

Henkel

A Brand like a friend

Investor Relations News

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Consumer businesses report continued success – slight recovery of Adhesives business

Henkel shows positive trend in Q2

- Sales fall 5.0 percent to 3,485 million euros
- Organic sales decline 5.3 percent
- Operating profit increases from 113 million euros to 279 million euros
- Adjusted operating profit decreases 17.2 percent to 308 million euros

“Again in the second quarter of 2009, Henkel felt the effects of the continuing world economic recession. Nevertheless, all our business sectors were again able to outstrip their relevant markets,” said Kasper Rorsted, Chairman of the Henkel Management Board. “Our Laundry & Home Care business sector actually surpassed the good results of the first quarter, while Cosmetics/Toiletries again showed a very positive performance. Compared to the first quarter, we also registered an improvement at Adhesive Technologies.” Rorsted continued: “These developments are attributable to the countermeasures we were able to put in place early on. Hence we remain firmly convinced 2009 will not be a lost year. Rather, it will be a major step toward achieving our long-term objectives.”

In a persistently difficult market environment, Henkel achieved **sales** of 3,485 million euros in the second quarter of 2009, 5.0 percent less than in the prior-year period. **Organic** sales, i.e. sales after adjusting for foreign exchange and acquisitions/divestments, were 5.3 percent below the level of the second quarter of

2008, but improved slightly compared to the first quarter of this year. Against this background, developments at the company's three business sectors continued to show a very mixed picture. The consumer goods businesses **Laundry & Home Care** and **Cosmetics/Toiletries** were able to successfully continue their positive trend with organic growth rates of 6.3 percent and 3.5 percent respectively. The **Adhesive Technologies** business sector improved compared to the first quarter, but due to the volume decreases in major customer industries worldwide, was unable to avoid posting a decline in organic sales of 15.4 percent.

Due primarily to the restructuring charges burden on the results of the prior-year quarter, **operating profit (EBIT)** increased by 145 percent, from 113 million euros to 279 million euros. After adjusting for one-time gains/charges and restructuring charges, adjusted operating profit ("adjusted EBIT") decreased by 17.2 percent, from 372 million euros to 308 million euros. This is largely attributable to the decrease in earnings at Adhesive Technologies.

The **EBIT margin** was 8.0 percent, while the adjusted EBIT margin decreased from 10.1 percent to 8.7 percent.

The company's investment result fell from 24 million euros to -4 million euros. This decline is essentially due to the sale of Henkel's participation in Ecolab in November 2008. Net interest expense improved by 28 million euros from -84 million euros to -56 million euros, mainly as a result of lower interest rates compared to the previous year. The **financial result** remained stable overall at -60 million euros. The tax rate was 31.5 percent.

Due to increased EBIT, **net earnings for the quarter** rose by 257 percent, from 42 million euros to 150 million euros. After minority interests totaling 7 million euros, net earnings for the quarter were 143 million euros (second quarter of 2008: 38 million euros). Adjusted quarterly net earnings after minority interests were 162 million euros compared to 227 million euros in the prior-year quarter. **Earnings per preferred share** increased from 0.09 euros to 0.33 euros. The adjusted figure was 0.37 euros compared to 0.52 euros in the prior-year quarter.

Business Sector Performance

The **Laundry & Home Care** business sector's organic sales increased by 6.3 percent, the highest rise since the first quarter of 2007. Foreign exchange exerted a negative impact of 1.9 percent. Nominally, sales increased by 4.4 percent to 1,058 million euros. The growth regions of Eastern Europe, Africa/Middle East and Latin America continued to deliver strong sales growth with, in some cases, double-digit rates of increase. Following a sluggish start to the year, a gratifying rise in organic sales was also registered in Western Europe and North America. Operating profit rose by 28.8 percent to 119 million euros. After adjusting for foreign exchange, earnings rose by an even more respectable 34.1 percent. This highly encouraging development was attributable not only to a further relaxation in raw material prices but also sales price increases and measures successfully introduced to reduce costs and enhance efficiency. Sales reported by the *Laundry* segment showed a substantial rise. In particular, the biggest brands Persil and Purex posted disproportionate organic improvement. The launch of Purex Complete 3-in-1 in the USA proved a great success. These innovative laundry sheets combine the performance of a detergent along with heat-activated softener and anti-static ingredients that are released in the drier to prevent electrostatic accumulation in the wash load. Sales of the *Home Care* segment likewise continued to follow an upward trend, with the fastest rates of increase occurring in Eastern Europe and Africa/Middle East. The company's largest dishwashing detergent brand Pril achieved double-digit increases in organic sales in both regions. And the launch of Somat 9 in the machine dishwashing category also produced encouraging results.

Despite a very strong prior-year quarter, the **Cosmetics/Toiletries** business sector continued the positive trend of recent years, registering organic sales growth of 3.5 percent. Consequently, this business sector significantly outperformed its relevant markets, which exhibited negative development overall in a very difficult economic environment. Particularly in the regions of Eastern Europe, Asia and Latin America, growth remained strong. The increase achieved in Western Europe was also noteworthy. In nominal terms, sales rose by 1.5 percent to 790 million euros. Operating profit reached 100 million euros, an increase of 2.8 percent, rising to 4.2 percent after adjusting for foreign exchange. The *Hair Cosmetics* segment continued

to perform very well, further expanding the market positions of all its categories. The Hair Care and Colorants businesses turned in a particularly positive performance, aided by the continuing roll-out of the new brand Syoss, the new Gliss line Asia Straight and the new Schauma Shampoo Hairactive for Men. The positive trend in the Colorants category continued with the support of the Essential Colors innovation and the market launch of Palette 10 Minutes Coloration. In the *Body Care* segment, the Dial brand in the USA continued to do very well, supported in particular by the launch of a number of new body wash products. Also very successful in this segment was the Fa brand which generated significant revenue and market share increases in Europe following the introduction of the shower products Cream & Oil and Fresh & Oil. In the *Skin Care* segment, the focus was on the launch of the new Diadermine series Dr. Caspari. In the *Oral Care* segment, the launch of the new Theramed variant Arctic White generated positive momentum. Against the background of an increasingly negative development in the global professional hairdressing market, Henkel's *Hair Salon* segment significantly outperformed its market. Here, the focus was on the relaunch of Bonacure, the introduction of two new sublines from Igora and the ongoing roll-out of the Essensity brand.

With the markets stabilizing and sales below the prior-year quarter the **Adhesive Technologies** business sector was able to substantially improve the quality of its results compared to the first quarter of 2009. Compared to the second quarter 2008 – the period in which the newly acquired National Starch businesses were consolidated for the first time – sales fell by 12.9 percent to 1,582 million euros. After adjusting for foreign exchange, the decrease was 13.9 percent. In view of the continuing difficulties encountered in the world economy, the business sector was unable to match the sales realized in the same quarter last year in any of its regions with the exception of Latin America. Organic sales remained 15.4 percent below the level of the prior-year quarter. Compared to the first quarter of 2009, however, this constitutes an improvement of 2.8 percentage points. Due to the decline in volumes and the associated decrease in capacity utilization, operating profit fell by 50.8 percent to 95 million euros. Included in this amount is 4 million euros in consultancy charges resulting from the integration of the National Starch businesses. The early introduction of measures to adapt capacity and reduce costs, as well as the launch of a number of innovative products, served to significantly improve earnings compared

to the first quarter. The performance of the *Adhesives for Craftsmen and Consumers* segment was impacted by the continuing recession in the building industry and particularly the slump in demand encountered in the UK, Spain and the USA. The generally lower level of construction activity also adversely influenced developments in the *Building Adhesives* segment, although business in the Middle East region continued to improve. The decline in the *Packaging, Consumer Goods and Construction Adhesives* segment was relatively minor. However, here too the slight fall in demand for consumer goods affected business performance. The global reduction in manufacturing output among major industrial customers again significantly impacted the development of the *Specialty Adhesives and Surface Treatment* segment. However, particularly in this difficult environment, Henkel has benefited from its acknowledged position as a supplier of innovative problem solutions. As a case in point, the company's metal pretreatment product TecTalis received the PACE Award as the ecologically and economically most significant innovation of 2008 among automotive suppliers. The *Electronics* segment continued to suffer from the general market weakness affecting the semiconductors industry.

Regional Performance

In the **Europe/Africa/Middle East** region, organic sales were 3.7 percent below the level for the second quarter of 2008. While the Laundry & Home Care and Cosmetics/Toiletries business sectors succeeded in generating a gratifying increase in sales, Adhesive Technologies posted a decline in the double-digit percentage range. In Africa/Middle East, Henkel once again achieved double-digit organic growth, while performance in Western Europe including Germany was regressive. The growth rate in Eastern Europe recovered slightly compared to the first quarter. Overall, sales in the Europe/Africa/Middle East region decreased from 2,283 million euros to 2,113 million euros, giving it a share of 61 percent of Group revenues. Organic sales in the **North America** region decreased by 10.2 percent. The difficult market environment led to Adhesive Technologies posting a substantial decline in sales. Developments at Cosmetics/Toiletries were slightly regressive. However, sales of the Laundry & Home Care business sector showed an encouraging increase. Total sales of the region amounted to 677 million euros, resulting in a share of Group revenues of 19 percent. Organic sales in the **Latin America** region increased by 3.9

percent, with all business sectors contributing. At 210 million euros, the share of total sales accounted for by this region was 6 percent. In the **Asia-Pacific** region, organic sales decreased compared to the same quarter last year by 10.0 percent. A gratifying increase in sales at the Cosmetics/Toiletries business sector was offset by a significant decline at Adhesive Technologies. With the closure of our Laundry & Home Care operations in China at the beginning of the year, sales of this business sector also declined. Total sales of the region amounted to 430 million euros, resulting in a share of Group revenues of 12 percent. Sales in the **growth regions** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased organically by 2.3 percent. In nominal terms, sales fell by 1.5 percent to 1,317 million euros, corresponding to a share of consolidated sales of 37.8 percent.

Sales and Profits Forecast 2009

Henkel expects that the difficult market conditions currently prevailing both in the real economy and also in the financial markets will persist through 2009. The general economic climate and its further development remain rather difficult to predict. Nevertheless, Henkel is confident of outperforming its relevant markets in terms of organic sales growth (i.e. after adjusting for foreign exchange and acquisitions/divestments). Henkel has introduced a number of further measures on the operational side, from which the company expects positive momentum to develop. These activities and also relief from easing raw material prices will support the development of operating profit (EBIT) and earnings per preferred share (EPS) – adjusted in each case for one-time gains/charges and restructuring charges.

For the third quarter of 2009 Henkel expects its consumer businesses to continue to perform well – albeit with a degree of deceleration. The company's expectation for the Adhesive Technologies business sector is that it will develop similarly to or slightly better than in the second quarter of 2009.

The outlook for the fourth quarter of 2009 is unclear due to continuing uncertainties regarding the likely development of the economic parameters governing the markets of relevance for Henkel. This also reduces the reliability of any forecast made with respect to the year as a whole. As soon as the markets allow properly reasoned assumptions, Henkel will communicate quantified expectations for full fiscal 2009.

This information contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate, etc. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements.

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Key figures Q2/2009 and 1-6/2009

in million euros	Sales		EBIT	
	Q2	1-6	Q2	1-6
Laundry & Home Care				
2009	1,058	2,071	119	226
2008	1,012	2,043	92	192
change versus previous year	4.4%	1.3%	28.8%	18.0%
after adjusting for foreign exchange	6.3%	3.3%	34.1%	21.4%
organic	6.3%	3.3%		
Cosmetics/Toiletries				
2009	790	1,510	100	191
2008	779	1,487	98	185
change versus previous year	1.5%	1.6%	2.8%	3.4%
after adjusting for foreign exchange	2.4%	2.7%	4.2%	4.5%
organic	3.5%	3.5%		
Adhesive Technologies				
2009	1,582	3,051	95	142
2008	1,816	3,180	192	342
change versus previous year	-12.9%	-4.1%	-50.8%	-58.5%
after adjusting for foreign exchange	-13.9%	-4.9%	-48.2%	-55.8%
organic	-15.4%	-16.6%		
Corporate				
2009	55	111	-35	-62
2008	61	120	-269	-286
Henkel				
2009	3,485	6,743	279	497
2008	3,668	6,830	113	433
change versus previous year	-5.0%	-1.3%	>100%	14.6%
after adjusting for foreign exchange	-4.8%	-0.8%	>100%	17.4%
organic	-5.3%	-6.1%		

Henkel	Q2/2008	Q2/2009	Change	1-6/ 2008	1-6/ 2009	Change
Return on sales (EBIT margin) in %	3.1	8.0	4.9 pp	6.3	7.4	1.1 pp
Net earnings in million euros	42	150	>100%	265	271	2.3%
Net earnings after minority interests in million euros	38	143	>100%	257	260	1.2%
Earnings per preferred share in euros	0.09	0.33	>100%	0.60	0.61	1.5%
ROCE in %	5.0	9.1	4.1 pp	9.9	8.2	-1.7 pp

Henkel	Q2/2008	Q2/2009	Change	1-6/ 2008	1-6/ 2009	Change
in million euros						
EBIT (as reported)	113	279	>100%	433	497	14.6%
- One-time gains	-3	-	-	-11	-3	-
+ One-time charges	6	4	-	6	8	-
+ Restructuring charges	256	25	-	262	41	-
= Adjusted EBIT	372	308	-17.2%	690	543	-21.3%
Adjusted EBIT margin in %	10.1	8.7	-1.4 pp	10.1	8.1	-2.0 pp
Adjusted net earnings after minority interests	227	162	-28.6%	445	292	-34.4%
Adjusted EPS per preferred share in euros	0.52	0.37	-28.8%	1.03	0.68	-34.0%

Changes on the basis of figures in thousand euros
pp = percentage points