilities, sundry financial liabilities and receivables from Henkel Trust e.V. and external pension funds.

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.

Open and appreciative leadership culture

Building on shared values, our Leadership Commitments form the basis defining the conduct 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 strongly believe that cultural change requires the commitment of all our people, which is why we support them 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, we have been guiding our top executives through a 360-degree coaching process that supports them as role models in creating an inspiring and modern work environment.

To support our employees in fostering our cultural change, we launched the "Accelerate Cultural Transformation" (ACT) initiative in 2023. The aim is to encourage engagement across teams and to define specific measures.

Development of employee numbers

As of year-end 2023, around 47,750 people were employed at Henkel. The decline year on year is mainly due to the sale of our business activities in Russia and to the creation of our integrated Consumer Brands business unit.

As part of the merger of the two former business units Beauty Care and Laundry & Home Care, Henkel had announced back in 2022 that around 2,000 jobs globally would be affected in the first phase of integration. Corresponding agreements covering this number were concluded by year-end 2023. In this process, we worked closely with the employee representative organizations in each country to identify socially responsible solutions. At all times during the entire change process, our support was based on open exchange with the relevant employees.

Payroll cost and average employee numbers

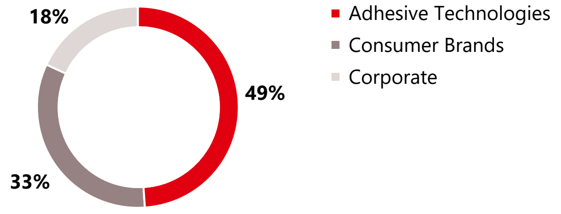
	2022	2023
Payroll cost in million euros	3,729	**3,775**
Average employee numbers	51,950	**48,900**

Promoting diversity

Diversity, equity and inclusion (DEI) 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. Our ambition is to promote a culture of integration and to create equal opportunities in order to leverage the full potential of our diversity. We thus pursue a holistic approach encompassing different dimensions of diversity.

To strengthen diversity, we pursue a clearly defined DEI strategy that is based on three main pillars: Firstly, we raise awareness for the various dimensions of diversity using different formats, such as campaigns and events. Secondly, we offer training programs for managers and employees to foster inclusive behavior. And thirdly, we are continuously improving the general structural conditions, for example through offerings to promote work-life balance in order to eliminate structural barriers, with clear targets defined for progress tracking.

Employees by organizational unit



At December 31, 2023

Women in management

in percent	2019	2020	2021	2022	2023
Henkel	35.5	36.1	36.7	37.1	**37.7**
Managers	35.7	36.9	38.1	38.7	**39.5**
Top managers[1]	24.3	25.2	27.6	29.6	**30.7**

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

One of our strategic diversity dimensions 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. In 2023, the proportion of women in management increased to 39.5 percent.

Internationality is also a natural part of the world of work at Henkel: We are represented by 124 nationalities operating in 76 countries. More than 80 percent of our workforce operate outside Germany.

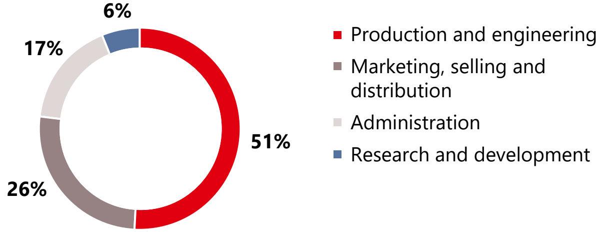
Energized and empowered teams

We enhance our employees' skills and knowledge and help them to reach their full potential – on the basis of regular development meetings, transparent feedback and individual development plans. This enables us to systematically identify and develop talents within the company and ensure internal succession planning. Individual upskilling measures and possible career steps are also discussed as part of our globally standardized assessment process. Digital learning programs and the development of digital skills also play a key role – by year-end 2023, we had reached more than 44,300 employees through our digital learning platform.

Shaping the future of work

Based on a culture of trust, we have been promoting flexible working models for years. Our holistic Smart Work concept forms the global framework for mobile working, and shows 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. An online program developed in 2023 gives all employees the chance to not only embrace Smart Work as a concept but also to put it into the best possible practice, both as individuals and in teams.

Employees by activity



At December 31, 2023

Recruiting, developing and retaining talents

As an employer, we want both our current and potential future employees to be inspired and convinced by our culture and our development opportunities. As part of our global campaign entitled “Dare to make an impact?” we offer authentic insights into our working world on our Careers webpage, on social media and face-to-face at events. The positive response is reflected by our position in employer rankings and ratings.

We give due consideration to locally different training paths for in-house training and the professional development of our people. We offer 26 apprenticeship and five dual-track study programs in Germany. In 2023, we welcomed 131 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. Hence, we provide manifold development opportunities for our employees.

Employees per region over time

	2019	%	2020	%	2021	%	2022	%	2023	%
Europe	23,650	45.1	24,100	45.5	24,100	46.0	23,650	46.2	**20,900**	**43.7**
IMEA	5,800	11.1	5,800	11.0	5,650	10.7	5,150	10.1	**5,000**	**10.5**
North America	8,950	17.1	8,850	16.7	8,250	15.7	8,300	16.2	**8,050**	**16.8**
Latin America	5,900	11.3	6,150	11.6	6,300	12.0	5,500	10.7	**5,250**	**11.0**
Asia-Pacific	8,150	15.5	8,100	15.3	8,200	15.6	8,600	16.8	**8,600**	**18.0**
Total	52,450	100.0	52,950	100.0	52,450	100.0	51,200	100.0	**47,750**	**100.0**

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

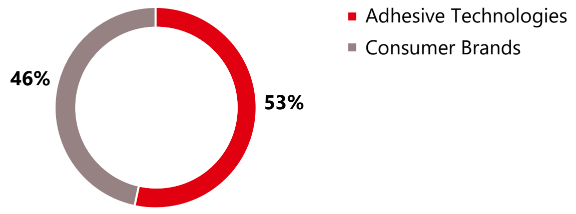
Procurement

We use externally sourced materials (raw materials, packaging and purchased goods and services) to manufacture 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. In 2023, prices for direct materials rose by a low single-digit percentage on average compared to the previous year. Following substantial increases in prior years, raw material prices remained high overall but recorded an increasingly downward trend over the course of the reporting year – partly due to persistent high uncertainty in the marketplace regarding future economic development and to continued subdued industrial demand. The year-on-year increase in prices for direct materials was mainly attributable to rising labor costs and in parts still elevated logistics and energy costs.

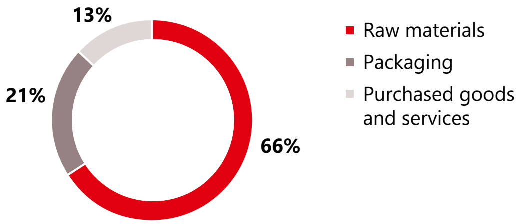
Our direct material spend was down significantly year on year at 8.2 billion euros (2022: 10.7 billion euros). The decrease versus prior year is primarily due to declining volume development in 2023 and to the disposal of our business activities in Russia. In addition, savings from our global procurement strategy, measures to reduce costs, and improvements in production and supply chain efficiency helped to offset both persistently high direct material prices and negative currency effects.

Direct material spend by business unit in 2023



The five most important categories of direct materials are raw materials for use in hotmelt adhesives, washing-active substances (surfactants), polyurethanes, inorganic raw materials, and materials for use in surface treatment and thermal management solutions. These account for 37 percent of all direct material expenditures. Our five largest suppliers represent 14 percent of purchasing volume in direct materials.

Direct material spend by type of material in 2023



Within the category of **indirect materials and services**, we procure materials and services that are not directly used to manufacture our finished products – such as maintenance materials, or logistics, marketing and IT services. At 6.4 billion euros, the spend for indirect materials and services in 2023 was slightly below the prior-year level (2022: 6.7 billion euros).

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 reduce total procurement expenditures 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. We also agree and implement individual targets with our strategic suppliers aimed at optimizing the supply of both direct and indirect materials and services. Risk management is an important component of our purchasing strategy, especially against the backdrop of persisting uncertainties on the procurement markets. The emphasis here is on reducing price and supply risks while maintaining consistently high quality.

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.

Production

In 2023, Henkel manufactured products at 161 sites in 55 countries. Our largest production facilities are located in Bowling Green, Kentucky, 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.

Number of production sites

	2022	2023
Adhesive Technologies	124	**122**
Consumer Brands	42	**39**
Total	**166**	**161**

(at December 31)

In 2023, we further aligned the global production network of our **Adhesive Technologies** business unit to the continuously changing requirements of the markets. Our current 122 production sites around the globe 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 all regions. While the acquisition of Critica Infrastructure in 2023 added further production sites, the total number decreased slightly compared to the previous year due to the divestment of our business activities in Russia and the consolidation of other production sites.

Mid-2023, Henkel broke ground for a new Adhesive Technologies production site in the Asia-Pacific region with an investment volume of around 120 million euros. The plant will serve the demand from fast-growing industry sectors, such as electronics, medicine, appliance manufacturing and aviation.

Since the start of 2023, the global production network of the integrated **Consumer Brands** business unit has comprised the plants of the former Laundry & Home Care and Beauty Care business units. In 2023, the global production network of the Consumer Brands business unit comprised a total of 39 sites. Also here, the decrease versus prior year (42 sites) is essentially due to the divestment of the business activities in Russia.

As the merger of our consumer businesses progresses, the second phase of integration is concentrating on optimizing our production and logistics network. The focus of this transformation program – which is now expected to generate annual savings of around 250 million euros (previously at least 150 million euros) by the end of 2026 – includes not just merging production capacities to optimize the network but also comprehensively optimizing the operational processes in all plants and warehouses worldwide. This also encompasses transitioning formerly specific logistics and order management processes and systems to a shared customer-oriented end-to-end structure. In line with the 1-1-1 principle – one order, one shipment, one invoice – products from the previously separate business units are to be captured in shared customer orders, prepared for shipment and shipped from shared warehouses. This principle had already been successfully implemented in initial countries in Europe by the end of 2023.

In addition, the Consumer Brands business unit again launched relevant capital expenditure projects in 2023. These include the expansion of the production facilities for innovative detergent capsules in Serbia and the construction of a plant for compacting liquid detergents in the USA.

In 2023, we continued fostering sustainability and digitalization as major cornerstones in **both business units** to ensure a future-ready production and logistics network.

We made further progress toward our ambition of achieving a climate-positive greenhouse gas balance in production by 2030: By expanding our usage of renewable energies, Henkel converted additional plants to carbon-neutral production in 2023. These included, for example, our production sites in Shanghai, China, Montornès, Spain, Hannover, Germany, and Cairo, Egypt.

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 environmental compatibility. We have the environmental management systems at numerous sites externally certified. As of the end of 2023, around 87 percent of our production volume was from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

We are also driving various Industry 4.0 initiatives in both business units. To this end, site-specific measures have been put in place to standardize, digitalize and link processes and components. Our aim is to ensure a continuous data exchange along the entire value chain – as the basis for optimized planning and resource provision, and for production and logistics efficiency.

THE COMPANY

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Research and development

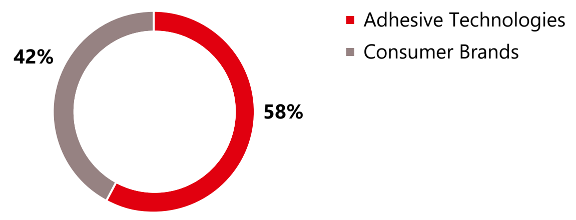
Expenditures by the Henkel Group for research and development (R&D) in fiscal 2023 totaled 587 million euros and were thus above the prior-year level (570 million euros). The ratio of R&D expenses to sales amounted to 2.7 percent (previous year: 2.5 percent). Adjusted R&D expenditures totaled 580 million euros, following 543 million euros the year before. The ratio of adjusted expenditures to sales was 2.7 percent (previous year: 2.4 percent).

In 2023, R&D expenditures were mainly attributable to internal personnel expenses. Our research and development costs were fully expensed; in compliance with International Financial Reporting Standards (IFRSs), no product- or technology-related development costs were capitalized.

On an annual average, around 2,750 employees worked in research and development (previous year: around 2,700). This corresponds to approximately 6 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.

R&D expenditures by business unit in 2023



Key R&D figures

	2019	2020	2021	2022	2023
R&D expenditures (in million euros)	499	501	727	570	**587**
R&D expenditures (in percent of sales)	2.5	2.6	3.6	2.5	**2.7**
Adjusted[1] R&D expenditures (in million euros)	487	495	504	543	**580**
Adjusted[1] R&D expenditures (in percent of sales)	2.4	2.6	2.5	2.4	**2.7**
Employees[2] (annual average)	2,650	2,600	2,600	2,700	**2,750**

[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 both 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. As in previous years, activities in 2023 focused on the areas sustainability and digitalization.

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: In collaboration with our suppliers, we want to continuously improve the sustainability profile of the raw materials we use. We want to help our customers and consumers reduce their energy consumption 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.

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 and corporate venture capital

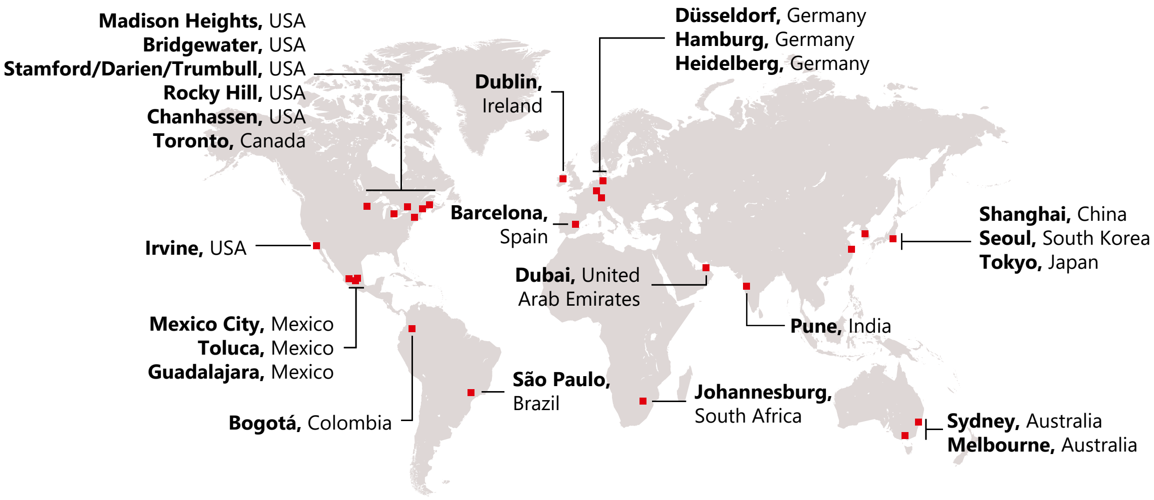
Our innovations come from both internal and external sources and evolve from long-standing, successful partnerships. The concept of open innovation therefore holds great significance for us. Accordingly, we constantly strive to intensify our efforts to involve customers, suppliers and other partners such as research institutes, universities or startups.

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 2023, we further expanded our activities in this field and strengthened our expertise base by investing in startup companies and venture capital funds.

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 problem-solving. 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. The new base technologies needed for the relevant solutions are, in turn, developed centrally.

Selected research and development sites



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

Also in 2023, we focused our innovation activities and resources on further developing technologies and expanding partnerships aligned to key megatrends. These trends include sustainability, digitalization and mobility, as well as connectivity and urbanization.

The innovation centers operated by the Adhesive Technologies business unit play an important role in this respect. In addition to the existing innovation centers – our Inspiration Center Düsseldorf (ICD) in Europe and our innovation center Mumbai, India, in the IMEA region – we opened a new innovation center in 2023 in Bridgewater, New Jersey, USA, to further enhance our innovation strength. At these innovation centers, the Adhesive Technologies business unit showcases its entire technology portfolio of adhesives, sealants and functional coatings and collaborates with customers from more than 800 industries to develop new, innovative and sustainable solutions. For 2024, the phased opening of the Inspiration Center Shanghai (ICS) is planned. With a floor area of 33,000 square meters, the ICS will accommodate more than 30 labs, a 300-square-meter customer center and more than 500 Henkel experts. In addition, we strengthened our development and application expertise in innovative battery technologies in 2023 – for example, in the field of e-mobility. Our new Battery Center at the Inspiration Center Düsseldorf incorporates two high-tech facilities: the application center for battery technologies in electric vehicles, and the battery test center. Building on this, we plan to establish a global network of application centers for battery technologies with future facilities located in the USA and China. Based on a shared digital platform, the network will aim to further foster seamless collaboration between the global teams and automobile and battery manufacturers across regions.

Across all business areas, the Adhesive Technologies business unit again launched relevant innovations onto the market in 2023. Selected innovations are presented on page 124.

In the **Consumer Brands** business unit, as part of the further integration of the former Laundry & Home Care and Beauty Care business units, the research and development activities were further merged in 2023. Against this backdrop, we further leveraged, in particular, the technological synergies, and increased the focus of our research and development activities on our global consumers – based on an optimized strategy. Our ambition is to be “Technological pioneers for tomorrow’s consumers.”

To achieve this, we are continuing to drive the expansion of our research and development centers in the various regions.

Thus in 2023, for example, we expanded our R&D capacities in Shanghai, China, and our existing global network of Consumer Testing Centers. The latter enable an even better understanding of the needs of our consumers so that we can tailor our product developments and innovations to them. We also opened a J-Beauty Innovation Hub in Tokyo, Japan. This innovation center for the Professional business brings together the expertise of Schwarzkopf and the Shiseido Professional business in Asia-Pacific, which was acquired in 2022. Cutting-edge research labs enable the development of products focusing on hair care and color development for the Asian market.

We also drove innovations under our strong brands in the year under review. For example, we further developed our premium laundry detergent Persil. Thanks to an innovative enzyme-based technology, it is now also possible to minimize residues and the associated unpleasant odors in washing machines. This technology has been incorporated into liquid detergents and pre-dosed discs, as well as in powder detergents. In the Hair business area, we have introduced an innovative technology into all product formulas under the Schwarzkopf umbrella brand: The HaptIQ bonding system protects and strengthens the natural bonds in hair fibers, thus repairing the hair, giving it strength and resilience, and protecting it against future damage. At the same time, we have further improved the sustainability of our packaging portfolio for consumer products in the Consumer Brands business unit by increasing the proportion of recycled plastic.

Selected innovations in the Consumer Brands business unit are also presented on page 133.

Patents and registered designs

We hold around 10,500 patents to protect our technologies around the world. Approximately 4,800 patents are currently pending. And we have registered around 2,700 design patents to protect our intellectual property.

Marketing and distribution

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

The **Adhesive Technologies** business unit offers a broad and globally leading portfolio of adhesives, sealants and functional coatings. The success of our business is founded 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 – Loctite, Technomelt, Bonderite, Teroson and Aquence – and our four global core brands for consumers and craftsmen (Pritt, Loctite, Ceresit and Pattex).

With our team of more than 6,500 technical experts, we foster close, long-term relationships with our more than 100,000 customers and partners from more than 800 manufacturing and processing industry segments. We are thus able to obtain an in-depth understanding of an exceptionally wide range of applications across all markets. 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 serve the needs of private users, craftsmen and smaller industrial customers.

Our innovation centers – such as the Inspiration Center Düsseldorf (ICD) – also serve as integrated, state-of-the-art customer centers that showcase our entire range of Adhesive Technologies solutions and applications to customers and partners from around the globe and, in doing so, strengthen cooperation. We are also implementing this successful concept at other sites around the world. For further details of our innovation centers, please refer to the section "Research and development."

Close collaboration along the value chain is a key success factor for innovations fostering sustainability in the widest range of industrial segments – which is why we again invited customers, suppliers and partners from the packaging industry to our Sustainability Days in 2023 to discuss new responses to current sustainability requirements. Henkel is, moreover, a founding member of Cofinity-X – a joint venture for accelerating the operation and introduction of applications developed by automotive network Catena-X. This enables, for example, a standardized approach to be used for the calculation of the carbon footprint of products and for the associated data exchange along the value chain.

Not only through personal exchange but also in digital interaction, we aim to ensure 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. We have also further increased the range of products offered by our digital marketplace "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 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.

As we have continued to merge the former Laundry & Home Care and Beauty Care business units into the **Consumer Brands** business unit in 2023, we have driven the integration of the marketing and sales teams while further streamlining our business activities. Our diverse and strong brand portfolio features several consumer goods categories focusing on laundry and home care products and hair products. We are concentrating on those markets, categories and brands in which we have strong expertise and where we see clear growth opportunities.

With our innovation process consistently focused on our consumers, we launch relevant innovations under strong brands such as Persil, Schwarzkopf or all onto the market. We strive to ensure the systematic and early identification of consumer trends – for which we also evaluate digital data – and to translate them into relevant new products. In doing so, we concentrate on strengthening the brand equity and responding to consumer demand for products offering functional use and emotional added value. Here, we specifically cater to regional and local market conditions and consumer needs.

A particular focus area is on communication and hence marketing and advertising support. In fiscal 2023, we significantly increased our marketing spend in the Consumer Brands business unit in order to reach a broad consumer base, further strengthen our brands, and communicate the added benefits of our innovations. We managed these marketing expenditures on the basis of a detailed analysis aligned to our strategic priorities.

We use a wide range of distribution channels to offer products to our consumers: in brick-and-mortar stores, for example, such as supermarkets, discount stores, drugstores and hypermarkets, but also on e-commerce channels and in hair salons. Data-based understanding of our customers and consumers that we gain through surveys and data compilation enables us to craft customized solutions and to create shared value-adding potential for our partners across all distribution channels. On the basis of our leading market positions and global customer and consumer expertise, we serve as a strong partner for both brick-and-mortar and online retailers.

In 2023, we were again able to welcome numerous customers to our customer centers – the Lighthouse, and our Global Excellence Centers in Düsseldorf and Stamford, Connecticut, USA. These centers enable us to further deepen our relationships with customers both in brick-and-mortar retail and in the field of e-commerce, and to showcase our expertise to retail partners from around the globe. 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 numerous professionals around the world every year.

The importance of sustainability in our relationships with customers and consumers continues to grow in **both 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 our leading positions awarded by 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.

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

Following the merger of the Laundry & Home Care and Beauty Care business units into the new Consumer Brands business unit, Henkel AG & Co. KGaA was operationally active in the two business units Adhesive Technologies and Consumer Brands in fiscal 2023, and in the Corporate segment. Henkel AG & Co. KGaA is also 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 2023, some 8,600 people were employed at Henkel AG & Co. KGaA.

The operating business of Henkel AG & Co. KGaA represents just some 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 105).

[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.

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 page 111.

Results of operations

Performance of key financial performance indicators

At 3,756 million euros, sales of Henkel AG & Co. KGaA in 2023 declined compared to the previous year. Given the difficult economic and geopolitical environment, it was not possible to achieve the forecast of flat or slightly lower sales. This was essentially due to lower sales in the Corporate segment. While gross profit improved in the fiscal year just ended, the balance of other operating income and expenses (other operating result) decreased, mainly as a result of higher pension expenses and costs relating to the divestment of the business activities in Russia. These latter expenses were offset by financial income from the disposal of the shares in the Russian subsidiary. Moreover, the profits transferred by affiliates increased, enabling us to exceed the forecast of an unchanged financial result. The higher financial result resulted overall in a higher unappropriated profit of Henkel AG & Co. KGaA, which thus exceeded the forecast of flat performance.

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

in million euros	2022	2023
Sales	3,855	**3,756**
Cost of goods and services sold	-2,832	**-2,635**
Gross profit	**1,022**	**1,120**
Selling and general administrative expenses	-1,082	**-1,157**
Research and development expenses	-532	**-540**
Other operating income/expenses	309	**193**
Operating profit	**-283**	**-384**
Financial result	**1,021**	**1,635**
Income before tax	**738**	**1,252**
Taxes on income	-13	**-42**
Income after tax/Net income	**725**	**1,210**
Profit brought forward	1,017	**971**
Unappropriated profit	**1,742**	**2,181**

Sales and operating profit

The Adhesive Technologies business unit achieved sales of 1,160 million euros in fiscal 2023 (previous year: 1,160 million euros). This flat sales performance was due to higher prices being negated by decreasing volumes.

In fiscal 2023, the Laundry & Home Care and Beauty Care business units were merged into the new Consumer Brands business unit. The Consumer Brands business unit achieved sales of 1,437 million euros in 2023 (previous year equivalent: 1,422 million euros). This sales growth was driven by positive price increases while volumes declined due, not least, to ongoing portfolio optimization measures.

Sales in the Corporate segment decreased to 1,159 million euros in 2023 (previous year: 1,272 million euros). This decline was mainly due to lower income from supply services rendered to external third parties in Düsseldorf and to lower licensing revenues from affiliates.

The operating result of Henkel AG & Co. KGaA decreased year on year by 100 million euros to -384 million euros. Gross profit improved, whereas the balance of other operating income and expenses (other operating result) decreased. Higher pension expenses in connection with payments into an external pension fund and expenses relating to the divestment of the business activities in Russia, in particular, had the effect of reducing profit.

Expense items

Compared to 2022, cost of sales decreased by 197 million euros to 2,635 million euros, due mainly to lower cost of materials in the wake of declining volumes. Gross margin increased year on year by 3.3 percentage points to 29.8 percent.

At 811 million euros, selling and distribution expenses came in above the prior-year figure of 775 million euros. Their ratio to sales increased year on year by 1.5 percentage points to 21.6 percent, due mainly to higher advertising expenditure in the Consumer Brands business unit.

Compared to 2022, general administrative expenses rose by 38 million euros to 346 million euros. The increase was mainly due to higher expenses relating to infrastructure services and to higher consulting and payroll costs. The ratio to sales increased by 1.2 percentage points to 9.2 percent.

Expenditures for research and development increased by 8 million euros to 540 million euros. The ratio to sales rose compared to 2022 by 0.6 percentage points to 14.4 percent.

On average, approximately 1,250 employees worked in research and development at Henkel AG & Co. KGaA in 2023, 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 158 to 163.

Restructuring expenses of 42 million euros, included in the expense items mentioned above, came in lower versus 2022 (109 million euros). Restructuring expenses in 2022 had been impacted by personnel measures and external consultancy services relating particularly to the merger of the Laundry & Home Care and Beauty Care business units to create the new Consumer Brands business unit.

Other operating income/expenses

In 2023, the balance of other operating income and expenses (other operating result), at 193 million euros, decreased versus prior year (2022: 309 million euros).

Other operating income decreased in 2023 by 7 million euros year on year to 440 million euros. The decline is due among other things to lower gains from disposals of assets and businesses. These were partially countervailed by higher proceeds from costs recharged to affiliates.

At 247 million euros, other operating expenses in 2023 were up on the prior-year figure of 139 million euros. The increase was mainly due to higher pension expenses in connection with payments into an external pension fund, and expenses relating to the divestment of the business activities in Russia.

Financial result

Financial result rose from 1,021 million euros in 2022 to 1,635 million euros in 2023. The increase was essentially due to a higher investment result stemming from the disposal of the shares in the Russian subsidiary and higher income from profit transfers from affiliated companies. In addition, the result was also affected by higher securities prices and the resulting higher income from financial investments held as plan assets. These effects were partially offset by a lower interest result compared to the previous year.

Taxes on income

Taxes on income amounted to -42 million euros in 2023, compared to -13 million euros in 2022.

Net income and unappropriated profit

Net income amounted to 1,210 million euros and was therefore above the prior-year figure of 725 million euros. The increase was mainly attributable to the higher financial result.

In light of the higher net income for the year, the unappropriated profit increased by 439 million euros year on year to 2,181 million euros.

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

in million euros	Dec. 31, 2022	Dec. 31, 2023
Intangible assets and property, plant and equipment	2,324	**2,191**
Financial assets	13,553	**13,344**
Non-current assets	**15,877**	**15,535**
Inventories	22	**20**
Receivables and miscellaneous assets	1,435	**1,013**
Marketable securities	212	**214**
Liquid funds	469	**1,132**
Current assets	**2,137**	**2,378**
Prepaid expenses	**51**	**43**
Assets arising from the overfunding of pension obligations	**13**	**9**
Total assets	**18,078**	**17,965**
Equity	**6,368**	**6,624**
Special accounts with reserve element	64	**60**
Provisions	940	**1,035**
Liabilities/deferred income	10,707	**10,246**
Total equity and liabilities	**18,078**	**17,965**

Net assets and financial position

In 2023, the total assets of Henkel AG & Co. KGaA decreased compared to year-end 2022 by 113 million euros to 17,965 million euros.

Non-current assets decreased by 342 million euros to 15,535 million euros, mainly due to a reduction in financial investments following, in particular, the redemption of a loan and the disposal of the shares in the Russian subsidiary. The decrease was partially offset by the addition of shares in an affiliated company.

Substantial capital expenditures on property, plant and equipment in fiscal 2023 related to replacement and expansion investments.

Current assets increased year on year from 2,137 million euros to 2,378 million euros in 2023, due mainly to higher short-term time deposits as of the reporting date. A decrease in receivables from affiliated companies and from Henkel Trust e.V. had a countervailing effect. The latter relate to pension payments made by Henkel AG & Co. KGaA to retirees for which reimbursement can be claimed from Henkel Trust e.V.

The assets arising from the overfunding of pension obligations were 4 million euros lower year on year at 9 million euros and essentially reflect the netting of the partial retirement obligations and associated plan assets. The decrease was due to higher obligations on the reporting date.

Equity increased from 6,368 million euros to 6,624 million euros due to the higher net income for the year. The increase was partially offset both by the dividend distribution and by the share buyback program that ended on March 31, 2023. In fiscal 2023, Henkel repurchased preferred shares for a total amount of 164 million euros and ordinary shares for a total amount of 24 million euros. The equity ratio increased by 1.7 percentage points to 36.9 percent.

Provisions increased by 94 million euros to 1,035 million euros, mainly as a result of higher provisions for pensions due to lower plan assets. The decrease is due to the obligation of Henkel AG & Co. KGaA to make an additional contribution to the external pension fund in the event of a shortfall in pension obligations.

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 2023 by 461 million euros to 10,246 million euros, as a result, among other things, of a smaller commercial paper commitment and also lower financial liabilities to affiliated companies. These items are also affected by 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. The repayment of the SFR-denominated bond with a total volume of 330 million Swiss francs in April 2023 also had a decreasing effect.

On the reporting date, Henkel AG & Co. KGaA had six bonds on its books with a total volume of 1,864 million euros. These include one British pound-denominated bond with a total nominal volume of 350 million British pounds, 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.

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 145 and 146.

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. The Group risk assessment refers to the effect on equity whereas we see a risk for the income statement. We assess the potential financial impact of this risk for Henkel AG & Co. KGaA as "high."

Additional information regarding risks and opportunities and the internal control and risk management system can be found on the following pages 177 to 203.

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 2024, we forecast sales at or slightly above the level of 2023 due to an expected slight increase in revenues in the Adhesive Technologies and Consumer Brands business units.

The performance 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 2024 by Henkel AG & Co. KGaA to be higher 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 204 to 207.

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.

Entrepreneurial activity also involves identifying and exploiting opportunities as means of securing and extending the company'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

Our risk management system incorporates all organizational rules and measures for identifying, assessing, managing and communicating risks, including system monitoring. The risk management system at Henkel is integrated into the comprehensive planning, controlling, and reporting systems used in the subsidiaries, in the business units, and at Group level. Furthermore, within the corporate governance framework, our internal control and compliance management systems support our risk management capability. The interaction between the individual governance systems at Henkel and our assessment of the appropriateness and effectiveness of the risk management system and the internal control system are discussed in the corporate governance statement on pages 60 to 65.

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.

Our Corporate Audit function regularly reviews the quality and efficiency of our risk management system. During its audit of the annual financial statements for 2023, 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) 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 as a going concern.

Risk reporting procedures

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. In 2023, we adjusted the evaluation categories for the short-term risks in respect of probability of occurrence and potential financial impact.

We understand short-term risks as potential future developments or events that could lead to negative deviations from our earnings 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.

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.

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 business-/industry-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 evaluation categories.

Classification of short-term risks in ascending order

Probability	
Very low	< 10%
Low	≥ 10% to < 25%
Medium	≥ 25% to < 50%
High	≥ 50%
Potential financial impact	
Low	≥ 1 to < 75 million euros
Medium	≥ 75 to < 150 million euros
High	≥ 150 to < 500 million euros
Significant	≥ 500 million euros

We have adjusted the evaluation categories for the short-term risks in respect of probability of occurrence and potential financial impact and now distinguish between four rather than three categories.

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

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

Risk category	Probability	Potential financial impact
Geopolitical risks (Loss of assets)	Very low	Significant
Business-/industry-specific risks		
Procurement market risks	Low	Significant
Production risks	Low	Significant
Sales and markets risks	Medium	Significant
Financial risks		
Credit risks	Very low	Significant
Liquidity risks	Very low	Low
Currency risks	Low	High
Interest rate risks	Medium	Low
Risks from pension obligations (impact on equity)	Medium	High
Social risks		
Personnel risks	Low	Low
Risks in connection with the company's reputation and its brands	Very low	Medium
Technological risks (IT and cyber risks)	Low	Significant
Environmental risks (environment, safety and health risks)	Low	Significant
Legal and regulatory risks	Very low	Significant

Compared to the previous year, there has been a change in the quantitative evaluation of short-term risks. The probability of occurrence of legal and regulatory risks, which would have been classified as low in the 2022 annual report if the adjusted evaluation categories had been used, has decreased to very low.

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

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.

Long-term risks arise, in particular, when trade restrictions increase and a trend toward deglobalization and potential block formation becomes visible, in connection with potential instabilities within the European Union (EU), and if geopolitical tensions increase or regional conflicts grow – in Africa/Middle East, Asia, or Eastern Europe for example. 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.

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, sales risks and markets 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 prices for direct materials in our procurement markets to remain stable compared to the annualized average in 2022. Weak economic growth, higher inflation year on year, high rates of interest and signs of recessionary market trends in some regions could subdue demand in 2024. The war in Ukraine is expected to have a long-term impact on economic stability in Europe. Energy and gas price volatility, especially in Europe, could force manufacturers to throttle or cease production. The war in the Middle East is causing additional uncertainty in the marketplace. In 2023, the prices of most raw materials trended downward, mainly as a result of lower energy prices. This had positive effects along the supply chain – on the purchase of energy-intensive input products, for example, or indirectly through our toll/contract manufacturers. With energy costs remaining high, our suppliers are also facing increased operating costs. However, since the higher cost of energy is meanwhile incorporated into the first stages of the value chain, a higher risk is expected in respect of the raw materials, packaging materials and goods we purchase. The segments in the industrial goods sector are affected to a greater extent by price risks inherent in the performance of the global raw materials markets than the individual segments in the consumer goods sector. Prices differ among the various regional markets, with Europe being exposed to additional price and supply risks due to the war in Ukraine.

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: If any supply shortages do occur, established interdisciplinary crisis management processes are triggered to ensure a high degree of supply reliability to our customers. The measures taken also 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 – to the extent 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. 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. Supplier diversification also represents a key element in our risk management to prevent dependence on individual suppliers and ensure our ability to source at all times the goods and services we require. Finally, close collaboration with our strategic suppliers plays an exceptionally important role. 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 regional conflicts and aspirations to reduce economic ties between different economic areas, risks may still arise in the shape of disruptions to our supply chains, regional and national restrictions on production workflows and a reduced availability of labor. 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.

Measures: We can offset the negative effects of possible production outages through flexible production control and, where economically viable, additionally through 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.

Sales and markets risks

Description of risk: We are exposed to further sales and markets risks emanating from the uncertainties of the current geopolitical and economic environment. Geopolitical risks have significantly heightened, especially as a result of the conflicts in Ukraine and the Middle East. The impacts of global trade conflicts are also jeopardizing the global economic climate. 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 changing purchasing habits or weaker demand – 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. 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 system alignments may occur in places.

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 – could 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 192) 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 competitors. 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 goods business we are also striving to strengthen and expand our ratios of e-commerce and direct-to-consumer business. 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.

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 its 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 creditworthiness analyses, risk classifications, and continuous monitoring of risks associated with the receivables concerned, we also implement hedging measures both globally and selectively on a country- and customer-specific basis. Risk-mitigating instruments include credit insurance cover such as global excess-of-loss credit insurance, 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 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 S&P, Moody's and Scope Ratings. 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 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 in cash pools and managed across the Group using a liquidity reserve approach. 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 2024.

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 overall assessment of the 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 recognized in the balance sheet and from financial receivables and liabilities 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.

Interest rate risks

Description of risk: Interest rate risk encompasses all potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. 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.

Measures: The aim of our centralized interest rate management is to mitigate 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 function 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.

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 corporation. 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. Over the long term, these risks could adversely affect our ability to compete and thus business performance at Henkel.

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 and upskilling 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.

In addition to an appreciative corporate culture, the principles of diversity, equity and inclusion (DEI) are firmly anchored in Henkel's corporate strategy. Striving for enhanced gender diversity is a key element in a holistic DEI strategy that also incorporates further dimensions such as internationality and ethnicity, sexual orientation, people with disability and inter-generational collaboration. Henkel is striving to make significant progress in all these dimensions. The corporation has established a Group-wide DEI network to anchor and implement these efforts in all business units and regions.

Further areas of our personnel management focus include a global health management system and support for flexible work models to ensure better work-life flexibility. We create a positive and supportive work environment where our employees feel appreciated and respected. All these aspects are united in our Smart Work approach.

Henkel reduces the risk of not being able to recruit qualified professionals and executives by promoting a strong and authentic employer brand, partnering with universities and global student organizations, and through enhanced, target-oriented communication and focus on promoting talent and specialized development programs.

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 that 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 196 to 198). On the one hand, this is to ensure that our production facilities and products remain 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.

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 Corporate 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 company. 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.

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.

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 2023 on pages 36 and 37. 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 196 to 198), and organize appropriate auditing, advisory and training activities. We continually update these preventive measures in order to properly safeguard our 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 or other crises, with defined protection strategies in place 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.

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 corresponds to best practice. We are reducing the carbon footprint of our own sites in particular by continuously improving our energy efficiency and switching to electricity purchased 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 carbon 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 corporation.

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.

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.

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.

Ensuring compliance with laws and regulations is an integral component of our 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. Current proceedings and pending litigations are continuously recorded and monitored in a separate reporting system. Our Corporate Legal department maintains constant contact with local counsel for this purpose. Regular reports are submitted to the Management Board and oversight bodies. We conduct our own analysis and assessments – or obtain external legal opinions, if necessary – to assess risks and determine any need for provisions. This risk assessment is based predominantly on estimating the probability of occurrence and bandwidths of the potentially ensuing claims for damages. This risk assessment and potential accrual of provisions is conducted in collaboration between the business units with operational responsibility and the legal and finance departments. Appropriate provisions are accrued based on probability of occurrence. For certain legal risks, we have concluded insurance policies with coverage that we consider to be appropriate and standard for the industry. However, predicting the outcome of proceedings is fraught with considerable uncertainty, especially if a 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/contract manufacturers.

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 183 and 184, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

Impact: Very low probability rating, possible significant impact on our earnings guidance.

Sales and markets 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 high impact on our 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 187 to 190, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

Impact: We classify financial opportunities as follows:

- Currency opportunities with a low probability of a high impact on our earnings guidance
- Interest rate opportunities with a medium probability of a low impact on our earnings guidance
- Opportunities arising from our pension obligations with a medium probability of a high 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 high impact on our earnings guidance.

Research and development opportunities

Description of opportunities: Opportunities arising from our extensive, 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. They include key areas of action for sustainable development, such as climate protection and circular economy.

Impact: Innovations arising from future research and development could have a high impact on our earnings guidance.

Internal accounting control system

The internal control system represents the entirety of all systematically defined control and monitoring activities aimed at ensuring the efficacy and efficiency of business processes, proper reporting procedures and compliance with all laws and regulations of relevance for Henkel. Accordingly, it extends beyond the internal accounting control system (for a discussion of the internal control system, please refer to the corporate governance statement on pages 60 to 65). 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) German Commercial Code [HGB]. 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. At Henkel, the design of the internal control system is aligned to COSO – the internationally acknowledged internal control framework – and the German audit code IDW PS 982. Within the organization of the internal control system, the Management Board assumes overall 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 Corporate Audit function and by our newly established corporate unit Internal Control Systems. Of the multifaceted control processes incorporated into the accounting process, several are important to highlight.

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 Group-wide corporate standards. To prevent possible data losses and system failures, we regularly back up our relevant IT systems. Our security concept also includes technical system checks, manual spot checks by experienced employees, and individually aligned authorizations and access restrictions. 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 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 draws up 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.

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 moderate growth in global economic output. There is, however, huge uncertainty, particularly surrounding the war in Ukraine and the Middle East conflict. Compared to the quantitative evaluation of short-term risks in our Annual Report 2022 and based on the adjustment of evaluation categories, the probability of occurrence of legal and regulatory risks has been changed from low to very low. Although the assessment of some risks may have decreased somewhat, there has been no fundamental change to the overall risk and opportunities situation. The system of risk categorization adopted by Henkel continues to indicate that the most significant exposure currently relates to the impact of procurement market, and also sales, market and financial risks, to which we are responding with the countermeasures described above.

Equally, 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 store of 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.

FORECAST

Macroeconomic development

The assessment of future global economic development is based on data provided by S&P Global Market Intelligence.

Overview: Gross domestic product growth of around 2 percent

Following the continued muted growth momentum over the course of 2023, moderate growth (around 2 percent) is again forecasted for global economic output in 2024. Global economic development is likely to continue to be characterized by overall still elevated inflation rates and by persisting geopolitical uncertainties – not least against the background of the war in Ukraine and the conflict in the Middle East.

Gross domestic product is expected to grow by around 1 percent in Europe. An increase of approximately 1.5 percent is forecasted for both North America and Latin America. Economic output in the IMEA and Asia-Pacific regions is expected to expand by around 4 percent.

Inflation: Globally declining inflationary pressure

S&P Global Market Intelligence expects global inflation to be approximately 4.5 percent in 2024 – which would be lower than the previous year (approximately 5.5 percent) but still high on average. Inflation is forecasted to be around 3 percent in Europe and North America. Prices in the IMEA region are expected to increase by approximately 12.5 percent. Significant double-digit inflation of approximately 29.5 percent is forecasted for Latin America. In the Asia-Pacific region, prices are expected to increase by around 2 percent.

Direct materials: Price levels to remain elevated overall

We expect prices for direct materials (raw materials, packaging and purchased goods and services) to remain flat in 2024 compared to the previous year's average. Energy and labor costs are expected to remain elevated – accompanied by continued high uncertainty surrounding future global economic and geopolitical development.

Currencies: Continued high volatility

We anticipate continued high volatility in the currency markets. On average for 2024, we anticipate a largely negative trend in the major emerging market currencies of relevance for Henkel compared to 2023. We expect the US dollar to remain relatively stable versus the euro.

Development by sector

Consumption and retail: Growth of approximately 2.5 percent

S&P Global Market Intelligence forecasts that global private consumption will increase by approximately 2.5 percent in 2024. Private spending is expected to grow by around 1 percent in Europe and by around 2 percent in North America. S&P Global Market Intelligence forecasts that private consumption will increase by approximately 4.5 percent in the IMEA region and by approximately 1 percent in Latin America. Growth of approximately 5 percent is expected in the Asia-Pacific region.

Industrial production index: Increase of approximately 2 percent

S&P Global Market Intelligence expects the industrial production index (IPX) to increase by approximately 2 percent worldwide. Moderate growth of approximately 1 percent and 0.5 percent is forecasted for Europe and North America respectively. For the IMEA region, an increase of approximately 2.5 percent is predicted. Industrial production is expected to increase by around 2 percent in Latin America and by approximately 4 percent in the Asia-Pacific region.

Outlook for the Henkel Group in 2024

Following the weaker growth momentum encountered in 2023, characterized by a generally inflationary environment and recessionary trends in some regions, moderate growth in global economic output is expected for 2024. This assumes a moderate increase in both industrial demand and consumer demand in key areas of the consumer goods business for Henkel. According to current estimates, global inflation is also forecasted to be lower in fiscal 2024 than in the previous year, although it will remain at a high level overall. In addition, interest rates are expected to remain higher than in previous years.

We anticipate that the divestments made in 2023, including the divestment of our business activities in Russia, will have a negative impact in the low single-digit percentage range on the growth of the Henkel Group's nominal sales. We expect the translation of sales in foreign currencies to have a negative impact in the mid-single-digit percentage range.

We expect prices for direct materials to remain flat versus the annual average for 2023. We also expect energy and labor costs to remain at elevated levels. We will counteract these headwinds in both business units through innovations and selective price increases combined with strict cost discipline. We also anticipate further savings from the merger of our consumer businesses.

In light of these factors, we issue the following guidance for the business performance of the Henkel Group and the two business units in 2024:

Results 2023 and guidance 2024

	Results 2023	Guidance 2024
Organic sales growth		
Henkel Group:	4.2 percent	2.0 to 4.0 percent
Adhesive Technologies:	3.2 percent	2.0 to 4.0 percent
Consumer Brands:	6.1 percent	2.0 to 4.0 percent
Adjusted[1] return on sales (adjusted EBIT margin)		
Henkel Group:	11.9 percent	12.0 to 13.5 percent
Adhesive Technologies:	14.7 percent	15.0 to 16.5 percent
Consumer Brands:	10.6 percent	11.0 to 12.5 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	+20.0 percent	Increase in the range of 5.0 to 20.0 percent

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

Furthermore, we have the following expectations for 2024:

- Restructuring expenses of 250 to 300 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 2024 in the range of 30 to 40 percent of net income after non-controlling interests and adjusted for exceptional items.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

in million euros	Note	Dec. 31, 2022[1]	%	Dec. 31, 2023	%
Goodwill	1	13,609	41.0	**13,569**	**42.8**
Other intangible assets	1	3,499	10.5	**3,422**	**10.8**
Property, plant and equipment	2	3,911	11.8	**3,732**	**11.8**
Other financial assets	3	234	0.7	**275**	**0.9**
Other assets	4	307	0.9	**272**	**0.9**
Deferred tax assets	5	1,184	3.6	**1,176**	**3.7**
Non-current assets		**22,744**	**68.6**	**22,447**	**70.7**
Inventories	6	3,180	9.6	**2,444**	**7.7**
Trade accounts receivable	7	3,535	10.7	**3,471**	**10.9**
Other financial assets	3	832	2.5	**550**	**1.7**
Income tax refund claims		403	1.2	**266**	**0.8**
Other assets	4	656	2.0	**500**	**1.6**
Cash and cash equivalents	8	1,088	3.3	**1,951**	**6.1**
Assets held for sale	9	731	2.2	**100**	**0.3**
Current assets		**10,425**	**31.4**	**9,282**	**29.3**
Total assets		**33,170**	**100.0**	**31,728**	**100.0**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Equity and liabilities

in million euros	Note	Dec. 31, 2022[1]	%	Dec. 31, 2023	%
Issued capital	10	438	1.3	**438**	**1.4**
Capital reserve	11	652	2.0	**652**	**2.1**
Treasury shares	12	-870	-2.6	**-1,054**	**-3.3**
Retained earnings	13	20,903	63.0	**21,363**	**67.3**
Other components of equity	14	-1,040	-3.1	**-1,478**	**-4.7**
Equity attributable to shareholders of Henkel AG & Co. KGaA		**20,083**	**60.5**	**19,922**	**62.8**
Non-controlling interests	15	74	0.2	**77**	**0.2**
Equity		**20,157**	**60.8**	**19,999**	**63.0**
Provisions for pensions and similar obligations	16	417	1.3	**535**	**1.7**
Other provisions	17	268	0.8	**293**	**0.9**
Borrowings	18	1,846	5.6	**1,860**	**5.9**
Other financial liabilities	19	591	1.8	**530**	**1.7**
Other liabilities	20	13	0.0	**77**	**0.2**
Deferred tax liabilities	5	726	2.2	**678**	**2.1**
Non-current liabilities		**3,862**	**11.6**	**3,972**	**12.5**
Other provisions	17	2,065	6.2	**2,230**	**7.0**
Borrowings	18	1,061	3.2	**409**	**1.3**
Trade accounts payable	21	4,621	13.9	**4,075**	**12.8**
Other financial liabilities	19	300	0.9	**209**	**0.7**
Other liabilities	20	379	1.1	**406**	**1.3**
Income tax liabilities		548	1.7	**428**	**1.3**
Liabilities held for sale	9	177	0.5	**–**	**–**
Current liabilities		**9,152**	**27.6**	**7,757**	**24.4**
Total equity and liabilities		**33,170**	**100.0**	**31,728**	**100.0**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

CONSOLIDATED STATEMENT OF INCOME

in million euros		Note	2022	%	2023	%	+/-
Sales		24	**22,397**	**100.0**	**21,514**	**100.0**	**-3.9%**
Cost of sales		25	-13,030	-58.2	**-11,853**	**-55.1**	-9.0%
Gross profit			**9,367**	**41.8**	**9,661**	**44.9**	**3.1%**
Marketing, selling and distribution expenses		26	-5,985	-26.7	**-5,764**	**-26.8**	-3.7%
Research and development expenses		27	-570	-2.5	**-587**	**-2.7**	3.0%
Administrative expenses		28	-1,102	-4.9	**-1,102**	**-5.1**	0.0%
Other operating income		29	184	0.8	**127**	**0.6**	-31.1%
Other operating expenses		30	-85	-0.4	**-324**	**-1.5**	>100%
Operating profit (EBIT)			**1,810**	**8.1**	**2,011**	**9.3**	**11.1%**
Interest income			37	0.2	**73**	**0.3**	97.3%
Interest expense			-73	-0.3	**-106**	**-0.5**	45.6%
Other financial result			-85	-0.4	**-90**	**-0.4**	5.3%
Investment result			0	0.0	**0**	**0.0**	9.3%
Financial result		31	**-121**	**-0.5**	**-122**	**-0.6**	**1.4%**
Income before tax			**1,689**	**7.5**	**1,888**	**8.8**	**11.8%**
Taxes on income		32	-436	-1.9	**-549**	**-2.6**	25.9%
Tax rate	in %		25.8		**29.1**		
Net income			**1,253**	**5.6**	**1,340**	**6.2**	**6.9%**
Attributable to non-controlling interests		33	-5	-0.0	**22**	**0.1**	<-100%
Attributable to shareholders of Henkel AG & Co. KGaA			1,259	5.6	**1,318**	**6.1**	4.7%
Earnings per ordinary share – basic and diluted	in euros		2.93		**3.13**		6.8%
Earnings per preferred share – basic and diluted	in euros		2.95		**3.15**		6.8%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

See Notes 16 and 23 for further explanatory information

in million euros	2022	2023
Net income	**1,253**	**1,340**
Results subject to possible future reclassification:		
Exchange differences on translation of foreign operations and inflation adjustments according to IAS 29	520	**-409**
Gains/losses from derivative financial instruments (Hedge reserve)	109	**-48**
Gains/losses from debt instruments	0	**-0**
Income taxes on these items	-32	**13**
Results not subject to future reclassification:		
Remeasurement of net liability from defined benefit pension plans	55	**-174**
Gains/losses from equity instruments	7	**1**
Income taxes on these items	-35	**65**
Other comprehensive income (net of taxes)	**624**	**-552**
Total comprehensive income for the period	**1,878**	**788**
Attributable to non-controlling interests	-5	**16**
Attributable to shareholders of Henkel AG & Co. KGaA	1,884	**772**

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 instruments	Share-holders 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 the 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**

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	Share-holders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At January 1, 2023	**260**	**178**	**652**	**-870**	**20,903**	**-925**	**-135**	**20**	**20,083**	**74**	**20,157**
Net income	–	–	–	–	1,318	–	–	–	1,318	22	**1,340**
Other comprehensive income (net of taxes)	–	–	–	–	-109	-402	-36	0	-546	-6	**-552**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,209**	**-402**	**-36**	**0**	**772**	**16**	**788**
Dividends	–	–	–	–	-771	–	–	–	-771	-12	**-783**
Share-based payments	–	–	–	–	24	–	–	–	24	–	**24**
Changes in ownership interest with no change in control	–	–	–	–	–	–	–	–	–	–	**–**
Purchase of treasury shares	–	–	–	-186	–	–	–	–	-186	–	**-186**
Use of treasury shares	–	–	–	3	1	–	–	–	4	–	**4**
Other changes in equity	–	–	–	–	-3	–	–	–	-3	–	**-3**
Equity transactions with shareholders	**–**	**–**	**–**	**-183**	**-748**	**–**	**–**	**–**	**-932**	**-12**	**-944**
At December 31, 2023	**260**	**178**	**652**	**-1,054**	**21,363**	**-1,327**	**-171**	**20**	**19,922**	**77**	**19,999**

CONSOLIDATED STATEMENT OF CASH FLOWS

See Note 39 for further explanatory information

in million euros	2022	2023
Operating profit (EBIT)	**1,810**	**2,011**
Income taxes paid	-711	**-505**
Amortization/depreciation/impairment/write-ups of intangible assets, property, plant and equipment, and assets held for sale	875	**918**
Gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	-46	**205**
Change in inventories	-722	**605**
Change in trade accounts receivable	-185	**47**
Change in other assets	-86	**122**
Change in trade accounts payable	306	**-468**
Change in other liabilities, provisions and equity items	6	**320**
Cash flow from operating activities	**1,247**	**3,255**
Purchase of intangible assets and property, plant and equipment including payments on account	-593	**-608**
Acquisition of subsidiaries and other business units (net of cash and cash equivalents acquired)	-85	**-513**
Acquisition of associates and other investments	-15	**-16**
Proceeds on disposal of subsidiaries, other business units and investments (net of cash and cash equivalents disposed)	103	**368**
Proceeds on disposal of intangible assets and property, plant and equipment	27	**17**
Interest received[2]	17	**57**
Change in other financial assets	346	**10**
Cash flow from investing activities[2]	**-200**	**-684**
Dividends paid to shareholders of Henkel AG & Co. KGaA	-795	**-771**
Dividends paid to non-controlling shareholders	-5	**-12**
Interest paid[1,2]	-73	**-101**
Dividends and interest paid	*-873*	***-884***

TABLE CONTINUED ON NEXT PAGE

in million euros	2022	2023
Issuance of bonds	648	–
Repayment of bonds	-923	**-312**
Other changes in borrowings	171	**-274**
Redemption of lease liabilities	-149	**-146**
Allocations to pension funds	-45	**-58**
Other changes in pension obligations	177	**129**
Payments for the acquisition of treasury shares	-803	**-195**
Payments for the acquisition of non-controlling interests with no change in control	-106	–
Other financing transactions	-2	**-14**
Cash flow from financing activities[2]	**-1,905**	**-1,754**
Net change in cash and cash equivalents	-858	**817**
Effect of exchange rates on cash and cash equivalents and inflation adjustments according to IAS 29	-35	**-89**
Change in cash and cash equivalents	**-893**	**728**
Cash and cash equivalents at January 1	2,116	**1,088**
Change in cash and cash equivalents classified as held for sale	-135	**135**
Cash and cash equivalents at December 31	**1,088**	**1,951**

Additional voluntary information: Reconciliation to free cash flow

in million euros	2022	2023
Cash flow from operating activities	1,247	**3,255**
Purchase of intangible assets and property, plant and equipment including payments on account	-593	**-608**
Redemption of lease liabilities	-149	**-146**
Proceeds on disposal of intangible assets and property, plant and equipment	27	**17**
Net interest paid	-56	**-45**
Other changes in pension obligations	177	**129**
Free cash flow	**653**	**2,603**

[1] Including interest paid in connection with lease liabilities.
[2] Effective fiscal 2023, interest received is recognized in cash flow from investing activities. Interest result from currency forwards hedging intragroup financing arrangements are recognized within interest paid. Prior-year figures have been amended accordingly. Please refer to the corresponding disclosures regarding the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP SEGMENT REPORT BY BUSINESS UNIT

in million euros	Adhesive Technologies	Consumer Brands	Operating business units total	Corporate	Henkel Group
Sales 2023	**10,790**	**10,565**	**21,355**	**159**	**21,514**
Proportion of Henkel Group sales	50%	49%	**99%**	1%	**100%**
Sales 2022	11,242	10,928	**22,169**	228	**22,397**
Change versus previous year	-4.0%	-3.3%	**-3.7%**	-30.5%	**-3.9%**
Adjusted for foreign exchange	0.3%	1.0%	**0.7%**	–	**0.4%**
Organic	3.2%	6.1%	**4.6%**	–	**4.2%**
Operating profit (EBIT) 2023	**1,423**	**753**	**2,176**	**-165**	**2,011**
Operating profit (EBIT) 2022	1,500	458	**1,959**	-149	**1,810**
Change versus previous year	-5.2%	64.4%	**11.1%**	–	**11.1%**
Return on sales (EBIT margin) 2023	**13.2%**	**7.1%**	**10.2%**	**–**	**9.3%**
Return on sales (EBIT margin) 2022	13.3%	4.2%	**8.8%**	–	**8.1%**
Adjusted operating profit (adjusted EBIT) 2023	**1,584**	**1,115**	**2,699**	**-144**	**2,556**
Adjusted operating profit (adjusted EBIT) 2022	1,530	910	**2,440**	-121	**2,319**
Change versus previous year	3.6%	22.5%	**10.6%**	–	**10.2%**
Adjusted return on sales (adjusted EBIT margin) 2023	**14.7%**	**10.6%**	**12.6%**	**–**	**11.9%**
Adjusted return on sales (adjusted EBIT margin) 2022	13.6%	8.3%	**11.0%**	–	**10.4%**
Capital employed 2023[1]	**9,674**	**11,592**	**21,266**	**116**	**21,382**
Capital employed 2022[1]	9,757	12,170	**21,927**	109	**22,036**
Change versus previous year	-0.9%	-4.8%	**-3.0%**	–	**-3.0%**

TABLE CONTINUED ON NEXT PAGE

in million euros	Adhesive Technologies	Consumer Brands	Operating business units total	Corporate	Henkel Group
Return on capital employed (ROCE) 2023	**14.7%**	**6.5%**	**10.2%**	**–**	**9.4%**
Return on capital employed (ROCE) 2022	15.4%	3.8%	**8.9%**	–	**8.2%**
Adjusted return on capital employed (adjusted ROCE) 2023	**16.4%**	**9.6%**	**12.7%**	**–**	**12.0%**
Adjusted return on capital employed (adjusted ROCE) 2022	15.7%	7.5%	**11.1%**	–	**10.5%**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2023[2]	**344**	**550**	**894**	**24**	**918**
Of which impairment 2023	**17**	**198**	**215**	**2**	**218**
Of which write-ups 2023	**–**	**-2**	**-2**	**–**	**-2**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2022[2]	352	502	**854**	21	**875**
Of which impairment 2022	58	257	**315**	0	**315**
Of which write-ups 2022	-47	-137	**-184**	–	**-184**
Additions to non-current assets 2023	**828**	**379**	**1,207**	**12**	**1,219**
Additions to non-current assets 2022	320	582	**903**	17	**920**
Operating assets 2023[3]	**12,897**	**16,687**	**29,584**	**551**	**30,135**
Operating liabilities 2023	**3,697**	**4,957**	**8,654**	**435**	**9,089**
Net operating assets 2023[3]	**9,200**	**11,729**	**20,929**	**116**	**21,046**
Operating assets 2022[3]	13,339	17,637	**30,976**	608	**31,584**
Operating liabilities 2022	4,062	5,332	**9,394**	500	**9,894**
Net operating assets 2022[3]	9,277	12,305	**21,582**	109	**21,690**

[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.

KEY FINANCIALS BY REGION

Additional voluntary information

in million euros	Europe	IMEA	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales 2023[1]	**8,270**	**2,071**	**6,073**	**1,681**	**3,260**	**159**	**21,514**
Sales 2022[1]	8,970	2,193	5,984	1,548	3,474	228	22,397
Change versus previous year	-7.8%	-5.6%	1.5%	8.6%	-6.2%	–	-3.9%
Organic	2.2%	24.7%	2.4%	11.7%	-1.5%	–	4.2%
Proportion of Group sales 2023	**38%**	**10%**	**28%**	**8%**	**15%**	**1%**	**100%**
Proportion of Group sales 2022	40%	10%	27%	7%	16%	1%	100%
Operating profit (EBIT) 2023	**1,355**	**166**	**58**	**165**	**432**	**-165**	**2,011**
Operating profit (EBIT) 2022	1,127	66	111	106	548	-149	1,810
Change versus previous year	20.2%	> 100%	-48.1%	55.0%	-21.1%	–	11.1%
Adjusted for foreign exchange	21.2%	> 100%	-32.2%	74.0%	-13.7%	–	21.5%
Return on sales (EBIT margin) 2023	**16.4%**	**8.0%**	**0.9%**	**9.8%**	**13.3%**	**–**	**9.3%**
Return on sales (EBIT margin) 2022	12.6%	3.0%	1.9%	6.9%	15.8%	–	8.1%

[1] By location of company.

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. Since the beginning of the 2023 fiscal year, the Group has been organized in two operational business units – Adhesive Technologies and Consumer Brands. Details of the business units' activities are discussed in the notes to the consolidated financial statements, Note 37, on pages 341 to 345 and the combined management report on pages 93 to 95.

The consolidated financial statements of Henkel AG & Co. KGaA as of December 31, 2023, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted per Regulation No. 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 have been prepared as of the same accounting date, December 31, 2023, 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 – prepared the consolidated financial statements on February 7, 2024 and approved them for forwarding to the Supervisory Board and for publication.

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 therefore 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, 2023 include 17 German and 179 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 2023 and in the previous year:

Scope of consolidation

	2022	2023
At January 1	**207**	**201**
Additions	3	**14**
Mergers	-5	**-9**
Disposals	-4	**-9**
At December 31	**201**	**197**

Further details can be found in the section “Acquisitions and divestments” below.

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, 2023, Henkel in its Consumer Brands business unit completed the acquisition of the sustainable laundry detergents and household cleaners business sold under the Earthwise brand in the Asia-Pacific region. The purchase price was 31 million euros and was paid in cash. Effective November 1, 2023, we acquired in our Adhesive Technologies business unit all the shares in the US-American company Composite Technology Intermediate, Inc. whose subsidiaries operate worldwide under the name Critica Infrastructure and are specialized in repair solutions for composite piping carrying water, gas and chemical substances in industrial and civilian infrastructures. The purchase price, including external liabilities redeemed on the transaction date, was 475 million euros and was paid in cash. Several smaller acquisitions also took place in the year under review. Their total purchase price amounted to 12 million euros. The acquisitions did not have any material effect on the net assets, financial position and results of operations of the Henkel Group.

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 acquisition. Most of the goodwill is not tax deductible.

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 the laundry detergents and household cleaners portfolio acquired in fiscal 2023 and the shares in Composite Technology Intermediate, Inc. that were acquired in the period under review, 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 2023

in million euros	Fair value
Goodwill	355
Other intangible assets	141
Property, plant and equipment	11
Other non-current assets	18
Non-current assets	**525**
Inventories	16
Trade accounts receivable	20
Liquid funds	3
Other current assets	1
Current assets	**40**
Total assets	**565**
Net assets	**518**
Non-current liabilities	**31**
Other current provisions/liabilities	10
Trade accounts payable	6
Current liabilities	**16**
Total equity and liabilities	**565**

Reconciliation of the purchase price to provisional goodwill

in million euros	2023
Acquisitions 2023	
Purchase price	518
Fair value of the acquired assets and liabilities (provisional)	163
Provisional goodwill	**355**

If the acquisition of the laundry detergents and household cleaners portfolio in the Asia-Pacific region had been completed – and thus its business activities included in the consolidated financial statements – effective January 1, 2023, sales of the Henkel Group for the reporting period January 1 to December 31, 2023 would have been higher by 9 million euros and net income would have been higher by 1 million euros after deduction of acquisition-related incidental costs. The actual contributions of the business were 4 million euros to sales and 0.4 million euros to net income. Incidental acquisition costs amounted to 0.2 million euros.

If Henkel had completed the acquisition of Composite Technology Intermediate, Inc. effective January 1, 2023, sales of the Henkel Group for the reporting period January 1 to December 31, 2023 would have been higher by 93 million euros and net income would have been lower by 16 million euros after deduction of acquisition-related incidental costs. The actual contributions of the company in 2023 were 15 million euros to sales and 2 million euros to net income. Incidental acquisition costs amounted to 3 million euros.

Divestments

Effective April 21, 2023, Henkel sold all shares in its subsidiary LAB Industries Ltd. (formerly: OOO Henkel Rus), which was responsible for the operations of both business units in Russia. At the time of completion, the transaction produced a cash inflow of 615 million euros, which was mainly attributable to the purchase price received for the transaction. The cash inflow also included a deferral for the use of trademark rights. The loss of control over the subsidiary resulted in the derecognition of cash and cash equivalents of 173 million euros. Henkel has the option of buying back the business. The call option can be exercised for the first time in 2026 and expires in ten years.

The net loss before taxes of the divestment was recognized in an amount of 210 million euros in other operating expenses. This figure includes a loss of 46 million euros from the loss of control over the Russian subsidiary, and a loss of 156 million euros from the reclassification of currency translation and hedge reserves relating to the Russian business (reclassification amounts). A summary of the assets and liabilities disposed of can be found in Note 9 on pages 261 to 263.

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. In fiscal 2023, Henkel disposed of some of its small local and regional consumer goods businesses in its Consumer Brands business unit. In addition, on November 1, 2023, we sold all shares in our German subsidiary Henkel Loctite-KID GmbH and the associated European impregnation, sealant and adhesives business for cast and electronic components that was part of the Adhesive Technologies business unit. These divestments, which formed part of our active portfolio management regime, did not have any material effect on the net assets, financial position and results of operations of the Henkel Group.

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 intragroup 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 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 in this case 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.

Associates

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 associate, the resulting profits or losses are eliminated in accordance with the share of the Group in that company.

As a rule, shares in associates are recognized using the equity method. For simplification purposes, investments in associates 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, 2023, the Henkel Group did not hold any shares in associates 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.

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	2022	2023	2022	2023
Chinese yuan	CNY	7.08	**7.66**	7.36	**7.85**
Mexican peso	MXN	21.19	**19.18**	20.86	**18.72**
Polish zloty	PLN	4.69	**4.54**	4.68	**4.34**
Turkish lira	TRY	17.41	**25.76**	19.97	**32.65**
US dollar	USD	1.05	**1.08**	1.07	**1.11**

The Russian ruble, which was one of the currencies relevant to Henkel until the divestment of our business activities in Russia in April 2023, had – by the time of the sale – depreciated by a high single-digit percentage compared to the average exchange rate of the previous year (2022: 73.65).

Financial reporting in hyperinflationary economies

Financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy as defined in IAS 29 Financial Reporting in Hyperinflationary Economies must be restated for 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 cost or amortized 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 restated. Corresponding gains and losses on the net monetary position resulting from the adjustment to current purchasing power are recognized in financial result.

After restatement to current purchasing power, all items on the statement of financial position and all income and expenses on the consolidated statement of income are translated to the functional currency of the Group (euros) at the closing rate on the reporting date. When performing consolidation, Henkel recognizes changes resulting from the restatement to current purchasing power of the equity of its subsidiaries in the currency translation reserve.

Determining whether an economy is considered as hyperinflationary is based on qualitative and quantitative criteria, including in particular whether cumulative inflation has exceeded 100 percent over the past three years. On this basis, the Henkel Group has classified Türkiye as a hyperinflationary economy for the current and the previous reporting period and has applied IAS 29 accordingly. For the purpose of preparing the consolidated financial statements, a change of 67.5 percent in general purchasing power was assumed, with input from experts, as the actual inflation rate for the month of December 2023 was not yet available when the financial statements were being prepared. The price index published by TURKSTAT, the Turkish office of statistics, was 1,859 as of December 31, 2023. The price index stood at 1,128 as of December 31, 2022, and at 687 as of December 31, 2021. In fiscal 2023, a loss on the net monetary position from the adjustment to current purchasing power was recognized in the other financial result in an amount of 53 million euros (previous year: 42 million euros).

IAS 29 was not applied to subsidiaries in other economies classified as hyperinflationary due to their immaterial impact on the net assets, financial position and results of operations of the Henkel Group.

Recognition and measurement methods

Summary of selected measurement methods

Financial statement items	Measurement method
Assets	
Goodwill	Lower of initially recognized value of acquisitions per IFRS 3 and comparative figure following impairment testing at the level of the cash-generating units (impairment-only approach)
Other intangible assets	
With indefinite useful lives	Lower of cost and recoverable amount (impairment-only approach)
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

If relevant for the comprehension of the financial statements, the methods of recognition and measurement, which are basically unchanged from the previous year, are described in the notes relating to the individual items of the statement of financial position on these pages. In addition to this, the disclosures relevant for the Henkel Group with regard to the breakdown of our financial instruments by category per IFRS 7 Financial Instruments: Disclosures, our methods for fair value measurement, and disclosures on the derivative financial instruments that we use are provided as part of our financial instruments report (Note 23 on pages 286 to 319). 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 235 to 239. 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. Estimations regarding the application of 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 242 to 249), right-of-use assets recognized in property, plant and equipment (Note 2 on pages 250 to 254), provisions for pensions and similar obligations (Note 16 on pages 269 to 280), other provisions (Note 17 on pages 280 and 281), financial instruments (Note 23 on pages 286 to 319), sales (Note 24 on pages 320 and 321), income taxes (Note 22 on page 285 and Note 32 on pages 325 to 331), and share-based payment plans (Note 36 on pages 335 to 340).

In light of persisting geopolitical uncertainties – not least against the backdrop of the ongoing war in Ukraine and the Middle East conflict – the estimates required for the preparation of the consolidated financial statements are subject to much greater uncertainty in some areas 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 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 242 to 249, the determination of the useful lives of trademarks and other rights as explained on page 241, an assessment of the impact of supplier finance programs on our trade accounts payable (for further details, please refer to Note 21 on page 284) and the segment report as explained in Note 37 on pages 341 to 345. 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 is to be applied. Recently, in fiscal 2023, discretionary judgments were needed when accounting for the divestment of our business activities in Russia. They mainly revolved around assessing whether a loss of control over the subsidiary had occurred, and allocating the cash inflow to the purchase price received and a payment received for the use of trademark rights.

Climate disclosures

Climate change poses one of the biggest global challenges of our day. We see it as a factor that exacerbates existing risks, but also offers opportunities. Even though we do not assume that risks will arise from climate change that could jeopardize the survival of our business activities, such aspects do produce additional uncertainty when accounting for estimations, and have been considered accordingly. This holds particularly true, in Henkel's case, when determining the possible impairment of non-financial assets such as goodwill and other intangible assets. The corporate planning figures used for impairment testing therefore also incorporates climate aspects (see Note 1 on pages 242 to 249).

For many years now, Henkel has included sustainability as an integral part of its corporate strategy, incorporating a large number of measures aimed at mitigating climate risks and adjustment to them. The costs and benefits of these measures are embedded in the company's cost structures. In addition, climate and sustainability aspects are considered when making investment and financing decisions. Explanations and disclosures relating to this topic can be found in the sections discussing investments in startup companies and venture capital funds (Note 3 on pages 255 and 256), the description of the bonds issued under our Sustainable Finance Framework (Note 18 on pages 282 and 283), and the characteristics of our supplier finance programs (Note 21 on pages 284 and 285) and our virtual power purchase agreements (Note 23 on pages 286 to 319).

Amendment of prior-year figures

In fiscal 2023, the allocation of the purchase price for the shares acquired in fiscal 2022 of Shiseido Professional Inc. based in Tokyo, Japan, was finalized. The prior-year figures have been amended accordingly.

Amendments to the consolidated statement of financial position

in million euros	Dec. 31, 2022 reported	Amendments	Dec. 31, 2022 amended
Goodwill	13,637	-28	**13,609**
Other intangible assets	3,480	19	**3,499**
Deferred tax assets	1,183	1	**1,184**
Non-current assets	**22,753**	**-8**	**22,744**
Total assets	**33,178**	**-8**	**33,170**
Other provisions	268	1	**268**
Deferred tax liabilities	735	-9	**726**
Non-current liabilities	**3,870**	**-8**	**3,862**
Total equity and liabilities	**33,178**	**-8**	**33,170**

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
IAS 1 (Amendment) Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendment) Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendment I) Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IAS 12 (Amendment II) International Tax Reform – Pillar Two Model Rules	January 1, 2023 and immediately
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

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.

IAS 1 (Amendment)

Compared to the previous version of IAS 1 Presentation of Financial Statements, 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 be aware of 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.

IAS 8 (Amendment)

With the amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the International Accounting Standards Board (IASB) has included a positive definition of accounting estimates 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 I)
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.

IAS 12 (Amendment II)
The amendments to IAS 12 represent the response by the standard-setter to the Pillar Two Model Rules governing minimum taxation worldwide, which were published back in 2021 by the Organisation for Economic Co-operation and Development (OECD). The changes include temporary exemption from the recognition of deferred taxes resulting directly from the application of the OECD rules. Also, disclosures must be made in the notes to the financial statements that allow in particular readers of companies' financial statements in jurisdictions that have not yet implemented the OECD rules to estimate the future impact of the Pillar Two Model Rules on income tax payments.

IFRS 17 (including Amendments)
IFRS 17 Insurance Contracts represents a comprehensive new approach for insurance companies when accounting for insurance contracts. The standard replaces the formerly applicable IFRS 4 Insurance Contracts.

IFRS 17 (Amendment)
The minor amendment to IFRS 17 relates to the presentation of comparative information when applying IFRS 17 and IFRS 9 Financial Instruments for the first time.

Accounting regulations not yet adopted by Henkel

Although already adopted into EU law ("endorsed"), the following accounting regulations were not yet applicable in fiscal 2023 and were not voluntarily adopted early by the Henkel Group:

Accounting regulations not yet applied

	Mandatory for fiscal years beginning on or after
IAS 1 (Amendment) Classification of Liabilities as Current or Non-Current – Deferral of Effective Date and Non-current Liabilities with Covenants	January 1, 2024
IFRS 16 (Amendment) Lease Liability in a Sale and Leaseback	January 1, 2024

The accounting standards and amendments to existing standards that are not yet mandatory are not generally expected to have any material impact on the consolidated financial statements.

IAS 1 (Amendment)

In its amendments to IAS 1, the IASB clarifies that the classification of a liability whose due date can be deferred by at least twelve months into the future upon compliance with certain covenants must only be recognized on the reporting date as current or non-current with reference to fulfillment of the covenants if such compliance relates to the period prior to the reporting date or the reporting date. If the covenants relate to the future, they are irrelevant for determining the settlement date on the reporting date. However, special recognition and disclosure rules apply to such liabilities whose settlement date is dependent on the compliance with covenants in the twelve months following the reporting date.

IFRS 16 (Amendment)

With the amendments to IFRS 16 Leases, the IASB has incorporated into the standard new rules governing the remeasurement of a lease liability in the case of a sale and leaseback transaction. 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.

Accounting regulations not yet adopted into EU law

In fiscal 2023, 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 7 and IFRS 7 (Amendment) Supplier Finance Arrangements	January 1, 2024
IAS 21 (Amendment) Lack of Exchangeability	January 1, 2025

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 7 and IFRS 7 (Amendment)

By amending IAS 7 Statement of Cash Flows and IFRS 7, the IASB is expanding the existing disclosure requirements to include quantitative and qualitative disclosures regarding a company's supplier finance arrangements and the liabilities associated with such arrangements. The amendments aim to make it possible for readers of financial statements to assess the influence of supplier financing on a company's liabilities and cash flows, as well as the liquidity risk to which the company is exposed.

IAS 21 (Amendment)

The amendments to IAS 21 incorporate extended guidelines for determining the relevant spot rates when recognizing foreign exchange transactions and converting foreign business operations if one currency is only convertible into another to a limited extent. In such instances, additional disclosures are required in the notes to the consolidated financial statements. Here, the standard-setter has provided a more precise definition of the exchangeability of a currency and clarifies the need to examine exchangeability on the reporting date for each specific type of transaction. If one currency cannot be exchanged for another, IAS 21 specifies that either an observable spot rate must be adopted unchanged, or a rate estimated on the basis of another methodology must be used for conversion. When discussing the translation of such foreign currency transactions, disclosures must be included in the notes to the consolidated financial statements in respect of the restrictions on exchangeability and the rate used, and also with regard to the risks associated with the lack of exchangeability. If the functional currency of a foreign business operation is not exchangeable, summarized financial details of the foreign business operation must be included in the notes to the consolidated financial statements in addition to disclosures about the relevant business.

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

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.

1 Goodwill and other intangible assets

Cost

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 Dec. 31, 2021	**2,971**	**1,823**	**699**	**260**	**13,168**	**18,922**
Effect of the first-time application of IAS 29	–	0	–	–	20	**21**
At Jan. 1, 2022	**2,971**	**1,824**	**699**	**260**	**13,189**	**18,943**
Acquisitions[1]	45	17	–	–	42	**104**
Divestments	-15	-11	–	–	-27	**-53**
Additions	0	5	0	46	–	**51**
Disposals	–	-4	-7	–	-0	**-11**
Reclassifications to assets held for sale	-74	-8	–	–	-90	**-172**
Reclassifications	–	8	54	-62	–	**–**
Translation differences	132	29	3	9	491	**665**
Adjustment to current purchasing power according to IAS 29	–	0	–	–	16	**16**
At Dec. 31, 2022/Jan. 1, 2023[1]	**3,059**	**1,861**	**748**	**254**	**13,620**	**19,543**
Acquisitions	60	81	–	–	355	**496**
Divestments	–	-0	–	–	-6	**-6**
Additions	0	4	0	49	–	**53**
Disposals	–	-52	-2	-204	–	**-258**
Reclassifications to assets held for sale	-0	-145	–	–	-31	**-176**
Reclassifications	–	3	46	-48	–	**–**
Translation differences	-72	-54	-3	2	-373	**-500**
Adjustment to current purchasing power according to IAS 29	–	1	–	–	17	**18**
At Dec. 31, 2023	**3,047**	**1,698**	**789**	**54**	**13,581**	**19,169**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

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Accumulated amortization/impairment

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 Dec. 31, 2021	**82**	**1,517**	**460**	**204**	**12**	**2,275**
Effect of the first-time application of IAS 29	–	0	–	–	1	**1**
At Jan. 1, 2022	**82**	**1,518**	**460**	**204**	**12**	**2,276**
Divestments	-13	-11	–	–	0	**-23**
Write-ups	–	–	–	–	–	**–**
Scheduled amortization	–	83	62	–	–	**145**
Impairment	79	6	9	3	88	**185**
Disposals	–	-3	-7	–	-0	**-11**
Reclassifications to assets held for sale	-74	-8	–	–	-90	**-172**
Reclassifications	–	–	–	–	–	**–**
Translation differences	4	26	3	–	-0	**34**
Adjustment to current purchasing power according to IAS 29	–	0	–	–	1	**1**
At Dec. 31, 2022/Jan. 1, 2023	**78**	**1,611**	**527**	**207**	**11**	**2,434**
Divestments	–	-0	–	–	–	**-0**
Write-ups	–	–	–	–	–	**–**
Scheduled amortization	–	67	50	–	–	**117**
Impairment	46	4	5	0	1	**56**
Disposals	–	-52	-2	-204	–	**-258**
Reclassifications to assets held for sale	-0	-126	–	–	–	**-126**
Reclassifications	–	0	-0	–	–	**–**
Translation differences	1	-45	-3	–	–	**-47**
Adjustment to current purchasing power according to IAS 29	–	0	–	–	1	**1**
At Dec. 31, 2023	**126**	**1,458**	**578**	**3**	**12**	**2,177**

Net carrying amounts

	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 December 31, 2023	**2,921**	**239**	**211**	**51**	**13,569**	**16,991**
At December 31, 2022[1]	2,980	250	221	48	13,609	17,108

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

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 digitalizing and consolidating our IT system architecture. The item also includes a portion attributable to software for digitalizing sustainability data and reporting requirements. The change in goodwill resulting from acquisitions made in the fiscal year is presented in the section “Acquisitions and divestments” on pages 223 to 226.

Goodwill as well as trademarks and other rights with indefinite useful lives are subjected to an impairment test 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 290 and 291). 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.

In the course of merging the former Beauty Care and Laundry & Home Care business units into the new Consumer Brands business unit and of restructuring the Adhesive Technologies business unit, the definition of the groups of cash-generating units used as the basis for testing for goodwill impairment was modified in fiscal 2023 in line with the requirements of IAS 36 Impairment of Assets. The relevant impairment tests determined that no write-downs were necessary. The cash-generating units defined per the reporting dates December 31, 2022 and December 31, 2023 are listed in the tables below, together with the carrying amounts of the goodwill allocated to each one. Further details can be found in the segment report in Note 37 on pages 341 to 345 and in the combined management report on pages 121 to 137.

Goodwill carrying amounts 2022

	December 31, 2022[1]		
Cash-generating units in million euros	**Goodwill**	**Terminal growth rate**	**Weighted average cost of capital (after tax)**
Automotive & Metals	963	1.5%	8.25%
Electronics & Industrials	1,882	1.4%	8.25%
Craftsmen, Construction & Professional	900	1.0%	8.25%
Packaging & Consumer Goods	2,024	1.5%	8.25%
Total Adhesive Technologies	**5,768**		
Consumer	1,540	1.0%	5.75%
Professional	1,373	1.0%	5.75%
Total Beauty Care	**2,913**		
Laundry Care	3,737	1.0%	5.75%
Home Care	1,191	1.0%	5.75%
Total Laundry & Home Care	**4,928**		

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

Goodwill carrying amounts 2023

	December 31, 2023		
Cash-generating units in million euros	Goodwill	Terminal growth rate	Weighted average cost of capital (after tax)
Mobility & Electronics	2,623	1.50%	8.50%
Craftsmen, Construction & Professional	1,397	1.00%	8.50%
Packaging & Consumer Goods	1,885	1.50%	8.50%
Total Adhesive Technologies	5,905		
Consumer	6,222	1.00%	5.75%
Professional	1,442	1.00%	5.75%
Total Consumer Brands	7,664		

Mobility & Electronics – identified as of December 31, 2023 as a cash-generating unit in the Adhesive Technologies business unit – essentially encompasses the business activities of the Automotive & Metals and Electronics & Industrials cash-generating units of the previous year. The composition of the cash-generating units Craftsmen, Construction & Professional and Packaging & Consumer Goods has not changed to any material degree compared to the previous year. In the newly created Consumer Brands business unit, the cash-generating unit Consumer business, identified as of December 31, 2023, encompasses the former units Consumer (Beauty Care), Laundry Care and Home Care (Laundry & Home Care).

The planning horizon on which impairment testing is based is four years. Planning assumptions included the potential adverse effects on business of the continued geopolitical tensions, such as those arising from the ongoing war in Ukraine and as a result of the Middle East conflict, although they themselves are subject to great uncertainty.

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 6 percent). Average sales growth of the cash-generating units in the Consumer Brands business unit ranges from 3 to 4 percent annually over the four-year planning horizon (previous year: 1 to 7 percent for Beauty Care and 3 percent for Laundry & Home Care).

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: 8.50 percent (previous year: 8.25 percent) after tax for Adhesive Technologies and 5.75 percent after tax for Consumer Brands (previous year: 5.75 percent for Beauty Care and Laundry & Home Care). The increase in capital costs for the Adhesive Technologies business unit is mainly due to rising interest rates.

As was also the case last year, 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 (Consumer Brands). As part of process to merge the former Beauty Care and Laundry & Home Care business units into the Consumer Brands business unit and restructure the Adhesive Technologies business unit, the definition of these cash-generating units was modified per the regulations of IAS 36 in line with the procedure for goodwill impairment testing.

As of December 31, 2023, 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 Consumer North America in the Consumer Brands business unit was 1.6 billion euros as of December 31, 2023. For impairment testing purposes, a cost of capital of 6.23 percent after taxes and a terminal growth rate of 1.0 percent were applied. The average annual increase in sales in the cash-generating unit during the four-year detailed planning period is 0 percent. This forecast is based essentially on the continued management of our portfolio in the 2024 planning year, which represents an integral part of the further development of the Henkel Group and contributes toward continuous improvements in profitability. As of December 31, 2023, the carrying amount of the trademarks and other rights allocated to the cash-generating unit Professional North America in the Consumer Brands business unit was 338 million euros. For impairment testing purposes, a cost of capital of 6.22 percent after taxes and a terminal growth rate of 1.0 percent were applied. The average annual increase in sales during the four-year detailed planning period is 2 percent. The carrying amounts of the other trademark and other rights with indefinite useful lives are allocated to a large number of global (Adhesive Technologies) and regional (Consumer Brands) cash-generating units.

In the previous year, most of the carrying amounts of the trademarks and other rights with indefinite useful lives were allocable to the regional cash-generating units Laundry Care North America in the Laundry & Home Care business unit and Professional North America in the Beauty Care business unit. As of December 31, 2022, the carrying amounts of the trademarks and other rights allocated to these cash-generating units totaled 1.3 billion euros and 361 million euros respectively. For impairment testing purposes, a cost of capital of 5.75 percent after taxes and a terminal growth rate of 1.0 percent were applied in each case. The average annual increase in sales in the cash-generating units during the four-year detailed planning period was 3 percent (Laundry Care North America) and 6 percent (Professional North America).

In the 2024 planning year, we expect moderate growth in global economic output characterized by inflation rates that are still high but declining, with continued high uncertainty surrounding future world economic and geopolitical developments. We expect prices for direct materials to remain flat versus the average for 2023. Energy and labor costs are expected to remain high. We will counteract these headwinds in both business units through innovations and selective price increases combined with strict cost discipline. We also anticipate further savings from the consolidation of our consumer businesses. The corporate planning process also incorporates the potential impacts of climate change. For example, budgeted procurement prices reflect the transition risk of a rising CO_2 charge. The budget also considers climate-related opportunities, such as the progressing trend toward electromobility accompanied by increased demand for our adhesives for use in batteries.

The influence of the volatile market environment that is currently prevailing in terms of inflation, interest rate trends and energy prices has been taken into consideration in sensitivity analyses, together with estimation uncertainties due to climate change and geopolitical tensions. Neither an increase in the weighted average cost of capital that Henkel regards as realistic nor a reduction in either the long-term growth rate or free cash flow would result in any goodwill impairment requirement for the cash-generating units.

In fiscal 2023, goodwill impairment amounted to 1 million euros (previous year: 88 million euros). Impairment of 55 million euros was recognized on other intangible assets in the year under review (previous year: 97 million euros). These losses relate primarily to trademarks and other rights with indefinite useful lives and concern the write-down of discontinued trademarks allocable to the Consumer Brands business unit.

The trademarks and other rights with indefinite useful lives with a net carrying amount totaling 2,921 million euros (previous year: 2,980 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 the 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 2023, these assets required recognition of impairment in an amount of 4 million euros (previous year: 6 million euros).

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 Dec. 31, 2021	**3,304**	**4,318**	**1,310**	**389**	**9,320**
Effect of the 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**
Adjustment to current purchasing power according to IAS 29	12	24	7	7	**50**
At Dec. 31, 2022/Jan. 1, 2023	**3,430**	**4,476**	**1,335**	**387**	**9,628**
Of which: right-of-use assets	864	55	100	–	**1,020**
Acquisitions	8	3	0	–	**11**
Divestments	-1	-11	-3	–	**-14**
Additions to existing operations	60	107	76	317	**560**
Additions of right-of-use assets	63	12	24	–	**99**
Disposals	-79	-151	-95	-2	**-327**
Reclassifications to assets held for sale	-26	-21	-17	-1	**-65**
Reclassifications	58	178	55	-290	**–**
Translation differences	-59	-71	-26	-7	**-163**
Adjustment to current purchasing power according to IAS 29	15	28	4	-1	**46**
At Dec. 31, 2023	**3,469**	**4,551**	**1,352**	**402**	**9,774**
Of which: right-of-use assets	872	58	100	–	1,030

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 Dec. 31, 2021	**1,514**	**2,895**	**999**	**3**	**5,411**
Effect of the 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**
Adjustment to current purchasing power according to IAS 29	5	15	6	–	**25**
At Dec. 31, 2022/Jan. 1, 2023	**1,643**	**3,028**	**1,036**	**10**	**5,716**
Of which: right-of-use assets	326	27	62	–	**415**
Divestments	-0	-8	-2	–	**-10**
Write-ups	–	-2	-0	–	**-2**
Scheduled depreciation	181	279	125	–	**585**
Impairment	10	122	10	19	**161**
Disposals	-72	-143	-91	-1	**-309**
Reclassifications to assets held for sale	-8	-12	-13	–	**-33**
Reclassifications	1	0	-1	–	**–**
Translation differences	-29	-46	-17	0	**-92**
Adjustment to current purchasing power according to IAS 29	6	18	2	–	**25**
At Dec. 31, 2023	**1,730**	**3,236**	**1,048**	**28**	**6,042**
Of which: right-of-use assets	380	32	64	–	476

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, 2023	**1,739**	**1,315**	**304**	**374**	**3,732**
Of which: right-of-use assets	492	26	36	–	**554**
At Dec. 31, 2022	1,788	1,447	299	377	**3,911**
Of which: right-of-use assets	538	29	38	–	**605**

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, 2023, investment grants of 70 million euros (previous year: 44 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 139 and 140 in the combined management report.

At December 31, 2023, no property, plant and equipment had been pledged as collateral for existing liabilities, as was also the case in the previous year.

Exiting our business in Russia resulted in impairment in fiscal 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 in assets held for sale following adjustments to purchase price expectations (Note 9 on pages 261 to 263). The impairment on property, plant and equipment in fiscal 2023 was essentially due to portfolio measures in the Consumer Brands business unit.

The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 240. 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 2023, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 99 million euros in total (previous year: 204 million euros), attributable mainly to land, land rights and buildings. Acquisitions accounted for additions of 4 million euros (previous year: 3 million euros). The additions were offset by scheduled depreciation and impairment of 149 million euros (previous year: 153 million euros). As of December 31, 2023, right-of-use assets amounted to 554 million euros (previous year: 605 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:

Effects on the consolidated statement of income of leases with Henkel as lessee

in million euros	2022	2023
Depreciation and impairment in the year under review	153	**149**
Of which: right-of-use assets in land, land rights and buildings	113	**112**
Of which: right-of-use assets in plant and machinery	13	**13**
Of which: right-of-use assets in factory and office equipment	27	**24**
Interest expenses on lease liabilities	18	**21**
Expenses relating to short-term leases	14	**11**
Expenses relating to leases of low-value assets	5	**5**
Expenses relating to variable lease payments not considered in the valuation of the lease liability	3	**1**
Income from subleases	2	**2**

Henkel paid 184 million euros in total for leases in fiscal 2023 (previous year: 189 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 286 to 319. In addition to the future payments from leases discussed there, payment commitments of 7 million euros (previous year: 1 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.

3 Other financial assets

Analysis

	December 31, 2022			December 31, 2023		
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	4	13	18	**12**	**17**	**29**
Derivative financial instruments	92	208	300	**89**	**52**	**141**
Investments in non-consolidated subsidiaries	4	–	4	**4**	**–**	**4**
Investments in associates	3	–	3	**3**	**–**	**3**
Other investments	115	–	115	**129**	**–**	**129**
Receivables from Henkel Trust e.V. and external pension funds	–	271	271	**–**	**176**	**176**
Securities and time deposits	2	215	217	**24**	**217**	**240**
Of which: readily monetizable	0	204	204	**17**	**204**	**221**
Financial collateral provided	–	28	28	**–**	**5**	**5**
Sundry financial assets	15	96	111	**14**	**83**	**98**
Total	**234**	**832**	**1,066**	**275**	**550**	**825**

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 associates, 0 million euros is attributable to non-consolidated subsidiaries, as was also the case in the previous year.

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 external pension funds.

The securities and time deposits essentially comprise time deposits, debt securities 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.

Other investments and securities and time deposits also include investments in startup companies and venture capital funds focusing on climate protection and sustainability. As of December 31, 2023, the carrying amount of these non-current financial assets was 22 million euros (previous year: 16 million euros). 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 22 million euros (previous year: 23 million euros)
- Receivables from suppliers amounting to 33 million euros (previous year: 38 million euros)
- Receivables from employees amounting to 6 million euros (previous year: 9 million euros)

4 Other assets

Analysis

	December 31, 2022			December 31, 2023		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Tax receivables	3	482	486	**3**	**345**	**348**
Payments on account	–	73	73	**–**	**65**	**65**
Overfunding of pension obligations	192	–	192	**160**	**–**	**160**
Reimbursement rights related to employee benefits	93	10	103	**91**	**10**	**101**
Deferred charges	15	56	71	**13**	**58**	**71**
Sundry other assets	4	34	38	**4**	**22**	**26**
Total	**307**	**656**	**963**	**272**	**500**	**772**

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 325 to 331.

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 for 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 286 to 319.

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 moving 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, 2023 amounted to 212 million euros (previous year: 225 million euros). The carrying amount of inventories recognized at net realizable value amounted to 597 million euros (previous year: 914 million euros). No inventories were pledged as collateral for liabilities in fiscal 2023 nor in the previous year.

Analysis of inventories

in million euros	Dec. 31, 2022	Dec. 31, 2023
Raw materials and supplies	911	**678**
Work in progress	169	**137**
Finished products and merchandise	2,085	**1,614**
Payments on account for merchandise	15	**16**
IFRS 9 basis adjustment	–	**-1**
Total	**3,180**	**2,444**

7 Trade accounts receivable

Trade accounts receivable amounted to 3,471 million euros (previous year: 3,535 million euros). They are all due within one year. Valuation allowances are recognized in respect of customer default risks. The expense arising from accrual of 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 306 to 310.

Trade accounts receivable

in million euros	Dec. 31, 2022	Dec. 31, 2023
Trade accounts receivable, gross	3,636	**3,582**
Less: cumulative valuation allowances on trade accounts receivable	102	**111**
Trade accounts receivable, net	**3,535**	**3,471**

Development of valuation allowances on trade accounts receivable

in million euros	2022	2023
Valuation allowances at January 1	**104**	**102**
Additions/Releases	24	**24**
Derecognition of receivables	-22	**-11**
Currency translation effects	-1	**-3**
Other changes	-4	**-1**
Valuation allowances at December 31	**102**	**111**

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, 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 increased compared to the previous year from 1,088 million euros to 1,951 million euros. Of this figure, 1,855 million euros (previous year: 1,028 million euros) relates to cash and 96 million euros (previous year: 60 million euros) to cash equivalents. The change in cash and cash equivalents is shown in the consolidated statement of cash flows.

9 Assets and liabilities held for sale

Assets and liabilities held for sale are assets and disposal groups that can be sold in their current condition at terms and conditions that are common and usual for such assets and disposal groups and for which sale is highly probable. Disposal must be expected within one year from the time of reclassification as held for sale. Disposal groups include a group of assets earmarked for sale or otherwise disposal together in a single transaction, together with the liabilities that are directly linked to these assets and transferred as part of the transaction.

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. 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 amortization/depreciation is no longer recognized for the assets. Instead, the assets and disposal groups 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-down 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 decreased from 731 million euros to 100 million euros. As of December 31, 2023, the Henkel Group held no liabilities for sale, compared to 177 million euros of liabilities held for sale at the end of the previous year. The disposals connected with the assets and liabilities held for sale in fiscal 2023 relate substantially to assets and liabilities of the business in Russia, which was divested during the period under review. They were comprised of intangible assets and property, plant and equipment (281 million euros), current assets (444 million euros), non-current liabilities (3 million euros) and current liabilities (208 million euros).

Further disposals of assets held for sale related to assets sold in connection with the other divestments in the fiscal year which are explained in more detail on pages 225 and 226. The assets that were disposed of essentially comprised trademark rights and proportionate goodwill. Some of these assets were only reclassified to assets held for sale in fiscal 2023.

Active portfolio management is a key element of the Henkel Group's approach to the future. The reclassifications of assets to assets held for sale in this context in fiscal 2023 mainly relate to the planned disposal of a business in the Adhesive Technologies business unit and primarily comprise goodwill, technologies and property, plant and equipment.

In fiscal 2023, impairment losses of 1 million euros were recognized on assets already classified as held for sale due to a fair value less costs of disposal that was below the carrying amount (previous year: no impairment losses). 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. In fiscal 2022, they thus had the effect of reducing impairment losses recognized before the assets were classified as held for sale. No write-ups were performed in fiscal 2023.

In the case of four businesses reclassified in fiscal 2022 to assets and liabilities held for sale, it was not possible to complete the sale by the reporting date. The company still plans to dispose of these businesses. At the end of fiscal 2023, these assets were stated in the amount of 10 million euros (previous year: 12 million euros).

Assets and liabilities held for sale

in million euros	Dec. 31, 2022	Dec. 31, 2023
Goodwill	90	**33**
Other intangible assets	23	**18**
Property, plant and equipment	220	**37**
Inventories and trade accounts receivable	264	**11**
Cash and cash equivalents	135	**–**
Provisions	-64	**–**
Borrowings	-110	**–**
Other liabilities	-3	**–**
Net assets	**554**	**100**

10 Issued capital

Issued capital

in million euros	Dec. 31, 2022	Dec. 31, 2023
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 that ended on March 31, 2023; as of December 31, 2023 there were 256,505,172 ordinary shares (previous year: 256,882,347) and 162,822,096 preferred shares (previous year: 165,208,354) outstanding. Further information on the share buyback and the utilization of treasury shares in fiscal 2023 can also be found in Note 12 on pages 266 and 267.

Pursuant to the resolution adopted by the Annual General Meeting on April 24, 2023, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the company for any permissible purpose at any time until April 23, 2028 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 contracts 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 effective date 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 23, 2028.

Moreover, by resolution of the Annual General Meeting of April 24, 2023, the Personally Liable Partner is authorized to utilize the acquired treasury shares for any permissible purpose, subject to the approval of the Shareholders' Committee and the Supervisory Board. 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 significantly 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 company's staff, or managers and employees of affiliated companies, particularly in connection with share-based payment plans or employee participation programs. The shares may likewise be used to satisfy warrants or conversion rights granted by the company. The Personally Liable Partner was further authorized to withdraw treasury shares without 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 company 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, otherwise 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.

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 shares held by the company – stated as 2,913,528 ordinary shares and 12,954,521 preferred shares as at December 31, 2022 – changed as follows in the year under review:

As part of the share buyback program, which was completed on March 31, 2023, Henkel repurchased 377,175 ordinary shares in fiscal 2023 (equivalent to a notional share of 0.4 million euros or 0.09 percent of the capital stock) for a total purchase price of 24.0 million euros that was paid on the stock exchange, and 2,441,605 preferred shares (equivalent to a notional share of 2.4 million euros or 0.56 percent of the capital stock) for a total purchase price of 164.4 million euros that was paid on the stock exchange. The average price paid on the stock exchange was therefore 63.53 euros per ordinary share and 67.32 euros per preferred share.

Over the entire duration of the share buyback program from February 15, 2022 up to and including March 31, 2023, a total of 12,641,546 preferred shares and 3,290,703 ordinary shares were acquired. These purchases equate – in the case of the preferred shares – to a notional share of 12.6 million euros or 2.89 percent of the capital stock and – in the case of the ordinary shares – to a notional share of 3.3 million euros or 0.75 percent of the capital stock. The average price paid on the stock exchange was 63.28 euros per preferred share and 60.77 euros per ordinary share. In total, preferred shares were bought back for a total purchase price of 800 million euros, paid on the stock exchange, and ordinary shares were bought back for a total purchase price of 200 million euros, equivalent to a total purchase price of 1 billion euros for both share classes. For details of the share buyback program, please refer to the summaries on our website.

The share buyback was based on the authorization granted by the Annual General Meeting of Henkel AG & Co. KGaA on April 8, 2019, for the purpose of allowing shareholders to participate in the success of the company in addition to benefiting from the dividend policy.

Treasury shares are recognized at cost. The costs include both the amounts paid for the buybacks on the stock exchange, and payments and credits governed by reimbursement agreements with the bank that executed the share buyback program. Treasury shares are deducted from equity in the balance sheet.

During the reporting period, a total of 55,347 preferred shares (equivalent to a notional share of 0.06 million euros or 0.01 percent of the capital stock) were taken from treasury shares to fulfill commitments arising from the share-based Global Long Term Incentive Plan 2020+. They were issued to employees, which resulted in equity increasing by 3.8 million euros. Details of the share-based payment plans settled in equity instruments can be found in Note 36 on pages 335 to 338. As of December 31, 2023, treasury shares held by the company amounted to

- 3,290,703 ordinary shares (equivalent to a notional share of 3.3 million euros or 0.75 percent of the capital stock) and
- 15,340,779 preferred shares (equivalent to a notional share of 15.3 million euros or 3.50 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 effects of 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 to current purchasing power in compliance with IAS 29, and also the effects arising from the valuation in other comprehensive income of financial assets in the “fair value through other comprehensive income” category and of derivative financial instruments designated in cash flow hedges and hedges of a net investment in a foreign operation. At December 31, 2023, the difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation increased by 402 million euros from -925 million to -1,327 million euros. Other components of equity decreased by 156 million euros following the reclassification of amounts from the currency translation reserve and reserve for hedges of net investments in foreign operations to the statement of income relating to the disposal of our Russian business and the associated loss of control over the Russian subsidiary.

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.

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 company 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.

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, or payment in installments.

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 most Henkel AG & Co. KGaA pensioners 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 company 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 134 million euros (previous year: 132 million euros).

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 23 million euros (previous year: around 20 million euros). Payments into the multi-employer plan in fiscal 2023 amounted to 1 million euros (previous year: 1 million euros). We expect contributions of around 2 million euros in fiscal 2024. 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 2018 G 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: 2.0 percent). As was also the case last year, that portion of inflation that had already occurred and exceeded the anticipated long-term increase in pensions in Germany was taken into account in the year under review by increasing the obligation to retirees by a flat rate of 8.3 percent (previous year: 5.0 percent). This effect is recognized under actuarial losses as a change in the financial assumptions.

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	2022	2023	2022	2023	2022	2023
Discount rate	4.20	**3.50**	5.20	**5.00**	4.70	**4.50**
Income trend	3.00	**3.50**	3.50[2]	**3.50**	3.19	**3.30**
Retirement benefits trend	2.00	**2.00**	–	**–**	2.64	**2.51**
Expected increases in costs for medical benefits	–	**–**	5.90	**6.80**	3.70	**4.20**
in years						
Life expectancy at age 65 as of the valuation date for a person currently						
65 years old	22.3	**22.5**	22.0	**22.0**	22.8	**22.4**
40 years old	25.4	**25.5**	23.0	**23.0**	24.7	**23.9**

[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)	
in million euros	2022	2023	2022	2023	2022	2023	2022	2023
At Jan. 1	**5,424**	**3,849**	**5,161**	**3,649**	**20**	**25**	**283**	**225**
Current service cost	76	**65**					76	**65**
Interest expense	92	**167**					92	**167**
Interest income			85	**157**	0	**1**	-85	**-156**
Other	-6	**-2**	-1	**-1**			-5	**-1**
Income and expenses recognized through profit or loss	**163**	**230**	**85**	**157**	**0**	**1**	**78**	**74**
Actuarial gains (-)/losses (+), due to								
Changes in demographic assumptions	-6	**-11**					-6	**-11**
Changes in financial assumptions	-1,342	**315**					-1,342	**315**
Experience adjustments	19	**-9**					19	**-9**
Income (+)/Expense (-) from plan assets (excluding interest income or expenses)			-1,246	**111**			1,246	**-111**
Remeasurement of the asset ceiling					5	**-5**	5	**-5**
Items recognized in other comprehensive income (before deferred taxes)	**-1,329**	**296**	**-1,246**	**111**	**5**	**-5**	**-78**	**179**
Employer contributions			45	**58**			-45	**-58**
Employee contributions	24	**25**	24	**25**			0	**0**
Retirement benefits paid from plan assets	-262	**-200**	-262	**-200**			0	**0**
Retirement benefits paid by employer	-38	**-37**					-38	**-37**
Plan settlement payments	-178	**-1**	-176				-1	**-1**
Changes in the scope of consolidation	7	**-1**		**-1**			7	**0**
Translation differences	55	**-21**	39	**-11**			16	**-10**
Other changes	-17	**2**	-20	**-0**			3	**2**
At Dec. 31	**3,849**	**4,143**	**3,649**	**3,789**	**25**	**21**	**225**	**375**
Of which: overfunding of pension obligations (shown under other assets)							192	**160**
Of which: provisions for pensions and similar obligations							417	**535**
The amount at Dec. 31 is attributable to								
Germany	2,448	**2,704**	2,395	**2,520**			53	**185**
USA	640	**637**	492	**480**			147	**156**
Rest of the world	762	**802**	761	**789**	25	**21**	25	**34**

Analysis of reimbursement rights

in million euros	2022	2023
At Jan. 1	**125**	**103**
Interest income	4	5
Income and expenses recognized through profit or loss	**4**	**5**
Income (+)/Expenses (-) from reimbursement rights (excluding interest income)	-23	6
Items recognized in other comprehensive income (before taxes)	**-23**	**6**
Employer contributions	–	–
Employee contributions	–	–
Retirement benefits paid from reimbursement rights	-9	-9
Changes in the scope of consolidation	–	–
Translation differences	7	-4
At Dec. 31	**103**	**101**

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 recognized in the previous year 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, producing a gain of 4 million euros.

The other changes in 2022 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 4,143 million euros (previous year: 3,849 million euros), 3,775 million euros (previous year: 3,484 million euros) is fully or partially covered by plan assets. 101 million euros (previous year: 103 million euros) is covered by reimbursement rights.

Of the total obligation:

- 1,449 million euros (previous year: 1,373 million euros) is attributable to active employees,
- 720 million euros (previous year: 626 million euros) to former employees with vested pension benefits, and
- 1,973 million euros (previous year: 1,849 million euros) to retirees.

The average weighted duration of pension obligations is 11 years (previous year: 11 years) for Germany, 7 years (previous year: 6 years) for the USA and 14 years (previous year: 13 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). In the reporting period, we recorded an amount of 21 million euros as an asset ceiling (previous year: 25 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 financial 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 334. In 2023, additions to plan assets totaled 58 million euros (previous year: 45 million euros). Payments into pension funds in fiscal 2024 are expected to total 50 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.

Analysis of plan assets

	Dec. 31, 2022			Dec. 31, 2023		
in million euros	Quotation on active markets	No quotation on active markets	Total	Quotation on active markets	No quotation on active markets	Total
Shares	**795**	**–**	**795**	**767**	**–**	**767**
Europe	255	–	255	**247**	**–**	**247**
USA	138	–	138	**150**	**–**	**150**
Others	402	–	402	**371**	**–**	**371**
Bonds and hedging instruments	**2,346**	**-126**	**2,220**	**2,467**	**-89**	**2,378**
Government bonds	977	–	977	**1,028**	**–**	**1,028**
Corporate bonds	1,370	–	1,370	**1,439**	**–**	**1,439**
Derivatives	–	-126	-126	**–**	**-89**	**-89**
Alternative investments	**–**	**475**	**475**	**–**	**388**	**388**
Cash	**–**	**315**	**315**	**–**	**315**	**315**
Liabilities[1]	**–**	**-271**	**-271**	**–**	**-176**	**-176**
Other assets	**–**	**115**	**115**	**–**	**117**	**117**
Total	**3,141**	**508**	**3,649**	**3,234**	**555**	**3,789**

[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 to be made to the portfolio.

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 function 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 ensuring 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 corporation. 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 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 life-long benefits. Additionally, in the USA, pensions paid once are not adjusted by amount, thus there are no direct risks during the pension payment period arising from pending 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
2024	181	73	45	**299**
2025	165	67	41	**272**
2026	171	63	40	**275**
2027	164	62	43	**269**
2028	165	58	44	**267**

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 81 percent (previous year: 80 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. The rate of increase assumed in respect of such medical costs in fiscal 2023 is 6.8 percent (previous year: 5.9 percent). We expect this rate of increase to fall gradually to 4.0 percent by 2049 (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:

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

Sensitivities – Present value of pension obligations at December 31, 2023

in million euros	Germany	USA	Other countries	Total
Present value of obligations	2,704	637	802	**4,143**
In the event of				
Rise in discount rate by 1.0pp	2,500	605	709	**3,814**
Reduction of discount rate by 1.0pp	2,954	686	918	**4,558**
Rise in future income increases by 0.5pp	2,705	639	813	**4,157**
Reduction of future income increases by 0.5pp	2,704	635	790	**4,129**
Rise in retirement benefits increases by 0.5pp	2,789	637	823	**4,249**
Reduction of retirement benefits increases by 0.5pp	2,625	637	784	**4,046**
Rise in medical costs by 0.5pp	2,704	638	802	**4,144**
Reduction of medical costs by 0.5pp	2,704	636	802	**4,142**

pp = percentage points

The extension of life expectancy in Germany by one year would increase the present value of pension obligations by 3 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).

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 2023

in million euros	At December 31, 2022[1]	Acquisitions	Utilized	Released	Added	Other changes	At December 31, 2023
Restructuring provisions	**301**	**–**	**-149**	**-18**	**132**	**-1**	**265**
Of which: non-current	79	–	-9	-2	30	-17	**81**
Of which: current	222	–	-139	-16	102	15	**184**
Sales provisions	**1,226**	**-0**	**-831**	**-91**	**1,024**	**-3**	**1,325**
Of which: non-current	11	-0	-1	-0	0	-0	**9**
Of which: current	1,215	–	-830	-91	1,024	-3	**1,316**
Personnel provisions	**491**	**2**	**-356**	**-29**	**479**	**-8**	**579**
Of which: non-current	68	–	-7	-1	33	-9	**85**
Of which: current	422	2	-348	-28	446	1	**495**
Sundry provisions	**315**	**2**	**-61**	**-22**	**118**	**1**	**353**
Of which: non-current	110	1	-2	-2	7	4	**118**
Of which: current	206	1	-58	-21	111	-3	**235**
Total	**2,334**	**4**	**-1,396**	**-160**	**1,753**	**-12**	**2,523**
Of which: non-current	268	1	-20	-5	71	-22	**293**
Of which: current	2,065	3	-1,376	-155	1,683	10	**2,230**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

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 3.3 and 3.7 percent (previous year: 3.8 and 4.2 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.

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 was impacted in particular by expenditure relating to the merger of the former business units Laundry & Home Care and Beauty Care 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.

Predictions of the course and outcomes of legal disputes are inherently problematic and subject to high uncertainties. 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.

18 Borrowings

Analysis

in million euros	December 31, 2022 Non-current	December 31, 2022 Current	December 31, 2022 Total	December 31, 2023 Non-current	December 31, 2023 Current	December 31, 2023 Total
Bonds	1,843	343	2,187	**1,857**	**7**	**1,865**
Commercial paper[1]	–	516	516	**–**	**275**	**275**
Liabilities to banks[2]	2	202	204	**3**	**127**	**129**
Total	**1,846**	**1,061**	**2,907**	**1,860**	**409**	**2,269**

[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		Interest rate p.a.		Maturity
in million euros			Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	2022	2023	
Henkel AG & Co. KGaA	Bond	330 million Swiss francs[2]	335	**–**	334	**–**	335	**–**	0.2725%	**0.2725%**	4/28/2023
Henkel AG & Co. KGaA	Bond	70 million US dollars[2]	66	**63**	59	**59**	59	**60**	1.042%	**1.042%**	7/7/2025
Henkel AG & Co. KGaA	Bond	25 million euros	25	**25**	23	**24**	23	**24**	0.120%	**0.120%**	7/10/2025
Henkel AG & Co. KGaA	Bond	350 million GB pounds[2]	395	**403**	351	**376**	352	**377**	1.250%	**1.250%**	9/30/2026
Henkel AG & Co. KGaA	Bond	250 million US dollars[2]	234	**226**	208	**208**	209	**208**	1.750%	**1.750%**	11/17/2026
Henkel AG & Co. KGaA	Bond	650 million euros[3]	624	**640**	630	**647**	636	**652**	2.625%	**2.625%**	9/13/2027
Henkel AG & Co. KGaA	Bond	500 million euros	500	**500**	380	**416**	380	**416**	0.500%	**0.500%**	11/17/2032
Total			**2,178**	**1,857**	**1,985**	**1,729**	**1,993**	**1,737**			

[1] 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. The hedge of the bond with a nominal value of 250 million US dollars was discontinued in December 2023. Instead, the bond has been designated as a hedging instrument within a hedge of a net investment in a foreign operation.
[3] Coupon payments converted from fixed to floating through the use of interest rate swaps.

In fiscal 2021 and 2022, Henkel issued three sustainability-linked bonds with nominal values of 250 million US dollars, 650 million euros and 500 million euros respectively. They are recognized as non-current borrowings. The coupons on these bonds are fixed in principle and dependent on the achievement of certain sustainability performance targets relating to the sustainability of our packaging and to the reduction of greenhouse gas emissions. Failure by Henkel to meet these targets on the respective fixed date would result in a prospective increase in the coupon payable on the bonds from said fixed date onward until maturity. In the case of the US dollar bond, the capital surcharge at maturity would be 0.25 or 0.5 percentage points, depending on whether one or both targets are missed. The surcharge on the coupon of the two euro-denominated bonds would be 0.375 or 0.75 percentage points respectively, for the residual term after the fixed date.

In April 2023, Henkel repaid as scheduled the bond denominated in Swiss francs with a nominal amount of 330 million Swiss francs.

Further changes in current borrowings resulted from the decrease in commercial paper liabilities from 516 million euros at the end of 2022 to 275 million euros as of December 31, 2023.

Liabilities to banks include financial collateral received from banks, in addition to loans and borrowings. Said collateral amounted to 88 million euros as of December 31, 2023 (previous year: 162 million euros).

19 Other financial liabilities

Analysis

	December 31, 2022			December 31, 2023		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Lease liabilities	549	131	681	**504**	**119**	**624**
Liabilities to non-consolidated subsidiaries and associates	–	3	3	**–**	**3**	**3**
Liabilities to customers	1	61	61	**1**	**45**	**46**
Derivative financial instruments	23	92	115	**8**	**29**	**37**
Sundry financial liabilities	18	13	31	**17**	**13**	**29**
Total	**591**	**300**	**891**	**530**	**209**	**738**

Lease liabilities decreased year on year by 57 million euros to 624 million euros. For further details of lease liability measurement, please refer to Note 2 on pages 250 to 254.

Of the liabilities to non-consolidated subsidiaries and associates, 3 million euros (previous year: 3 million euros) is attributable to non-consolidated subsidiaries.

20 Other liabilities

Analysis

	December 31, 2022			December 31, 2023		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Other tax liabilities	0	213	213	–	221	221
Liabilities to employees	5	45	50	6	40	46
Liabilities relating to employee deductions	–	36	36	–	40	40
Liabilities in respect of social security	0	19	19	–	22	22
Sundry other liabilities	8	66	74	71	84	154
Total	**13**	**379**	**393**	**77**	**406**	**483**

Sundry other liabilities primarily comprise various income deferrals for other accounting periods amounting to 18 million euros (previous year: 29 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 88 million euros (previous year: 4 million euros). On December 31, 2023, non-current contract liabilities also included a deferral for the use of trademark rights (see section "Acquisitions and divestments" on pages 223 to 226). The reduction of this liability resulted in the recognition of revenues totaling 13 million euros in fiscal 2023.

21 Trade accounts payable

Trade accounts payable decreased from 4,621 million euros to 4,075 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 involving four banks and one platform operator are, among other things, conditional upon the sustainability performance of the supplier, for example in respect of climate-relevant emissions and the use of natural resources, and enable suppliers to pre-finance individual invoices before they are due, thereby benefiting from favorable financing terms. Suppliers enter into financing arrangements with a bank or platform operator without Henkel's involvement to obtain premature payout of the invoice amount less an interest component from said bank or platform operator. Henkel pays the invoice amount to the bank or platform operator when it is due. Payment terms are within the customary limits for the industry. Henkel has evaluated these programs, based on various indicators, and has concluded that the respective liabilities continue to bear the characteristics of trade accounts payable. Accordingly, the associated payments to the bank/platform operator are presented as cash outflows from operating activities. As of December 31, 2023, suppliers had so far received payments of 0.5 billion euros under this program (previous year: 0.8 billion euros).

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 mid- to high double-digit million euros range as of December 31, 2023 (previous year: low to mid-double-digit million euros range). Occurrence of the underlying risk is not deemed to be particularly likely.

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.

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. All financial assets – with the exception of derivative financial instruments, other investments, certain financial investments presented under securities and time deposits or cash equivalents, and the virtual power purchase agreements included under sundry financial assets and liabilities – meet 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 relating to trade accounts receivable on page 259 and relating to credit risk on pages 306 to 312.

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 investment funds. 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. Exceptionally, derivative financial liabilities and the virtual power purchase agreements included under sundry financial assets and liabilities 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 297 to 305. The carrying amounts of borrowings 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 of said assets. 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:

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2023
Financial assets	**Financial instruments class (valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade accounts receivable	Amortized cost	3,535		3,471	
Other financial assets		1,067		825	
Receivables from non-consolidated subsidiaries and associates	Amortized cost	0		0	
Financial receivables from third parties	Amortized cost	18		29	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	139	139	33	33
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	161	161	108	108
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	0	0	0	0
Investments in non-consolidated subsidiaries and associates	Not assigned to any valuation category under IFRS 9	7		7	
Other investments	Fair value through other comprehensive income (level 3)	115	115	129	129
Receivables from Henkel Trust e.V. and external pension funds	Amortized cost	271		176	
Securities and time deposits	Amortized cost	14		8	
Securities and time deposits	Fair value through profit or loss (level 1)	201	201	208	208
Securities and time deposits	Fair value through profit or loss (level 2)	–	–	17	17
Securities and time deposits	Fair value through profit or loss (level 3)	2	2	7	7
Financial collateral provided	Amortized cost	28		5	
Sundry financial assets	Amortized cost	111		97	
Sundry financial assets	Fair value through profit or loss (level 3)	4	4	4	4
Sundry financial assets	Not assigned to any valuation category under IFRS 9	-4		-4	
Cash and cash equivalents	Amortized cost	1,088		1,951	
Cash and cash equivalents	Fair value through profit or loss (level 2)	–	–	0	0
Total		**5,690**		**6,247**	

TABLE CONTINUED ON NEXT PAGE

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2023
Financial liabilities	**Financial instruments class (valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings		2,907		2,269	
Bonds (without designated hedging relationship)	Amortized cost (level 1)	1,557	1,358	1,219	1,085
Bonds (included in a designated hedging relationship)	Amortized cost (level 1) accounted for as part of a fair value hedge	629	636	645	652
Other borrowings	Amortized cost	720		404	
Trade accounts payable	Amortized cost	4,621		4,075	
Other financial liabilities		895		738	
Lease liabilities	Not assigned to any valuation category under IFRS 9	681		624	
Liabilities to non-consolidated subsidiaries and associates	Amortized cost	3		3	
Liabilities to customers	Amortized cost	61		46	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	83	83	21	21
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	36	36	14	14
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	1	1	1	1
Sundry financial liabilities	Amortized cost	29		28	
Sundry financial liabilities	Fair value through profit or loss (level 3)	-11	-11	-9	-9
Sundry financial liabilities	Not assigned to any valuation category under IFRS 9	13		11	
Total		**8,423**		**7,082**	

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 with the aid of parameters for which the input factors are not derived from observable market data.

The fair value of securities and time deposits, and bonds, 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 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 297 to 305.

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 2022

in million euros	Derivative financial assets included in a designated hedging relationship	Derivative financial liabilities included in a designated hedging relationship	Other investments and securities	Sundry financial assets with embedded derivatives	Sundry financial liabilities with embedded derivatives
Carrying amount at January 1, 2022	**–**	**–**	**97**	**–**	**-12**
Purchases	–	–	13	4	–
Gains/losses (realized) recognized as other operating income or expenses	–	–	–	0	1
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	0	1
Gains/losses (realized) recognized in other financial result	–	–	–	–	–
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	–	–
Gains/losses recognized in other comprehensive income	0	1	5	–	–
Foreign exchange effects and other changes	–	–	1	–	0
Carrying amount at December 31, 2022	**0**	**1**	**116**	**4**	**-11**

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Development of level 3 assets and liabilities 2023

in million euros	Derivative financial assets included in a designated hedging relationship	Derivative financial liabilities included in a designated hedging relationship	Other investments and securities	Sundry financial assets with embedded derivatives	Sundry financial liabilities with embedded derivatives
Carrying amount at January 1, 2023	**0**	**1**	**116**	**4**	**-11**
Purchases	–	–	21	–	–
Gains/losses (realized) recognized as other operating income or expenses	–	–	–	0	1
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	0	1
Gains/losses (realized) recognized in other financial result	–	–	–	–	–
Of which: attributable to assets and liabilities held at the end of the reporting period	–	–	–	–	–
Gains/losses recognized in other comprehensive income	-0	0	1	–	–
Foreign exchange effects and other changes	–	–	-2	–	0
Carrying amount at December 31, 2023	**0**	**1**	**136**	**4**	**-9**

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.

Changes in the fair values determined using this procedure are recognized in full in other comprehensive income and are presented in 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. A 10-percent higher (lower) forward price of the derivatives on the reporting date would have resulted in other comprehensive income increasing (decreasing) by 0 million euros.

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 fund shares 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 in total a euro range in the mid-single-digit millions. Such changes are attributable virtually entirely to other investments and would be included in other comprehensive income. Changes in the fair values of securities are recognized in other financial result. 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, we have entered into virtual power purchase agreements in the USA and Europe. 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 to the contract partners come in the form of two components: a cash 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 cash flow between Henkel and the operator serves to settle, on a monthly basis, 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. 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. The annual production volume forecast under the virtual power purchase agreement in the USA is 300,000 MWh. The agreement in Europe is for an annual production forecast of 200,000 MWh. The respective contract terms from start of operation of the wind farm/solar park are 10.5 years in the USA and 10 years in Europe. Due to the derivatives embedded in the agreements, each contract 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 virtual power purchase agreement entered into in the USA in fiscal 2020 are the expected electricity prices and the US dollar interest rate used for discounting. In addition to the expected electricity prices, a primary parameter for valuation of the virtual power purchase agreement executed in Europe in fiscal 2022 is the euro interest rate used for discounting. A change of 10 percent in the expected electricity prices or of 100 base points in the discount rate would result in a change in the fair value of the virtual power purchase agreement concerned of 0 million euros.

At the time of initial recognition, the fair values of the virtual power purchase agreements were higher than the transaction price. The respective differences were deferred and will be recognized pro rata temporis as earnings in the statement of income over the term of the agreement, once operations commence at the wind farm or solar park on which the respective virtual power purchase agreement is based. 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. On January 1, 2023, the deferred difference recognized for the virtual power purchase agreement in the USA was 13 million euros (previous year: 13 million euros). In the reporting period, 1 million euros was recognized as other operating income (previous year: 1 million euros). The difference remaining as of December 31, 2023, after allowing for currency effects, was 11 million euros (previous year: 13 million euros).

The deferred difference for the agreement in Europe, which was executed in the second half of 2022, amounted to 4 million euros on both January 1, 2023 and December 31, 2023. Since the solar park has not yet started operating, no income was recognized in the year under review.

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.

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 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.

Net results by measurement category 2023

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	45	-30	1	–	-0	–	–	15
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)	–	–	–	–	–	-0	–	-0
Financial assets and liabilities measured at fair value through profit or loss[1]	20	–	–	–	-13	68	-107	-31
Financial liabilities measured at amortized cost	-98	–	–	-2	-24	–	–	-124
Total net results 2023	**-33**	**-30**	**1**	**-2**	**-37**	**68**	**-107**	**-140**

[1] Including designated hedging instruments.

Reconciliation of net results to financial result

in million euros	2022	2023
Total net results	**-117**	**-140**
Less/plus results included in operating profit or in other comprehensive income	-53	**68**
Foreign exchange effects	86	**9**
Interest expense of pension obligations less interest income from plan assets and reimbursement rights	-4	**-6**
Other financial result (not related to financial instruments)	-33	**-54**
Financial result	**-121**	**-122**

No gains or losses were realized in the fiscal year from the derecognition of financial assets measured at amortized cost.

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. In derogation from the above, hedges of intragroup financing arrangements in US dollars where valuation effects cannot be fully eliminated in the consolidated financial statements are accounted for as cash flow hedges.

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 item, 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.

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, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023
Currency risk						
Currency forwards[1]	9,469	**7,669**	208	**85**	-95	**-31**
Of which: for hedging loans within the Group	2,994	**2,382**	77	**44**	-26	**-6**
Of which: designated as cash flow hedges	3,643	**2,641**	83	**59**	-12	**-9**
Of which: designated as net investment hedge	–	**229**	–	**1**	–	**-1**
Cross-currency interest rate swaps[3]	795	**466**	53	**25**	–	**–**
Of which: designated as cash flow hedges	795	**466**	53	**25**	–	**–**
Interest rate risk						
Interest rate swaps	1,128	**1,122**	39	**31**	-19	**-4**
Of which: designated as cash flow hedges[4]	281	**271**	26	**24**	–	**–**
Of which: designated as fair value hedges	650	**650**	–	**–**	-19	**-4**
Commodity price risk						
Commodity forwards	6	**6**	0	**–**	-1	**-1**
Of which: designated as cash flow hedges	6	**6**	0	**–**	-1	**-1**
Total derivative financial instruments	**11,398**	**9,263**	**300**	**141**	**-115**	**-37**

[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: 400 million euros) and a positive fair value of 34 million euros (previous year: 21 million euros), as well as hedges of a net investment in a foreign operation with an nominal volume of 114 million euros and a negative fair value of -1 million euros. In the previous year, there were no hedges of a net investment in a foreign operation.

[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 reporting year: 350 million British pounds and 70 million US dollars (previous year: 350 million British pounds, 330 million Swiss francs and 70 million US dollars).

[4] Nominal value reporting year: 300 million US dollars (previous year: 300 million US dollars).

We determine the fair value of currency forwards 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 derivatives 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.

Interest rates in percent p.a.

Terms, each to December 31	Euro		US dollar	
	2022	2023	2022	2023
1 month	1.88	**3.88**	4.39	**5.38**
3 months	2.13	**3.87**	4.77	**5.33**
6 months	2.69	**3.21**	5.14	**4.76**
1 year	3.28	**2.55**	5.12	**4.07**
2 years	3.40	**2.30**	4.71	**3.75**
5 years	3.24	**2.22**	4.02	**3.60**
10 years	3.20	**2.19**	3.84	**3.53**

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 2023 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 remaining term 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 through profit or loss in 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 were used in both fiscal 2023 and the previous year as fair value hedges. The hedged underlying is recognized under non-current borrowings.

Fair value hedges and ineffective portions

in million euros	2022	2023
Carrying amounts of hedged items (net of accrued interest)	624	**640**
Of which: cumulative hedge-related adjustments	-23	**-8**
Change in the carrying amounts of hedged items in the period	-23	**16**
Change in the carrying amounts of the hedging instruments in the period	23	**-16**
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 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
2023	**-176**	**103**	**-140**	**4**	**-209**
2022	-247	-25	94	1	**-176**

Hedging cost 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
2023	**5**	**-40**	**39**	**-1**	**3**
2022	-1	-19	25	0	**5**

The reserves disclosed in equity essentially relate to currency hedges for past acquisitions, anticipated sales, planned inventory purchases, and for our foreign currency bonds. The cash flow hedge reserve of -205 million euros as of December 31, 2023, (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 the term of the hedge 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

	2023	
in million euros	Nominal	Weighted hedging rate
US dollar	717	1.08
Chinese yuan	68	7.76
Canadian dollar	67	1.48
British pound	22	0.87
Australian dollar	20	1.67

An addition to the reserves (net of deferred taxes) of 19 million euros (previous year: -81 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, losses of 1 million euros (previous year: gains of 2 million euros) were reclassified to cost of hedged inventories without affecting profit or loss while gains within the framework of hedging planned sales of 47 million euros (previous year: losses of 137 million euros) were reclassified to operating profit 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 25 million euros (previous year: 62 million euros) and -9 million euros (previous year: -12 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 hedging instruments amounted to 472 million euros (previous year: 675 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, 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. 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 the term of the hedge are recognized in the hedging cost reserve. In the year under review, these hedges resulted in an addition to the reserves (net of deferred taxes) of 12 million euros (previous year: 24 million euros). Additions to the cash flow hedge reserve in the reporting year and the previous year were reclassified in full in each respective year to profit or loss. In fiscal 2023, gains of 14 million euros (previous year: gains of 35 million euros) were reclassified to other financial result, where the corresponding valuation effects from intragroup financing arrangements are also recognized. In the year under review, losses of 7 million euros (previous year: losses of 1 million euros) were reclassified through profit or loss from the hedging cost reserve to the interest result. As of December 31, 2023, the positive fair values of the respective derivatives totaled 34 million euros (previous year: 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 four years.

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

	2023	
Bond maturity	**Nominal**	**Weighted hedging rate in euros**
7/7/2025	70 million US dollars	1.12
9/30/2026	350 million GB pounds	0.88

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.

In fiscal 2023, Henkel hedged part of the sale price for its Russian business with currency forwards to hedge the currency risk of the Russian ruble. When recognizing the cash flow hedge of the highly probable receipt of payment, only the spot component of the derivatives was designated as a hedge. As such, no ineffective portions required recognition. The non-designated components of the currency forwards were recognized over the term of the hedge in the hedging cost reserve. In the year under review, a gain of 23 million euros (net of deferred taxes) was recognized for this hedge in the cash flow hedge reserve and a loss of -5 million euros in the hedging cost reserve for cash flow hedges. Upon receipt of payment, the amounts were reclassified to other operating expenses and included in the net loss from the divestment.

Interest rate risk

As was also the case in fiscal 2022, we hedged part of the risk of interest rate changes in connection with our commercial paper program using interest rate swaps with a nominal volume of 300 million US dollars (previous year: 300 million US dollars) in the year under review. 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. Both in fiscal 2023 and the previous year, we contracted interest rate swaps to hedge the fair value risk of the fixed-rate bond issued in September 2022 with a nominal volume of 650 million euros. The interest rate swaps were designated as hedging instruments used in a fair value hedge. The interest rate swaps were used to convert the interest payments on the bond to variable payments.

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 2023, the Henkel Group hedged exposures to clearly identifiable palm kernel oil, kerosene, benzene and natural gas components. In accounting for designated hedging relationships, the losses arising from the derivatives designated as hedging instruments amounting to 1 million euros net of deferred taxes (previous year: losses of 2 million euros) were recognized as additions to the reserve for cash flow hedges. On expiry of the hedging relationships, losses of 2 million euros (previous year: losses of 1 million euros) recognized in equity in the fiscal year were reclassified directly to the cost of the hedged inventories (basis adjustment). As of December 31, 2023, contracts hedging the risk of commodity prices had a negative fair value of -1 million euros (previous year: -1 million euros).

Hedges of net investments in foreign operations
The accounting treatment of hedges of net investments in foreign operations 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 net investments in foreign operations, with the ineffective portion recognized directly through profit or loss. A bond issued by Henkel with a nominal volume of 250 million US dollars, which is included under non-current borrowings, and also the spot components of currency forwards, were used as hedging instruments. The positive and negative market values of these currency forwards amounted to 1 million euros and -1 million euros respectively as at December 31, 2023. In the previous year, there were no hedges of net investments in a foreign operation. The design of the hedging relationships ensured there were no ineffective portions. For the non-designated forward component and the currency basis spreads of the currency forwards used as hedging instruments, Henkel exercises its right to also recognize these in equity in the hedging cost reserve insofar as they relate to the hedged item.

The gains or losses recognized directly in equity in connection with the hedges of net investments in foreign operations remain there until disposal of the net investment. The changes in non-designated components of hedges 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 net investments in foreign operations relates essentially to translation risks arising from net investments in Swiss francs, US dollars, Chinese yuan, Thai baht and British pounds. As of December 31, 2023, an amount of 30 million euros (previous year: 36 million euros) of the reserve was attributable to the results from hedges for which the associated contracts expired in previous years. In fiscal 2023, a gain of 6 million euros was reclassified to other operating income in connection with the sale of our Russian business.

Reserve for hedges of net investments in foreign operations (net of deferred taxes)

in million euros	At Jan. 1	Addition (recognized in equity)	Release (recognized through profit or loss)	At Dec. 31
2023	**36**	**10**	**-6**	**39**
2022	36	–	–	**36**

Reserve for cost of hedges of net investments in foreign operations (net of deferred taxes)

in million euros	At Jan. 1	Addition (recognized in equity)	Release (recognized through profit or loss)	At Dec. 31
2023	**–**	**-4**	**0**	**-4**
2022	–	–	–	**–**

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 hedged item 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 145 and 146. There were no 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 inherently 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, 2022	Dec. 31, 2023
Financial assets measured at fair value through profit or loss	340	**269**
Derivative financial instruments included in a designated hedging relationship	161	**108**
Equity instruments measured at fair value through other comprehensive income	115	**129**
Total carrying amounts	**615**	**507**

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 176 million euros (previous year: 271 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 concentrations 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. Valuation allowances are accrued on the basis either of the 12 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.

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, 2023, 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 at 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 6 percent of all trade accounts receivable as at 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 corporate standard entitled "Customer Credit Management" ensures that credit risks are constantly monitored and bad debts minimized. This corporate standard, which applies to both new and existing customers, governs the risk classification and allocation of credit limits based on individual analyses of customers' creditworthiness derived from both internal and external financial information, and ensures the continuous monitoring of the risk of bad debts. We monitor our key customer relationships at global, regional and local levels. In addition, risk-mitigating measures (such as trade credit insurance) are put in place for most countries and customers worldwide.

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.

In order to reflect the fact that some of our customers might experience economic difficulties in connection with the impacts of the war in Ukraine and the conflict in the Middle East or current macroeconomic risks, higher default probabilities than in previous years were assumed in some cases when measuring valuation allowances on trade accounts receivable. These probabilities were determined on the basis of expert assessments regarding the economic impacts of the current developments and with reference to in-house and external information about the financial status of individual customers and customer groups.

Valuation allowances on trade accounts receivable by risk category as of December 31, 2022

Risk categories	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	0.1%	1,867	876	3
Moderate risk	0.3% to 0.7%	1,199	526	9
High risk	2.9% to 19.7%	176	82	18
Individual assessment	individual	23	21	9
Default	100%	61	59	58
SMEs and microbusinesses	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 of current macroeconomic risks.

Valuation allowances on trade accounts receivable by risk category as of December 31, 2023

Risk categories	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	0.1%	1,740	760	2
Moderate risk	0.3% to 0.8%	1,275	520	13
High risk	2.6% to 17.8%	194	99	16
Individual assessment	individual	28	24	10
Default	100%	68	64	63
SMEs and microbusinesses	6.8%	114	96	6
Total		**3,419**	**1,563**	**111**

[1] Average likelihood of default before case-by-case analysis, and adjustments to reflect the impacts of the war in Ukraine, the Middle East crisis and of current macroeconomic risks.

Of the gross amount, before deduction of collateral and value-added tax, of 3,419 million euros (previous year: 3,473 million euros), items worth 1,856 million euros (previous year: 1,810 million euros) were deducted for which no valuation allowances were required. Of this figure, 1,645 million euros (previous year: 1,543 million euros) relates to collateral received, and 210 million euros (previous year: 267 million euros) to refundable value-added tax. Accordingly, the net base for determining valuation allowances was 1,563 million euros (previous year: 1,663 million euros).

The carrying amount of trade accounts receivable of which the term was renegotiated because they would have otherwise been more than 30 days overdue, was 13 million euros (previous year: 6 million euros). Receivables of 64 million euros (previous year: 59 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 29 million euros (previous year: 18 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: 18 million euros).

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 recog-nized in the statement of financial position[1]		Amount eligible for offsetting		Financial collateral received/provided		Net amount	
At December 31 in million euros	2022	2023	2022	2023	2022	2023	2022	2023
Financial assets	300	**141**	89	**37**	162	**88**	49	**16**
Financial liabilities	115	**37**	89	**37**	28	**5**	-2	**-5**

[1] Fair values excluding valuation allowance of 0 million euros relating to counterparty credit risk (previous year: 0 million euros).

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).

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. 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 programs 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 across the Group through the use of cash pools. In addition, the Henkel Group has at its disposal a confirmed syndicated credit line of 1.5 billion euros with a term that extends up to December 2025. Additionally, Henkel has access to 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 S&P, Moody's and Scope Ratings. We intend to maintain our ratings within a "single A" target corridor.

As part of its strategic supplier management concept, Henkel offers selected suppliers around the world the option to join its supplier finance programs. Further details are discussed in Note 21 on pages 284 and 285. The payment targets agreed with suppliers for the relevant trade accounts payable are not contractually tied to the existence of a supplier finance program. They are used to finance suppliers and do not therefore expose Henkel to any material liquidity or concentration risk.

Overall, the liquidity risk of the Group is therefore very low.

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 2022

		Remaining term			
in million euros	Dec. 31, 2022 Carrying amounts	Up to 1 year	Between 1 and 5 years	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.

Cash flows from financial liabilities 2023

in million euros	Dec. 31, 2023 Carrying amounts	Remaining term: Up to 1 year	Remaining term: Between 1 and 5 years	Remaining term: More than 5 years	Dec. 31, 2023 Total cash flow
Bonds	**1,865**	29	1,476	510	**2,015**
Commercial paper[1]	**275**	275	–	–	**275**
Liabilities to banks	**129**	127	3	–	**130**
Lease liabilities	**624**	134	317	259	**710**
Trade accounts payable	**4,075**	4,075	–	–	**4,075**
Sundry financial instruments[2]	**78**	60	17	–	**78**
Original financial instruments	**7,046**	**4,701**	**1,813**	**769**	**7,282**
Expected inflow from interest rate and cross-currency interest rate swaps	**4**	17	51	–	**68**
Expected outflow for interest rate and cross-currency interest rate swaps		25	47	–	**72**
Other derivative financial instruments	**32**	32	–	–	**32**
Derivative financial instruments	**37**	**40**	**-4**	**–**	**36**
Total	**7,082**	**4,741**	**1,808**	**769**	**7,318**

[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 changes in 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 Group-wide 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.

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 overall 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.

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, 2022			December 31, 2023		
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	556	1,010	44	387	715	6
Chinese yuan	121	80	41	136	104	36
Mexican peso	72	63	38	95	62	47
Canadian dollar	97	92	46	93	89	22
Turkish lira	81	48	51	86	54	86
Others	949	793	550	931	866	642
Total	**1,877**	**2,087**	**771**	**1,728**	**1,890**	**840**

[1] Transaction risk.

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2023 amounted to 55 million euros after hedging (previous year: 53 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 all 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 bond denominated in British pounds 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. 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

in million euros	Carrying amounts			
	December 31, 2022		December 31, 2023	
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	-1,182	-532	**-977**	**-327**
US dollar	-672	-953	**-546**	**-841**
Others	-20	-20	**-187**	**-187**
Total	**-1,874**	**-1,505**	**-1,710**	**-1,355**
Floating-interest financial instruments				
Euro	509	-141	**634**	**-16**
US dollar	-1,188	-906	**-273**	**23**
Chinese yuan	217	217	**218**	**218**
Polish zloty	15	15	**103**	**103**
Others	1,054	1,054	**1,039**	**1,039**
Total	**607**	**238**	**1,722**	**1,367**

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	2022	2023
Based on an interest rate change of 100 basis points	4	**31**
Of which:		
Cash flow through profit and loss	2	**14**
Fair value recognized in equity through other comprehensive income	1	**17**

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 282 and 283).

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 183 and 184. 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.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

24 Sales and principles of revenue recognition

Sales relate exclusively to revenues from contracts with customers and, at 21,514 million euros (previous year: 22,397 million euros), came in below the level of the previous year.

Sales encompass the consideration received for the transfer of goods and services less direct sales deductions such as customer-related rebates, credits and other benefits paid or granted. Sales revenues 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 revenues may only be recognized when no substantial adjustments to the cumulative recognized revenue is expected.

Pursuant to IFRS 15, Henkel does not recognize sales revenues 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.

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 Provisions, Contingent Liabilities and Contingent Assets.

Services are generally provided in conjunction with the sale of goods, and recorded once the service has been performed. The amount of sales revenues 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 2023, please refer to our discussion of trade accounts receivable in Note 7 on page 259.

A breakdown of sales by business unit and region can be found in the Group segment report by business unit on pages 218 and 219 and the key financials by region on page 220.

Henkel exercises its right to choose to refrain from disclosing transaction prices relating to any remaining performance obligations, since the respective prerequisites are fulfilled.

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 11,853 million euros (previous year: 13,030 million euros).

It comprises the cost of products and services sold and the purchase cost of merchandise sold. Cost of sales includes the directly attributable cost of materials and primary production cost, plus indirect production overheads including the production-related amortization/depreciation and impairment of intangible assets and property, plant and equipment.

26 Marketing, selling and distribution expenses

Marketing, selling and distribution expenses decreased from 5,985 million euros to 5,764 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 587 million euros, research and development expenses were higher year on year (previous year: 570 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 in both the year under review and the previous year totaled 1,102 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	2022	2023
Gains on disposal of non-current assets and business units	60	**15**
Release of provisions	19	**8**
Insurance claim payouts	7	**5**
Sundry operating income	98	**99**
Total	**184**	**127**

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	2022	2023
Losses on disposal of non-current assets and business units	-14	**-220**
Impairment/write-up of assets held for sale	88	**–**
Goodwill impairment	-88	**-1**
Sundry operating expenses	-71	**-103**
Total	**-85**	**-324**

Losses on disposal of non-current assets and business units in fiscal 2023 were predominantly attributable to the net loss on divestment of our Russian business. Further details can be found in the “Acquisitions and divestments” section on pages 223 to 226. 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.

31 Financial result

Financial result

in million euros	2022	2023
Interest result	-36	**-33**
Other financial result	-85	**-90**
Investment result	0	**0**
Total	**-121**	**-122**

Interest result

in million euros	2022	2023
Interest and similar income from third parties	19	**56**
Interest result from currency forwards hedging financial assets	18	**17**
Interest income	**37**	**73**
Interest to third parties	-46	**-86**
Interest result from currency forwards hedging financial liabilities	-27	**-20**
Interest expense	**-73**	**-106**
Total	**-36**	**-33**

Other financial result

in million euros	2022	2023
Interest result from net obligation (pensions)	-7	**-11**
Interest income from reimbursement rights (IAS 19)	4	**5**
Expenses from currency losses	-162	**-62**
Income from currency gains	131	**45**
Other financial expenses	-86	**-105**
Other financial income	35	**37**
Total	**-85**	**-90**

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 the character of interest. 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.

Losses from adjustments to current purchasing power of the non-monetary assets and liabilities and of the equity of our subsidiary in Türkiye of -53 million euros (previous year: -42 million euros) are recognized in other financial expenses. Please see pages 295 and 296 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

The breakdown of income tax expense/income reads as follows:

Income before tax and analysis of taxes

in million euros	2022	2023
Income before tax	**1,689**	**1,888**
Current taxes	505	**520**
Deferred taxes	-69	**29**
Taxes on income	**436**	**549**
Tax rate	25.8%	**29.1%**

Components of tax expense and income

in million euros	2022	2023
Current tax expense in the reporting year	556	**552**
Current tax adjustments for prior years	-51	**-32**
Current taxes	**505**	**520**
Deferred tax income from temporary differences	-40	**69**
Deferred tax income from unused tax losses and other carry-forwards	-120	**-33**
Deferred tax expense/income from tax credits	-13	**-11**
Deferred tax expense/income from changes in tax rates	-1	**1**
Increase in valuation allowances on deferred tax assets	105	**3**
Deferred taxes	**-69**	**29**

Deferred tax expense by items on the statement of financial position

in million euros	2022	2023
Intangible assets	125	**4**
Property, plant and equipment	-16	**-39**
Financial assets	-14	**43**
Inventories	2	**-2**
Other receivables and other assets	67	**-34**
Special tax items	-2	**-4**
Provisions	-44	**-18**
Liabilities	-75	**93**
Tax credits	-1	**-1**
Unused tax losses and other carry-forwards	-111	**-13**
Total	**-69**	**29**

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	2022	2023
Income before tax	1,689	**1,888**
Tax rate (including trade tax) of Henkel AG & Co. KGaA	31.2%	**31.2%**
Expected tax charge	**527**	**589**
Tax reductions due to differing tax rates abroad	-154	**-140**
Tax reductions for prior years	-98	**-44**
Tax increases/reductions due to changes in tax rates	-1	**1**
Tax increases due to the valuation of deferred tax assets relating to unused tax losses and other carry-forwards and temporary differences	105	**3**
Tax reductions due to tax-free income and other items	-87	**-54**
Tax reductions arising from additions and deductions for local taxes	-20	**-22**
Tax increases due to withholding taxes	47	**46**
Tax increases due to non-deductible expenses	117	**170**
Tax charge disclosed	**436**	**549**
Tax rate	**25.8%**	**29.1%**

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:

Allocation of deferred taxes

in million euros	Deferred tax assets Dec. 31, 2022[1]	Deferred tax assets Dec. 31, 2023	Deferred tax liabilities Dec. 31, 2022[1]	Deferred tax liabilities Dec. 31, 2023
Intangible assets	614	**610**	1,062	**1,097**
Property, plant and equipment	26	**31**	165	**100**
Financial assets	3	**1**	50	**92**
Inventories	22	**23**	4	**4**
Other receivables and other assets	85	**86**	186	**152**
Special tax items	–	**–**	22	**19**
Provisions	750	**823**	102	**100**
Liabilities	249	**168**	30	**33**
Tax credits	2	**2**	–	**–**
Unused tax losses and other carry-forwards	328	**351**	–	**–**
Amounts netted	-895	**-919**	-895	**-919**
Financial statement figures	**1,184**	**1,176**	**726**	**678**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

The deferred tax assets relating to provisions in the financial statement of 823 million euros (previous year: 750 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, 183 million euros (previous year: 177 million euros) is attributable to tax loss carry-forwards, 159 million euros (previous year: 151 million euros) to other carry-forwards, and 9 million euros to interest carry-forwards (previous year: no amounts). The deferred tax liabilities of 1,097 million euros (previous year: 1,062 million euros) relating to intangible assets are mainly attributable to business combinations. Deferred tax liabilities of 85 million euros (previous year: 47 million euros) relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings will be distributed in the future.

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 862 million euros (previous year: 694 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, 656 million euros (previous year: 579 million euros) is solely attributable to unused US state tax losses (tax rate 5.3 percent; previous year 5.9 percent). Of the unused tax losses for which no deferred tax assets have been recognized, 43 million euros (previous year: 2 million euros) expires within one year, with no further amounts expiring (previous year: 403 million euros) within two or three years. 718 million euros (previous year: 180 million euros) expires after more than three years, and 102 million euros (previous year: 109 million euros) is non-expiring. A valuation allowance of 31 million euros for deferred tax assets arising from temporary differences was reversed in the reporting year. Deferred tax assets have not been recognized in the current year with respect to temporary differences of 224 million euros (previous year: 344 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

	Unused tax losses		Tax credits	
in million euros	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023
Expire within				
1 year	7	**50**	–	**–**
2 years	51	**6**	–	**–**
3 years	383	**25**	–	**–**
more than 3 years	310	**812**	36	**47**
May be carried forward without restriction	640	**718**	–	**–**
Total	**1,391**	**1,610**	**36**	**47**

In addition, other expenses amounting to 551 million euros (previous year: 502 million euros) are available which may be carried forward in full with no expiration.

The above list includes unused tax losses of 64 million euros arising from losses on the disposal of assets (previous year: 9 million euros), of which 55 million euros (previous year: no amounts) expires after more than three years, while 9 million euros (previous year: 9 million euros) 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 705 million euros (previous year: 618 million euros) are attributable to our US subsidiaries. Of this amount, 686 million euros (previous year: 604 million euros) relate exclusively to state taxes. The tax credits of 47 million euros (previous year: 36 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 99 million euros (previous year: 68 million euros) has been carried forward, of which 61 million euros (previous year: 37 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 61 million euros (previous year: 68 million euros).

Of the interest carry-forwards, 61 million euros (previous year: 37 million euros) expires after more than three years, while 39 million euros (previous year: 31 million euros) is non-expiring.

For one company in Germany that generated tax losses in the previous year, an excess of deferred tax assets totaling 741 million euros (previous year: 708 million euros) was recognized on temporary differences, other carry-forward expenses, and tax loss carry-forwards. In addition, a total of 130 million euros (previous year: 106 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 previous year. For a company in China that generated tax losses in the previous year, excess deferred tax assets totaling 54 million euros (previous year: 59 million euros) were recognized on temporary differences, other carry-forward expenses and tax loss carry-forwards. Where necessary, measures have been taken to ensure the availability of sufficient taxable income in future, so that our current position is that the deferred tax assets can be realized.

Other comprehensive income includes income from deferred taxes amounting to 78 million euros (previous year: expenses of 67 million euros). These deferred taxes resulted in income of 65 million euros (previous year: expense of 35 million euros) from actuarial gains and losses on pension obligations. Deferred taxes from the hedging of currency and interest rate risks gave rise to income of 13 million euros in other comprehensive income (previous year: expense of 32 million euros).

As an international corporation, Henkel is tax domiciled in around 80 countries and subject to the OECD’s “Pillar Two” model rules. Germany has already adopted “Pillar Two” legislation, which came into force on January 1, 2024.

Henkel’s response to this requirement is to ensure that the structure of its internal processes will allow it to honor its international statutory obligations in full from fiscal 2024 onward. Since the legislation was not yet applicable in the year under review, the Group was not subject to any associated tax charges.

Bearing in mind the exceptions allowable in virtually all the countries for a transition period, Henkel assumes that the income tax expense arising from the global minimum tax (estimated to be in the single or low double-digit million euros range) will not have any material impact.

In addition, Henkel will observe the obligatory exception to temporary non-recognition of deferred taxes per IAS 12 Amendment of May 23, 2023, so that any future associated tax burdens/tax relief will not produce any deferred tax effect.

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 income in fiscal 2023 was 22 million euros (previous year: loss of -5 million euros).

The non-controlling interests included in the Henkel Group at the end of fiscal 2023 had no material impact on our net assets, financial position and results of operations. The Group has no joint operations or unconsolidated structured entities.

OTHER DISCLOSURES

34 Reconciliation of adjusted net income

in million euros		2022	2023	+/-
Operating profit (EBIT) (as reported)		**1,810**	**2,011**	**11.1%**
One-time income		-32	**-4**	–
One-time expenses		137	**281**	–
Restructuring expenses		405	**267**	–
Adjusted operating profit (adjusted EBIT)		**2,319**	**2,556**	**10.2%**
Adjusted return on sales	in %	10.4	**11.9**	1.5pp
Financial result (adjusted)		-83	**-85**	1.8%
Taxes on income (adjusted)		-563	**-630**	11.8%
Adjusted tax rate	in %	25.2	**25.5**	0.3pp
Adjusted net income		**1,672**	**1,841**	**10.1%**
Attributable to non-controlling interests		9	**22**	>100%
Attributable to shareholders of Henkel AG & Co. KGaA		1,664	**1,819**	9.3%
Adjusted earnings per ordinary share	in euros	**3.88**	**4.33**	**11.6%**
Adjusted earnings per preferred share	in euros	**3.90**	**4.35**	**11.5%**
At constant exchange rates				20.0%

The one-time income was generated from smaller divestments during the period under review.

One-time expenses in fiscal 2023 of 210 million euros relate to the losses arising from divestment of the business activities in Russia. The figure for one-time expenses also includes 36 million euros relating to the merger of the former 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. A further 31 million euros relates to impairment in connection with the discontinuation of a brand in our North American consumer goods business. The other expenses amounting to 4 million euros are essentially attributable to incidental costs relating to acquisitions and divestments (previous year: 15 million euros).

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 was also impacted in particular by expenditure relating to the merger of the former Laundry & Home Care and Beauty Care business units into the Consumer Brands business unit. In fiscal 2023, 181 million euros was recognized in cost of sales (previous year: 106 million euros) and 48 million euros in marketing, selling and distribution expenses (previous year: 203 million euros). A further 6 million euros is attributable to research and development expenses (previous year: 26 million euros), while 32 million euros is attributable to administrative expenses (previous year: 69 million euros).

The financial result was adjusted by 38 million euros for the net loss incurred from the adjustment to current purchasing power of non-monetary assets and liabilities, and of equity, resulting from the application of financial reporting rules for hyperinflationary economies relating to Türkiye (previous year: 38 million euros).

Taxes on income amounting to 630 million euros (previous year: 563 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	2022	2023
Wages and salaries	3,033	**3,077**
Social security contributions and staff welfare costs	506	**521**
Pension costs	191	**178**
Total	**3,729**	**3,775**

[1] Excluding personnel-related restructuring expenses of 150 million euros (previous year: 233 million euros).

Number of employees per function[1]

	2022	2023
Production and engineering	27,450	**25,250**
Marketing, selling and distribution	13,650	**12,850**
Research and development	2,700	**2,750**
Administration	8,150	**8,100**
Total	**51,950**	**48,900**

[1] Basis: annual average number of full-time employees, excluding apprentices and trainees, work experience students and interns; figures rounded.

36 Share-based payment plans

Long-term variable cash-settled share-based remuneration (Long Term Incentive, LTI) as part of Management Board remuneration

Since the start of fiscal 2023, the Long Term Incentive (LTI) plan for Management Board members is designed as a long-term cash-settled share-based remuneration component per IFRS 2 Share-Based Payment. It comprises a four-year forward-looking performance period divided into a three-year period for measuring target achievement (performance measurement period) and a subsequent one-year lock-up period. The LTI is a rolling program. As such, a new LTI tranche with a four-year performance period is issued every year.

At the start of each LTI tranche, a certain number of virtual shares are awarded provisionally to begin with. This number is calculated by dividing the LTI target amount by the average price of Henkel preferred shares over the last 30 stock exchange trading days immediately prior to the start of the performance period. The number of virtual shares that are ultimately awarded is determined at the end of the three-year performance measurement period by multiplying the number of provisionally awarded virtual shares by the weighted target achievement of the three performance criteria – adjusted return on capital employed (adjusted ROCE – 60-percent weighting), relative total shareholder return (TSR – 20-percent weighting) and ESG targets (20-percent weighting). Separate targets are set at the beginning of each year for each of the three years in the performance measurement period. The ultimate number of virtual shares is subject to a subsequent lock-up period of one year. The final payment amount at the end of the performance period is determined by multiplying the number of ultimately awarded virtual shares by the average price of Henkel preferred shares over the last 30 stock exchange trading days immediately prior to the end of the performance period. In addition, Management Board members receive a dividend equivalent to the aggregate of the dividends paid over the respective four-year performance period for each virtual share that is ultimately awarded. The remuneration payable under an LTI tranche is capped. Further details regarding the LTI as a part of Management Board remuneration can be found in the remuneration report, which is published separately.

To avoid non-payment of an LTI in 2026 due to extending the performance period of the LTI from three years to four years, the LTI tranche 2023 has been split into two sub-tranches for purposes of transitioning to the new remuneration system. Accordingly, under the first sub-tranche of the new LTI program (LTI tranche 2023), 50 percent of the ultimately awarded virtual shares will be paid out at the end of the three-year performance measurement period in 2026, while the remaining 50 percent will be payable under the second sub-tranche as scheduled at the end of the one-year lock-up period in 2027.

As the Management Board members' LTI rights vest as soon as the first year of a performance measurement period ends, a provision is already accrued in full for the anticipated payment amount until the end of the first year. Additions to the provision are made pro rata temporis over the course of a year. At the end of the first year and on each subsequent reporting date during the performance period, the provision is reviewed on the basis of the fair value per virtual share. All changes to the measurement of this provision are reported under payroll cost.

As of December 31, 2023, the measurement of the provision was based on 122,006 provisionally awarded virtual shares. The addition to the provision for the share-based LTI as part of Management Board remuneration recognized in payroll cost in fiscal 2023 totaled 9 million euros, equivalent to the carrying amount of the provision as of December 31, 2023. The provision only applies to vested entitlements.

Share Ownership Guideline in the context of Management Board remuneration

Under the modifications to Management Board remuneration that came into effect on January 1, 2023, the obligation to invest 35 percent of the annual short-term variable incentive (STI) in Henkel preferred shares over the long term (share deferral) has been abolished. However, the obligation to purchase and hold shares (Share Ownership Guideline) remains a key element of the remuneration policy for Management Board members. From the start of fiscal 2023, Management Board members must invest at least 25 percent of the net amount paid out as performance-related remuneration (STI and LTI) at the end of a fiscal year in Henkel preferred shares until such time as their shareholdings equate to a specified minimum investment amount derived from their basic remuneration. The shares are placed in a blocked custody account with correspondingly restricted access and must be held by the Management Board members for the entire duration of their tenure. Management Board members can opt to invest more each year or can add existing shares to their portfolio. The purchase price at the time of the respective acquisition is decisive for fulfillment of the share acquisition and holding obligation.

To the extent that the Share Ownership Guideline is fulfilled through purchases made from STI and LTI payouts in a fiscal year, the relevant parts of both remuneration components represent equity-settled share-based remuneration per IFRS 2. For simplification purposes, since the current members of the Management Board only have to acquire a few more shares to fulfill the minimum investment obligation in preferred shares, the amounts needed to fulfill the Share Ownership Guideline are not recognized in equity – which is the normal procedure for equity-settled share-based remuneration. Instead, they remain part of the provision accrued for the variable components of remuneration. For purposes of presentation in the consolidated financial statements, such share acquisitions are presumed to be paid primarily from the STI and only afterwards from the LTI.

From the variable remuneration for which the performance measurement period ended in 2023, Management Board members must utilize a gross amount of 0 million euros (previous year: 4 million euros) to fulfill the Share Ownership Guideline. A discussion of share acquisition can be found in Note 44 on pages 354 to 358.

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. The 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 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.

The Global LTI Plan 2020⁺ was replaced by the Global LTI Plan 2023 from January 1, 2023 onward. The cycles within the new 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 acted as an incentive for the last time in the cycle 2021–2024.

Development of the number of shares for the Global LTI Plan 2020⁺

	2022	2023
Outstanding entitlements at the end of the previous year	346,930	**1,178,912**
Entitlements freely available on January 1	-3,738	**-103,032**
Entitlements granted in the year	899,019	**55,348**
Entitlements forfeited in the year	-62,453	**-82,142**
Shares resulting from conversion of dividend payments in the year	27,406	**19,905**
Entitlements that became vested in the year	-28,252	**-40,702**
Outstanding entitlements on December 31	**1,178,912**	**1,028,289**

In fiscal 2023, an equity-increasing payroll cost of 27 million euros was recognized in connection with the Global LTI Plan 2020⁺ (previous year: equity increase of 34 million euros).

Global Long Term Incentive Plan (Global LTI Plan) 2023 for employees

The Global LTI Plan 2023 was introduced on January 1, 2023, to replace the Global LTI Plan 2020⁺. The Global LTI Plan 2023 provides for variable cash remuneration over a performance and measurement period of three years. The LTI is a rolling program. As such, a new cycle with a three-year performance measurement period commences every year. At the start of each cycle, beneficiaries are awarded an opportunity defined as a fixed percentage derived from their individual base salary. At the end of the three-year cycle it is multiplied by the average target achievement over the measurement period of defined performance indicators and paid out to the employees. Exceptionally, employees moving to different positions in other countries may be eligible for premature payment at the time of the change.

One exception from these general conditions relates to eligible employees at the highest level of the hierarchy, to whom 45 percent of the opportunity is awarded as virtual shares. The number of virtual shares awarded is determined at the start of each three-year performance measurement period – usually January 1 – by dividing 45 percent of the overall opportunity awarded by the average price of Henkel preferred shares over the first 15 stock exchange trading days in January of the first fiscal year of the performance measurement period. The value of a virtual share on the settlement date equates to the average price of Henkel preferred shares over the first 15 stock exchange trading days in January of the year following the three-year performance measurement period. The dividends attributable to the virtual shares during the performance measurement period are reinvested in virtual shares. At the end of the three-year performance measurement period, the virtual shares are paid to the employees in cash.

The remuneration under the Global LTI Plan 2023 is payable on condition that members of the plan were employed for three years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify for participation and that they were not under notice during that period. This minimum period of employment pertains to the calendar year of the award and the two subsequent calendar years.

The performance indicators of relevance for the current fiscal year for all current cycles are specified by the Management Board at the start of the fiscal year. For fiscal 2023, LTI remuneration is dependent on the weighted target achievement of three performance criteria – adjusted return on capital employed (adjusted ROCE), relative total shareholder return (TSR) and ESG targets. Given the dependence on relative TSR and the award to beneficiaries at the highest level of the hierarchy of virtual shares as part of the opportunity, the Global LTI Plan 2023 constitutes a long-term cash-settled share-based remuneration program per IFRS 2 for all beneficiaries. The cash remuneration payable to the executives under the LTI is redetermined on each reporting date based on anticipated target achievement, the number of virtual shares awarded and the closing price of Henkel preferred shares and is recognized as an expense pro rata temporis over the period of service of the employee. Appropriate provisions are accrued. All changes to the measurement of this provision are reported under payroll cost.

The addition to the LTI 2023 provision for all hierarchy levels recognized in payroll cost totaled 16 million euros in fiscal 2023, while an amount of 0 million euros was withdrawn for payout to employees. The carrying amount of the provisions was 15 million euros as at December 31, 2023. The measurement of the provision on the reporting date was based on 11,369 virtual shares with a fair value each of 72.86 euros (closing price of Henkel preferred shares on December 29, 2023) for eligible senior executives. All virtual shares were awarded in fiscal 2023.

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 2023 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 equity-settled share-based remuneration program as defined in IFRS 2.

Under the plan, the Henkel Group paid its employees a bonus of 8 million euros in Henkel preferred shares in fiscal 2023 (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 2023 (previous year: 1 million euros). The following table summarizes the outstanding entitlements of employees from bonus shares in fiscal 2023 and the previous year.

Development of the number of shares for the employee share plan

	2022	2023
Outstanding entitlements on January 1	310,316	**331,163**
Entitlements granted in the year	131,328	**112,231**
Entitlements forfeited in the year	-8,503	**-7,619**
Shares resulting from conversion of dividend payments in the year	470	**4,511**
Entitlements that became vested/freely available in the year	-102,448	**-68,201**
Outstanding entitlements on December 31	**331,163**	**372,085**

37 Group segment reporting by business unit and by region

The Group segment report examines the activities of the Henkel Group by operating segments; selected regional information is also provided on a voluntary basis. Effective from the start of fiscal 2023, the former Beauty Care and Laundry & Home Care business units were merged into the Consumer Brands business unit. As such, the Consumer Brands business unit constitutes a multi-category platform featuring our consumer goods brands and businesses. The new organizational structure is also reflected in the Group segment report. In keeping with the requirements of IFRS 8 Operating Segments, the two business units – Adhesive Technologies and Consumer Brands – were identified as operating segments in fiscal 2023. The operating segments also constitute the reportable segments. The segment report corresponds to the way in which the Henkel Group managed its operating business internally in fiscal 2023, and the Group's internal reporting structure. The company has also slightly modified its regional reporting structures to better reflect the allocation of management responsibilities. From fiscal 2023 onward, Henkel will be commenting on its business performance in the regions of Europe, IMEA (India, Middle East, Africa), North America, Latin America and Asia-Pacific. Prior-year figures reflect the new structure.

Reportable segments

Adhesive Technologies
The operating segment Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings. It is made up of three business areas – Mobility & Electronics, Packaging & Consumer Goods, and Craftsmen, Construction & Professional.

Our Mobility & Electronics business area offers our international customers in the automotive and electronics sectors, as well as industrial key accounts, tailor-made system solutions, specialized technical services and a technology portfolio that addresses global trends such as electrification, connectivity, autonomous driving and industrial defossilization.

In the Packaging & Consumer Goods business area, we offer innovative solutions for manufacturers of consumer goods and brand products around the globe. We use our technology portfolio and market expertise to address global consumer trends, such as the demand for more sustainable products and for a circular economy, and the requirement to ensure the maximum possible levels of food safety.

In the Craftsmen, Construction & Professional business area, we offer high-impact solutions for private consumers and craftsmen, the construction trade, and for manufacturing and professional maintenance in more than 800 industries. We develop innovations for transformative products and customer solutions on strong global brand platforms and respond to global technology trends, such as sustainable construction, DIY, smart production processes and preventive maintenance.

Consumer Brands
The Consumer Brands business unit operates worldwide in the Laundry & Home Care and Hair business areas. Both business areas have focused brand portfolios and offer consumer-relevant innovations. In the Laundry & Home Care business area, we offer heavy-duty and specialty detergents, fabric softeners, laundry performance enhancers and other fabric care products, as well as hand and automatic dishwashing products, bathroom and toilet cleaners, household, glass and specialty cleaners, and – in selected regions – insect control products. In the Hair business area, we offer hair care, hair coloring and hair styling products. In our Other Consumer Businesses area, Henkel is represented in selective markets primarily in body care products.

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 332 and 333).

The reportable segments account for 4 million euros (previous year: 32 million euros) of the one-time income and for 278 million euros (previous year: 120 million euros) of the one-time expenses. Of the restructuring expenses, 249 million euros (previous year: 393 million euros) is attributable to the reportable segments. Of these restructuring expenses, 95 million euros (previous year: 58 million euros) is attributable to Adhesive Technologies and 154 million euros (previous year: 335 million euros) to the Consumer Brands business unit.

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.

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.

Reconciliation between net operating assets/capital employed and financial statement figures

in million euros	Net operating assets Annual average[1] 2022	Net operating assets December 31, 2022	Financial statement figures December 31, 2022[4]	Net operating assets Annual average[1] 2023	Net operating assets December 31, 2023	Financial statement figures December 31, 2023
Goodwill at carrying amounts	13,801	13,637	13,609	13,566	13,569	**13,569**
Other intangible assets and property, plant and equipment (including assets held for sale)	7,748	7,950	8,141	7,319	7,254	**7,254**
Deferred taxes	–	–	1,184	–	–	**1,176**
Inventories	3,177	3,180	3,180	2,824	2,444	**2,444**
Trade accounts receivable from third parties	3,954	3,535	3,535	3,752	3,471	**3,471**
Intragroup trade accounts receivable	2,071	1,998	–	1,930	1,785	**–**
Other assets and tax refund claims[2]	833	916	2,432	743	661	**1,863**
Cash and cash equivalents	–	–	1,088	–	–	**1,951**
Operating assets/Total assets	**31,584**	**31,217**	**33,170**	**30,135**	**29,185**	**31,728**
Operating liabilities	9,894	9,586	–	9,089	8,896	**–**
Of which: Trade accounts payable to third parties	4,817	4,621	4,621	4,200	4,075	**4,075**
Intragroup trade accounts payable	2,071	1,998	–	1,930	1,785	**–**
Other provisions and other liabilities[2] (financial and non-financial)	3,005	2,966	3,617	2,959	3,035	**3,744**
Net operating assets	21,690	21,631	–	21,046	20,289	**–**
– Goodwill at carrying amounts	13,801	–	–	13,566	13,569	**–**
+ Goodwill at cost[3]	14,147	–	–	13,903	13,907	**–**
Capital employed	22,036	–	–	21,382	20,627	**–**

[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 the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

Discussion of the key financials by region

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.

In 2023, the subsidiaries domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,411 million euros (previous year: 2,506 million euros). Sales realized by the subsidiaries domiciled in the USA amounted to 5,655 million euros in 2023 (previous year: 5,664 million euros). Subsidiaries domiciled in China achieved sales of 1,588 million euros in 2023 (previous year: 1,720 million euros). In fiscal 2022 and 2023, 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, 2023 (excluding financial instruments, deferred tax assets and the overfunding of pension obligations) amounting to 20,996 million euros (previous year: 21,336 million euros), 2,371 million euros (previous year: 2,493 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 11,900 million euros at December 31, 2023 (previous year: 12,033 million euros).

38 Earnings per share

Earnings per share

in million euros		2022 Reported	2022 Adjusted	2023 Reported	2023 Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA		**1,259**	**1,664**	**1,318**	**1,819**
Dividends, ordinary shares		473	473	**469**	**469**
Dividends, preferred shares		315	315	**302**	**302**
Total dividends		787	787	**771**	**771**
Retained earnings, ordinary shares		284	528	**334**	**640**
Retained earnings, preferred shares		187	348	**212**	**407**
Retained earnings		**471**	**876**	**546**	**1,048**
Number of outstanding ordinary shares[2]		258,366,200	258,366,200	**256,529,013**	**256,529,013**
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	1.10	2.05	**1.30**	**2.50**
Earnings per ordinary share (basic/diluted)[4]	in euros	**2.93**	**3.88**	**3.13**	**4.33**
Number of outstanding preferred shares[2]		170,050,347	170,050,347	**163,191,731**	**163,191,731**
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	1.10	2.05	**1.30**	**2.50**
Earnings per preferred share (basic/diluted)[4]	in euros	**2.95**	**3.90**	**3.15**	**4.35**

[1] See chapters "Corporate governance" and "Composition of issued capital/Shareholders' rights" in the combined management report.
[2] Weighted annual average of preferred and ordinary shares.
[3] Proposal to shareholders for the Annual General Meeting on April 22, 2024.
[4] There are currently no significant dilutive effects.

39 Consolidated statement of cash flows

The consolidated statement of cash flows shows the movements in cash and cash equivalents, 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 260. In some countries, there are administrative hurdles to the transfer of money to the parent company or to other Group companies. The cash and cash equivalents attributable to these countries amounted to 131 million euros as of December 31, 2023 (previous year: 70 million euros).

Cash flows of subsidiaries whose functional currency is that of a hyperinflationary economy are 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 2023, non-cash impairment on intangible assets, property, plant and equipment and assets held for sale reported under "Amortization/depreciation/impairment/write-ups of intangible assets, property, plant and equipment, and assets held for sale" by which operating profit was corrected, amounted to 218 million euros (previous year: 315 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 investments. This item also includes cash inflows and outflows from other financial assets. Moreover, since fiscal 2023, interest received on cash and cash equivalents and on other financial assets has been recognized in cash flow from investing activities and no longer in cash flow from financing activities. Prior-year figures have been amended accordingly. Interest received of 57 million euros (previous year: 17 million euros) is recognized in cash flow from investing activities. In the previous year, the cash flow from investing activities increased by this amount while the cash flow from financing activities decreased accordingly.

The adjustment of the prior-year figures also reflects the fact that the cash flows from the forward components of currency forwards contracted with Group-external parties used to hedge intragroup financing arrangements are now fully netted under interest paid in cash flow from financing activities and no longer stated under interest received. In interest paid, incoming payments from forward components were recognized in an amount of 17 million euros (previous year: 18 million euros) and outgoing payments in an amount of 20 million euros (previous year: 27 million euros).

In the year under review, the cash outflow for investments in subsidiaries and other business units and the cash inflow from proceeds on disposal of subsidiaries, other business units and investments related essentially to the transactions discussed in the section “Acquisitions and divestments” on pages 223 to 226.

The cash flow from financing activities, which is also determined directly, mainly comprises dividends paid, interest paid, the change in financial funds from borrowings and the repayment of 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 – resulted in cash outflows recognized in cash flow from financing activities of 227 million euros in fiscal 2023 (previous year: cash inflows of 220 million euros). Other changes in pension obligations include payment receipts of 210 million euros in fiscal 2023 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 250 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 144.

Free cash flow indicates how much cash is actually available for acquisitions and dividends, reducing debt and for allocations to pension funds.

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:							-
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 and expenses recognized in financial result	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 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 amounts to 8 million euros.

Reconciliation of assets and liabilities reflected in cash flow from financing activities 2023

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, 2023	**122**	**374**	**-417**	**-2,907**	**-681**	**-18**	**-3,526**
Changes in cash flows (Cash flow from financing activities)	-29	-104	32	687	167	-1	**752**
Of which:							
Interest paid[2]	-11	–	–	80	21	-1	**88**
Issuance and repayment of bonds, repayment of non-current bank liabilities and other changes in borrowings[3]	-18	–	–	599	–	–	**581**
Redemption of lease liabilities	–	–	–	–	146	–	**146**
Allocations to pension funds and other changes in pension obligations	–	-104	32	–	–	–	**-72**
Payments for the acquisition of treasury shares	–	–	–	8	–	–	**8**
Interest income and expenses recognized in financial result	10	5	-11	-77	-21	0	**-93**
Additions of lease liabilities	–	–	–	–	-99	–	**-99**
Acquisition or disposal of subsidiaries	–	–	–	–	-4	–	**-4**
Foreign exchange effects	-0	-4	10	18	13	–	**36**
Changes in fair value	-21	6	-179	10	-1	–	**-186**
Sundry	–	–	29	0	1	–	**31**
At December 31, 2023	**82**	**277**	**-535**	**-2,269**	**-624**	**-18**	**-3,088**

[1] These include commitments and entitlements relating to incidental tax expenses.
[2] Differs from the cash flow statement 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.

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 warranty agreements and to guarantees assumed with respect to public authorities. At December 31, 2023, these contingent liabilities amounted to 12 million euros (previous year: 6 million euros).

41 Other unrecognized financial commitments

As of the end of 2023, commitments arising from orders for property, plant and equipment amounted to 108 million euros (previous year: 116 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, 2023 amounted to 21 million euros (previous year: 29 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.

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

- 139 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.

Accounts receivable from and payable to non-consolidated subsidiaries and associates are indicated in Note 3 on pages 255 and 256, and in Note 19 on pages 283 and 284.

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 company 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 company'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 255 and 256). The receivable does not bear interest.

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 2023:

- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [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 remuneration of the members of the Management Board of Henkel Management AG as the sole Personally Liable Partner of Henkel AG & Co. KGaA essentially consists of a fixed basic remuneration and other non-performance-related emoluments, an annual variable 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 benefits 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 STI 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 which each officer is responsible compared to market/competition performance, their individual contribution to implementing strategic priorities and the attainment of specific individual targets.

Under the LTI tranche for which the measurement period ended on December 31, 2023, and for which payment is due following the close of fiscal 2023, Management Board members were awarded cash remuneration based on average target achievement with regard to adjusted return on capital employed (adjusted

ROCE) over the three-year performance measurement period (remuneration year and the two following fiscal years). A separate target was set for each of the three years in the performance measurement period. The LTI tranche that is due for payment also considers 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.

Since the start of fiscal 2023, the Long Term Incentive (LTI) for Management Board members is designed as a long-term cash-settled share-based remuneration plan under which the members of the Management Board are awarded a specific number of virtual shares based on the weighted target achievement of three performance criteria – adjusted return on capital employed (adjusted ROCE), relative total shareholder return (TSR) and ESG targets – over a three-year measurement period. The virtual shares are subsequently subject to a one-year lock-up period. Since the targets for each of the three years in the measurement period are only set at the beginning of each respective year, the full terms of the agreement governing this component of remuneration are not known until the targets are specified for the third year of the cycle. Under a transitional arrangement, the first payment under the share-based LTI will be due in 2026. Further discussion of this component of remuneration can be found in Note 36 on pages 335 and 336.

Under the former regulations governing fulfillment of the Share Ownership Guideline, the members of the Management Board were obligated to invest some of their short-term variable remuneration (STI) in Henkel preferred shares and to hold them for their entire tenure on the Management Board. Under the Share Ownership Guideline that entered into force on January 1, 2023, members of the Management Board who have not yet complied with the minimum investment requirements are now obligated to invest a total of 206,250 euros in Henkel preferred shares from the (net) amount of variable remuneration (STI and LTI) paid at the end of fiscal 2023. The shares will be purchased on the stock exchange on the first trading day of the month following the 2024 Annual General Meeting at the then prevailing market price. Based on the Xetra closing price of December 29, 2023 of 72.86 euros per Henkel preferred share, this amount equates to 2,830 Henkel preferred shares in total. In the previous year, the members of the Management Board were obligated to invest a total of 1,835,193 euros in preferred shares from the (net) amount paid under the STI 2022 based on the Share Ownership Guideline in force at the time. Based on the share purchase price of May 2, 2023 – the day of purchase – of 73.03 euros per Henkel preferred share, this amount equates to 25,218 Henkel preferred shares in total.

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.

As the Supervisory Board of Henkel Management AG is only comprised of members who also belong to the Shareholders' Committee of Henkel AG & Co. KGaA, as was also the case in previous years, no remuneration was paid to these members for their activity on the Supervisory Board of Henkel Management AG in the year under review in accordance with Art. 14 of the Articles of Association of Henkel Management AG.

The following expenditure was recognized in fiscal 2023 and in the previous year under IFRSs for remuneration paid to members of the Management Board, Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA in office in the year under review:

Remuneration of the corporate bodies according to IFRS

in euros	2022	2023
Management Board remuneration		
Short-term remuneration[1]	16,639,508	**15,952,537**
Non-share-based Long Term Incentive	3,558,448	**825,012**
Share-based remuneration	3,670,586	**9,352,139**
Service cost of pension obligations	2,052,646	**1,209,116**
Remuneration paid in connection with termination of employment	10,162,500	**–**
Total	36,083,688	**27,338,804**
Supervisory Board remuneration		
Fixed fee and attendance fee[2]	1,630,164	**1,634,000**
Shareholders' Committee remuneration		
Fixed fee[2]	2,350,000	**2,350,000**
Total expenses relating to the corporate bodies	40,063,852	**31,322,804**

[1] Fixed remuneration, other emoluments, Short Term Incentive (excluding the share-based amount related to the Share Ownership Guideline), lump-sum pension payouts, one-time special payments.

[2] Including committee activity.

The defined benefit obligation (DBO) outstanding as at December 31, 2023 from pension schemes for Management Board members in office amounted to 11,903,860 euros (previous year: 14,577,615 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 25,505,785 euros as of the reporting date (previous year: 24,726,097 euros).

The remuneration paid in fiscal 2023 and in the previous year to members of the Management Board, Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA in office in the fiscal year per Section 285 no. 9a and Section 314 (1) no. 6a HGB was as follows:

Remuneration of the corporate bodies according to the German Commercial Code [HGB]

in euros	2022	2023
Management Board remuneration		
Short-term remuneration[1]	20,310,094	**16,365,037**
Of which: share-based remuneration based on the Share Ownership Guideline	3,670,586	**412,500**
Non-share-based Long Term Incentive	3,376,500	**3,112,243**
Share-based Long Term Incentive	–	**9,652,075**
Total	23,686,594	**29,129,355**[3]
Supervisory Board remuneration		
Fixed fee and attendance fee[2]	1,630,164	**1,634,000**
Shareholders' Committee remuneration		
Fixed fee[2]	2,350,000	**2,350,000**
Total expenses relating to the corporate bodies	27,666,758	**33,113,355**

[1] Fixed remuneration, other emoluments, Short Term Incentive, lump-sum pension payouts, one-time special payments.
[2] Including committee activity.
[3] The year-on-year increase of the total amount paid to the Management Board was essentially due to the mandatory recognition, starting in fiscal 2023, of the share-based LTI tranche issued in the year under review, payment of which is due in 2026 and 2027, contingent upon achievement of the benchmark criteria and dependent on the relevant share price.

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 116,221,040 euros (previous year: 99,041,840 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 compensation for loss of earnings paid to departing Management Board members in the reporting year amounted to 9,475,746 euros in the reporting year (previous year: 19,397,202 euros, including a compensation payment made in connection with premature departure from the Management Board).

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.

45 Declaration of compliance with the German Corporate Governance Code

In March 2023, 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 (GCGC) 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/corporate-governance**

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**

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 2023 and the previous year:

Type of fee

in million euros	2022	Of which: Germany	2023	Of which: Germany
Audit services	11.0	3.8	**11.0**	**3.8**
Other attestation services	0.4	0.3	**0.6**	**0.5**
Tax advisory services	–	–	**–**	**–**
Other services	0.0	0.0	**0.0**	**0.0**
Total	**11.4**	**4.1**	**11.6**	**4.3**

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.

SUBSEQUENT EVENTS

In January 2024, Henkel signed an agreement with Procter & Gamble governing the acquisition of the Vidal Sassoon brand and associated consumer hair care business in China. This acquisition will strengthen Henkel's presence in the Chinese market for hair care products. The business generated sales of more than 200 million euros in Procter & Gamble's 2022/2023 financial year. The purchase price amounts to around 280 million euros. The transaction is subject to customary closing conditions, including regulatory approvals.

The acquisition is not expected to have any material effect on the net assets, financial position and results of operations of the Group.

Düsseldorf, February 7, 2024

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board
Carsten Knobel,
Mark Dorn, Wolfgang König, Sylvie Nicol, Marco Swoboda

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 2,181,250,585.45 euros for fiscal 2023 be applied as follows:

a)	Payment of a dividend for fiscal 2023 of 1.83 euros per eligible ordinary share (256,505,172 shares)	= 469,404,464.76 euros
b)	Payment of a dividend for fiscal 2023 of 1.85 euros per eligible preferred share (162,822,096 shares)	= 301,220,877.60 euros
c)	Carry forward of the remaining amount (profit carried forward)	= 1,410,625,243.09 euros
		2,181,250,585.45 euros

The proposal for appropriation of the profit allows for the 3,290,703 ordinary shares and 15,340,779 preferred shares held directly or indirectly as treasury stock by the corporation as of December 31, 2023. According to Section 71b Stock Corporation Act [AktG], treasury shares do not qualify for dividends. If the number of shares qualifying for dividends for fiscal 2023 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 25, 2024.

Düsseldorf, February 7, 2024

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board

CORPORATE BODIES OF HENKEL AG & CO. KGAA

Boards/memberships as defined by Section 125 (1) sentence 5 German Stock Corporation Act [AktG]

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
Place of residence: Düsseldorf
Born: January 10, 1969
Nationality: German
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
Place of residence: Monheim
Born: February 16, 1964
Nationality: German
Member since: April 14, 2008
Elected until: 2028

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
Place of residence: Heidgraben
Born: September 3, 1966
Nationality: German
Member since: December 11, 2020
Elected until: 2028

Dr. rer. nat. Konstantin Benda*
(since April 24, 2023)
Chemist, Transaction Manager
Chair of the Senior Staff Representative Committee of Henkel AG & Co. KGaA
Place of residence: Mettmann
Born: October 7, 1972
Nationality: German
Member since: April 24, 2023
Elected until: 2028

Jutta Bernicke*
(until September 22, 2023)
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Place of residence: Düsseldorf
Born: January 26, 1962
Nationality: German
Member from: April 14, 2008

Lutz Bunnenberg
Private Investor, Munich
Place of residence: Munich
Born: November 16, 1973
Nationality: German
Member since: June 17, 2020
Elected until: 2024

Sabine Friedrich*
(since September 23, 2023)
Assistance and Product Management for Product Development Metal Coil/General Industries
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Place of residence: Ratingen
Born: February 24, 1973
Nationality: German
Member since: September 23, 2023
Elected until: 2028

* Employee representatives.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

Benedikt-Richard Freiherr von Herman
Private Investor, Wain
Place of residence: Wain
Born: October 4, 1972
Nationality: German
Member since: April 11, 2016
Elected until: 2024

Prof. Dr. sc. nat. Michael Kaschke
(until April 24, 2023)
Former Chair of the Executive Board, Carl Zeiss AG, Oberkochen
Place of residence: Oberkochen
Born: June 18, 1957
Nationality: German
Member from: April 14, 2008
Memberships:
Ottobock Management SE[1]
Robert Bosch GmbH[1]

Barbara Kux
Private Investor, Zurich, Switzerland
Place of residence: Zurich, Switzerland
Born: February 26, 1954
Nationality: Swiss
Member since: July 3, 2013
Elected until: 2024

Laurent Martinez
(since April 24, 2023)
Chief Financial Officer, Orange S.A., Issy-les-Moulineaux, France
Place of residence: Paris, France
Born: June 23, 1968
Nationality: French
Member since: April 24, 2023
Elected until: 2024
Memberships:
BuyIn S.A., Belgium[2]
Orange Group:
Orange MEA S.A., France[2]
Orange Polska S.A., Poland[2]

Simone Menne
Private Investor, Kiel
Place of residence: Kiel
Born: October 7, 1960
Nationality: German
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]
Universitätsklinikum Schleswig-Holstein[1]

Andrea Pichottka*
Managing Director, IG BCE Bonusagentur GmbH, Hannover
Managing Director, IG BCE Bonusassekuranz GmbH, Hannover
Place of residence: Bad Münder
Born: November 21, 1959
Nationality: German
Member since: October 26, 2004
Elected until: 2028

Philipp Scholz
Adjunct Professor at Humboldt University Berlin, Berlin
Place of residence: Berlin
Born: February 18, 1967
Nationality: German
Member since: April 9, 2018
Elected until: 2024

Dr. rer. nat. Martina Seiler*
(until April 24, 2023)
Chemist, Duisburg
Member of the Senior Staff Representative Committee of Henkel AG & Co. KGaA
Place of residence: Duisburg
Born: April 14, 1971
Nationality: German
Member from: January 1, 2012

Dirk Thiede*
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site
Place of residence: Düsseldorf
Born: December 3, 1969
Nationality: German
Member since: April 9, 2018
Elected until: 2028

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
Place of residence: Düsseldorf
Born: September 16, 1960
Nationality: German
Member since: August 1, 2010
Elected until: 2028

Michael Vassiliadis*
Chair of IG BCE, Hannover
Place of residence: Hannover
Born: March 13, 1964
Nationality: German
Member since: April 9, 2018
Elected until: 2028
Memberships:
BASF SE[1]
RAG AG (Vice Chair)[1]
STEAG GmbH[1]
Vivawest GmbH[1]

Poul Weihrauch
CEO/Office of the President, Mars Inc., McLean, Virginia, USA
Place of residence: Waterloo, Belgium
Born: June 19, 1968
Nationality: Danish
Member since: April 4, 2022
Elected until: 2024

* Employee representatives.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

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 (until April 24, 2023)
Simone Menne, Vice Chair (until April 24, 2023), Chair (since April 24, 2023)
Laurent Martinez, Vice Chair (since April 24, 2023)
Dr. Simone Bagel-Trah
Birgit Helten-Kindlein
Edgar Topsch
Michael Vassiliadis

Shareholders' Committee of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf
Place of residence: Düsseldorf
Born: January 10, 1969
Nationality: German
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]

Konstantin von Unger
Vice Chair,
Chair of the Supervisory Board,
HFO GmbH, Düsseldorf
Place of residence: London, UK
Born: September 5, 1966
Nationality: German
Member since: April 14, 2003
Elected until: 2024
Membership:
HFO GmbH (Chair)[2]

Dr. rer. pol. HSG Paul Achleitner
Investor, Munich
Place of residence: Munich
Born: September 28, 1956
Nationality: Austrian
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
Place of residence: Hamburg
Born: November 13, 1964
Nationality: German
Member since: June 17, 2020
Elected until: 2024
Memberships:
C&A AG, Switzerland[2]
Otto Group:
Hermes Germany GmbH[1]
Crate & Barrel Holdings, Inc., USA[2]
EDI Sourcing, LLC, USA[2]
Euromarket Design, Inc., USA[2]

Kaspar von Braun, Ph.D.
Astrophysicist, Pasadena, USA
Place of residence: Pasadena, USA
Born: February 12, 1971
Nationality: German
Member since: April 4, 2022
Elected until: 2024

Johann-Christoph Frey
Private Investor, Klosters, Switzerland
Place of residence: Klosters, Switzerland
Born: November 26, 1955
Nationality: German
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
Place of residence: Düsseldorf
Born: February 8, 1962
Nationality: German
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
Place of residence: Penzberg
Born: May 29, 1956
Nationality: German
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
Place of residence: Singapore
Born: October 14, 1965
Nationality: British
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
Place of residence: Tervuren, Belgium
Born: September 12, 1961
Nationality: Belgian
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.

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. (until April 26, 2023)
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
Kaspar von Braun, Ph.D. (since April 26, 2023)
Dr. Dr. Norbert Reithofer
Jean-François van Boxmeer

Management Board of Henkel Management AG*

Carsten Knobel
Chair of the Management Board
Place of residence: Hilden
Born: January 11, 1969
Nationality: German
Member since: July 1, 2012
Memberships:
Deutsche Lufthansa AG[1]
Kühne Holding AG, Switzerland[2]

Mark Dorn
(since February 1, 2023)
Adhesive Technologies
Place of residence: Düsseldorf
Born: January 31, 1973
Nationality: British-German
Member since: February 1, 2023

Wolfgang König
Consumer Brands
Place of residence: Düsseldorf
Born: May 2, 1972
Nationality: German
Member since: June 1, 2021

Sylvie Nicol
Human Resources, Infrastructure, Sustainability
Place of residence: Düsseldorf
Born: February 28, 1973
Nationality: French
Member since: April 9, 2019
Membership:
Henkel Central Eastern Europe GmbH, Austria[2]

Marco Swoboda
Finance
Place of residence: Düsseldorf
Born: September 23, 1971
Nationality: German
Member since: January 1, 2020
Memberships:
Henkel Central Eastern Europe GmbH (Chair), Austria[2]
Henkel South Africa (Pty.) Ltd. (Chair), South Africa[2]
Henkel Strategic Business Solutions B.V. (Chair), Netherlands[2]

Supervisory Board of Henkel Management AG*

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf
Place of residence: Düsseldorf
Born: January 10, 1969
Nationality: German
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
Place of residence: Klosters, Switzerland
Born: November 26, 1955
Nationality: German
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
Place of residence: Penzberg
Born: May 29, 1956
Nationality: German
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.

FURTHER INFORMATION

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 2023, 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 2023, 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 2023. 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 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, 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 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 2023. 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

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 (42.8 % of consolidated total assets) is reported, and trademarks and other rights with indefinite useful lives amounting to € 2.9 billion in total (9.2 % 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. In the financial year 2023, the merger of the former Beauty Care and Laundry & Home Care business units into the new Consumer Brands business unit and the reorganisation of the Adhesive Technologies business unit led to a change in the groups of cash-generating units. 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 2024 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.

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. We assessed the changes to the cash-generating units or groups of cash-generating units on the basis of the underlying reporting structures, contractual agreements and organisational changes in sales and marketing structures and evaluated the appropriateness of these changes. 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".

THE COMPANY

SHARES AND BONDS

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

CREDITS

CONTACTS

FINANCIAL CALENDAR

2. Recognition and measurement of pension provisions

1. Pension provisions amounting to € 0.5 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 € 4.1 billion, plan assets of € 3.8 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 2023 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.

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.

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.

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 assurance engagement. 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.

- 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.

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-2024-02-07.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.

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 2023 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: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

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 rendering 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.

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 24 April 2023. We were engaged by the supervisory board on 2 May 2023. We have been the group auditor of the 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).

Reference to an other 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 Antje Schlotter.

Düsseldorf, February 7, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	**Antje Schlotter**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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, 2024

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	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Adhesive Technologies	2,631	**2,791**	2,836	**2,683**	5,467	**5,475**	2,995	**2,711**	2,780	**2,604**	11,242	**10,790**
Change versus previous year	11.6%	**6.1%**	18.5%	**-5.4%**	15.0%	**0.1%**	22.6%	**-9.5%**	13.6%	**-6.3%**	16.6%	**-4.0%**
Adjusted for foreign exchange	10.0%	**5.0%**	12.8%	**-0.5%**	11.4%	**2.1%**	14.9%	**-3.0%**	9.5%	**0.3%**	11.8%	**0.3%**
Organic	10.7%	**6.8%**	13.7%	**2.7%**	12.2%	**4.7%**	16.8%	**0.8%**	11.5%	**2.8%**	13.2%	**3.2%**
Consumer Brands	2,584	**2,772**	2,752	**2,593**	5,336	**5,365**	2,916	**2,695**	2,676	**2,505**	10,928	**10,565**
Change versus previous year	0.1%	**7.3%**	8.6%	**-5.7%**	4.3%	**0.6%**	11.5%	**-7.6%**	4.8%	**-6.4%**	6.3%	**-3.3%**
Adjusted for foreign exchange	1.2%	**6.5%**	4.7%	**1.1%**	3.0%	**3.7%**	5.8%	**-1.3%**	0.8%	**-1.7%**	3.2%	**1.0%**
Organic	2.7%	**7.0%**	7.2%	**4.5%**	4.9%	**5.7%**	5.0%	**6.2%**	0.5%	**6.9%**	3.9%	**6.1%**
Corporate	56	**46**	54	**40**	110	**86**	65	**34**	53	**39**	228	**159**
Henkel Group	**5,271**	**5,609**	**5,642**	**5,316**	**10,913**	**10,926**	**5,976**	**5,440**	**5,509**	**5,148**	**22,397**	**21,514**
Change versus previous year	**6.1%**	**6.4%**	**13.8%**	**-5.8%**	**9.9%**	**0.1%**	**17.3%**	**-9.0%**	**9.1%**	**-6.6%**	**11.6%**	**-3.9%**
Adjusted for foreign exchange	**5.9%**	**5.5%**	**9.1%**	**0.0%**	**7.5%**	**2.7%**	**10.7%**	**-2.7%**	**5.1%**	**-0.9%**	**7.7%**	**0.4%**
Organic	**7.1%**	**6.6%**	**10.9%**	**3.2%**	**8.9%**	**4.9%**	**11.3%**	**2.8%**	**6.0%**	**4.5%**	**8.8%**	**4.2%**

MULTI-YEAR SUMMARY

in million euros		2017	2018	2019	2020	2021	2022[1]	2023
Results of operations								
Sales		20,029	19,899	20,114	19,250	20,066	22,397	**21,514**
Adhesive Technologies		9,387	9,403	9,461	8,684	9,641	11,242	**10,790**
Consumer Brands		10,519	10,368	10,533	10,456	10,283	10,928	**10,565**
Corporate		123	128	121	110	142	228	**159**
Gross margin		46.7	46.0	45.9	46.1	44.7	41.8	**44.9**
Research and development expenses		476	484	499	501	727	570	**587**
Operating profit (EBIT)		3,055	3,116	2,899	2,019	2,213	1,810	**2,011**
Adhesive Technologies		1,657	1,669	1,631	1,248	1,524	1,500	**1,423**
Consumer Brands		1,524	1,559	1,391	933	874	458	**753**
Corporate		-126	-112	-123	-162	-185	-149	**-165**
Income before tax		2,988	3,051	2,811	1,925	2,149	1,689	**1,888**
Tax rate		15.0%	23.6%	25.2%	26.0%	24.2%	25.8%	**29.1%**
Net income		2,541	2,330	2,103	1,424	1,629	1,253	**1,340**
Attributable to shareholders of Henkel AG & Co. KGaA		2,519	2,314	2,085	1,408	1,634	1,259	**1,318**
Earnings per preferred share (EPS)	in euros	5.81	5.34	4.81	3.25	3.78	2.95	**3.15**
Net return on sales[2]		12.7%	11.7%	10.5%	7.4%	8.1%	5.6%	**6.2%**
Net assets								
Total assets		28,339	29,562	31,409	30,238	32,674	33,170	**31,728**
Non-current assets		19,864	20,879	22,279	20,906	22,264	22,744	**22,447**
Current assets		8,475	8,683	9,130	9,332	10,410	10,425	**9,282**
Equity		15,647	16,999	18,611	17,870	19,794	20,157	**19,999**
Liabilities		12,692	12,563	12,798	12,368	12,879	13,013	**11,729**
Equity ratio		55.2%	57.5%	59.3%	59.1%	60.6%	60.8%	**63.0%**
Return on equity[3]		16.7%	14.9%	12.4%	7.6%	9.1%	6.3%	**6.6%**
Leverage		0.9	0.8	0.8	0.6	0.4	0.8	**0.3**

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in million euros		2017	2018	2019	2020	2021	2022[1]	2023
Financial position								
Cash flow from operating activities		2,468	2,698	3,241	3,080	2,141	1,247	**3,255**
Capital expenditures		2,511	1,104	1,262	1,220	802	716	**1,120**
Investment ratio	as % of sales	12.5	5.5	6.3	6.3	4.0	3.2	**5.2**
Shares								
Dividend per ordinary share	in euros	1.77	1.83	1.83	1.83	1.83	1.83	**1.83[4]**
Dividend per preferred share	in euros	1.79	1.85	1.85	1.85	1.85	1.85	**1.85[4]**
Total dividends[5]		779	805	805	805	798	776	**771[4]**
Payout ratio[5]		30.7%	30.9%	34.2%	43.7%	40.5%	46.6%	**42.4%**
Share price, ordinary shares, at year-end[7]	in euros	100.00	85.75	84.00	78.85	68.70	60.25	**64.98**
Share price, preferred shares, at year-end[7]	in euros	110.35	95.40	92.20	92.30	71.14	65.02	**72.86**
Market capitalization at year-end[7,8]	in bn euros	45.2	38.9	37.9	36.6	30.3	26.2	**28.5**
Employees								
Total[6]	(at December 31)	53,700	53,000	52,450	52,950	52,450	51,200	**47,750**
Germany		8,300	8,500	8,550	8,700	8,700	8,550	**8,350**
Abroad		45,400	44,500	43,900	44,250	43,750	42,650	**39,400**

[1] Amended following the updated allocation of the purchase price for the shares in Shiseido Professional Inc.

[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 22, 2024.

[5] Since fiscal 2021, calculated based on the number of shares qualifying for dividends as of December 31.

[6] Basis: permanent employees excluding trainees.

[7] Closing share prices, Xetra trading system.

[8] Based on all outstanding shares, i.e. number of shares issued less treasury stock.

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.

Adjusted return on capital employed (ROCE)
Profitability metric reflecting the adjusted ratio of earnings before interest and taxes (adjusted EBIT) to capital employed.

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 (abbreviation: GCGC) is intended to render the rules governing corporate management and control for a joint 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.

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. EPS is calculated in accordance with IAS 33 Earnings Per Share.

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/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.

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.

IMEA
Abbreviation for the region comprised of India, Middle East and Africa.

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.

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 the Group is attributable to shareholders owning non-controlling interests.

Organic sales growth
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 and since completed 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.

Relative Total Shareholder Return (TSR)
Total shareholder return (TSR) describes the share price performance plus any gross dividends paid during the respective period. Relative TSR is derived by comparing the TSR of Henkel preferred shares with the TSR of a benchmark (DAX Performance Index).

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, serving the purpose of improving 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.

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.

CREDITS

Published by
Henkel AG & Co. KGaA
40191 Düsseldorf, Germany
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Edited by
Corporate Accounting and Subsidiary Controlling, Investor Relations, Corporate Communications

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Design and typesetting in SmartNotes
RYZE Digital
www.ryze-digital.de

Photographs
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English translation
RWS Holdings PLC

Proofing
Paul Knighton, Cambridge; Thomas Krause, Krefeld

Date of publication of this report
March 4, 2024
PR No.: 03 24 0

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FINANCIAL CALENDAR

Annual General Meeting
Henkel AG & Co. KGaA 2024:
Monday, April 22, 2024

Publication of
Statement for the First Quarter 2024:
Wednesday, May 8, 2024

Publication of
Report for the First Half Year 2024:
Tuesday, August 13, 2024

Publication of
Statement for the Third Quarter 2024:
Wednesday, November 6, 2024

Publication of
Report for Fiscal 2024:
Tuesday, March 11, 2025