



**A global team – winning together**

**Henkel**

*A Brand Like a friend*

**Status FY 2009 &  
Outlook FY 2010**

**Kasper Rorsted, CEO**  
**Dr. Lothar Steinebach, CFO**  
Analyst & Investor Meeting  
Duesseldorf, February 25, 2010

# Disclaimer



This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and 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.

# Agenda



## 1 Market Environment and Highlights FY 2009

2 Progress on Strategic Priorities

3 Financials Q4/2009

4 Financials FY 2009

5 Update on Restructuring Measures

6 Outlook FY 2010

# Market Environment 2009



- **Abrupt decline in all regions**
- **World trade: -10%**
- **Global insolvencies: +35%**
- **Unemployment rate worldwide increased by more than 10%**
- **National deficit: +2,000 billion US\$**

**→ Strongest recession since 80 years**

# Impact on Henkel



**Industry segments much more severely affected than consumer goods business:**

- Transportation: -17 %
- Machinery: -16 %
- Electronics: -11 %
- Private consumption: -0.4 %
- Retail: -2 %

Source: FERI

**→ Extremely challenging times for our global team**

# Achievements FY 2009



- **Strong** growth of **Laundry & Home Care** and **Cosmetics/Toiletries**
- **Continuous** improvement of **Adhesive Technologies**
- **Emerging Markets** with positive development
- Significant progress made on **Strategic Priorities**
- All-time low of **NWC (7.8%)**
- Reduction of **Net financial debt (-1.0 bill.€)**
- **Global Excellence** completed ahead of plan



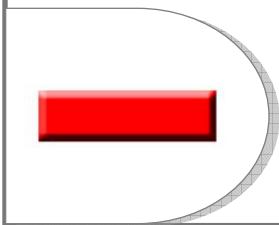
- **Strong Q4 EBIT Margin at 12.4% (adjusted)**

→ **Strong performance 2009 – an important step towards 2012**

# Challenges FY 2009



- Volume decrease in Adhesive Technologies but recovering steadily quarter on quarter
- Mature Markets strongly affected by recession
- Intensified competition and increase of Private Label



**→ Despite challenges in 2009 first positive indicators for 2010**

# Highlights 2009

## Laundry & Home Care



- Strong **organic sales** growth
- **Emerging Markets** with double-digit growth rates [excl. exit China]
- **Increased market shares** in key regions
- **EBIT** and **EBIT margin** on **all-time high** level despite **increased marketing spendings**
- High **innovation rate** of ~ 40%
- **54%** of sales with top 10 brands/ **80%** with top 10 brand clusters



→ **Strong profitable growth**

# Highlights 2009

## Cosmetics/Toiletries



- Strong **organic sales growth** despite declining markets
- **Emerging markets** with double-digit growth rates
- **Record market shares** in Europe
- **Continuously high EBIT and EBIT margin**
- High innovation rate of ~ **40%**
- **87% of sales with top 10 brands**



→ **Confirming profitable long-term growth trend**

# Highlights 2009

## Adhesive Technologies



- **Swift and successful adjustment of business to downturn:**  
cost, capacities, capital
- **Strong quarter-by-quarter improvement in organic sales and EBIT**
- **Continued positive signs of bottoming out in our markets in H2**
- **Strong market positions maintained**
- **Integration of National Starch accelerated and ahead of schedule**
- **Customer focused organization implemented**



→ **Significant structural improvements!**

# Key Financials 2009



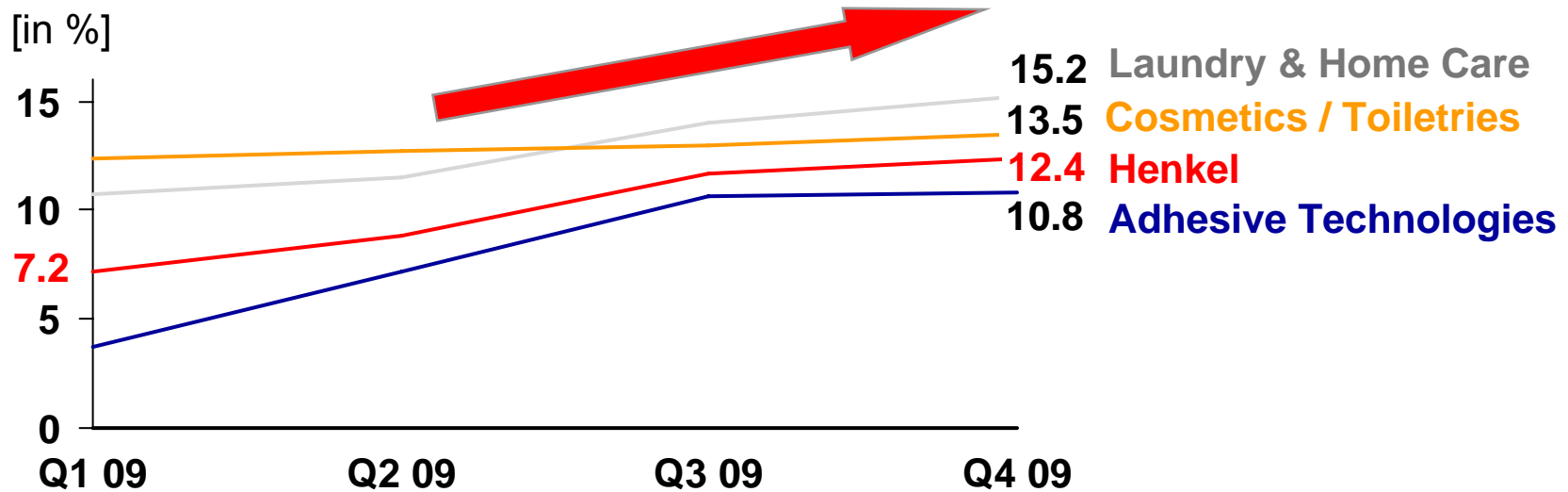
	2008	2009	Change
<b>Sales (m€) (OSG in %)</b>	<b>14,131</b>	<b>13,573</b>	<b>- 3.9% (- 3.5%)</b>
<b>Adjusted Gross margin (%)</b>	<b>44.7</b>	<b>46.2</b>	<b>+ 150bp</b>
<b>Adjusted EBIT (m€)</b>	<b>1,460</b>	<b>1,364</b>	<b>- 6.6%</b>
<b>Adjusted EBIT margin (%)</b>	<b>10.3</b>	<b>10.0</b>	<b>- 30bp</b>
<b>Free Cash Flow (m€)</b>	<b>457</b>	<b>1,462</b>	<b>&gt;+100%</b>
<b>NWC / sales (%)</b>	<b>11.7</b>	<b>7.8</b>	<b>- 390bp</b>

**→ Strong performance in a challenging environment**

# Adjusted EBIT-Margin Development 2009



*A Brand Like a Friend*



## Laundry & Home Care

- Significant margin improvement

## Cosmetics / Toiletries

- Continuous strong performance

## Adhesive Technologies

- Fast recovery

➔ All businesses with positive development in the course of 2009

# Objectives 2009 (Analyst Meeting)



## Strategic Priorities

- Start implementation

## Growth drivers

- Leading brands (2x organic sales growth)
- Innovation (accretive to gross margin)
- Emerging markets (profit and revenue driver)
- Top customers (1.5x organic sales growth)

## Cost base

- Reduction of €225m from Global Excellence and NSC-integration in 2009

## Recession countermeasures

- Implementation

## Liquidity

- Strong position

→ We acted quickly and decisively

# Agenda



**1** Market Environment and Highlights FY 2009

**2** Progress on Strategic Priorities

**3** Financials Q4/2009

**4** Financials FY 2009

**5** Update on Restructuring Measures

**6** Outlook FY 2010

# Strategic Priorities: Overview



*A Brand Like a Friend*



- Portfolio
- Brands
- Innovation
- Operational Excellence

- Relationship Management
- Sustainability/CSR
- People and Diversity
- Performance Orientation

# Achieve Our Full Business Potential Portfolio



**Integration of National Starch businesses ahead of plan**



**Reduction of complexity**

- 46 brands divested / discontinued



**Emerging markets – growth engine**

- 38% sales share

**→ Optimization of portfolio mix**

# Achieve Our Full Business Potential Leading Brands



## Laundry & Home Care

**Persil**

**Purex**

**Dixan**

Top 3: 32% of sales  
Top 10: 54%/80%\* of sales

## Cosmetics / Toiletries

  
**Schwarzkopf**

**Dial**

**Fa**

Top 3: 74% of sales  
Top 10: 87% of sales

## Adhesive Technologies

**LOCTITE**

**Teroson**

**Ceresit**

Top 3: 23% of sales  
Top 10: 44% of sales

➔ Top 3 brands ~25% / Top 10 ~40% (Top 10 brand clusters ~45%)\*

# Achieve Our Full Business Potential Innovation

Henkel

*A Brand Like a Friend*



**Purex 3 in 1**



**Persil  
ActicPower**



**Somat 9/  
Somat Gel**



**Syoss**



**Schwarzkopf  
Essential  
Color**



**Dial Anti-Ox  
Shower Gel**



**Technomelt  
Supra Cool  
130 (lower  
temperatures)**



**Loctite 5188  
(for engines)**



**Ablestik Self-  
Filleting (for  
elect. semi-  
conductors)**

➔ **New product launches accretive to gross margin**

1

2

3

4

5

6

Progress on Strategic Priorities

19

# Achieve Our Full Business Potential

## Operational Excellence



### Purchasing



Global sourcing, strategic suppliers, new business models  
→ 100 m€ p.a. savings

### Production & Supply Chain



Streamlined manufacturing footprint and supply chain  
→ 40 out of 60 projects finalized

### SG&A



Standardization and automation of processes

- Signed outsourcing agreements for IT services
- Extended offshoring of admin tasks to Bratislava / Manila
- 38 admin locations closed / leases terminated

→ Ahead of plan on all cost-savings initiatives

# Focus More on Our Customers

Henkel

*A Brand Like a Friend*

Top-to-Top-Contacts



Strategy: from "Selling" to "Customer Development"



Sustainability Awards



Deliver Business Solutions / Services



2009 - our "Year of the Customer"

→ Make Henkel the preferred supplier for our customers

1

2

3

4

5

6

Progress on Strategic Priorities

21

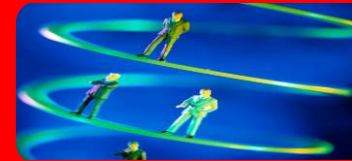
# Strengthen Our Global Team



## Talent Management Focus



## Internal Promotions and External Hirings



## Pay for performance concept



## Harvard- Business Programs



**2010: "A global team – winning together"**

# Agenda



**1** Market Environment and Highlights FY 2009

**2** Progress on Strategic Priorities

**3** **Financials Q4/2009**

**4** Financials FY 2009

**5** Update on Restructuring Measures

**6** Outlook FY 2010

# Sales Growth by Business Sector Q4/2009 vs. Q4/2008

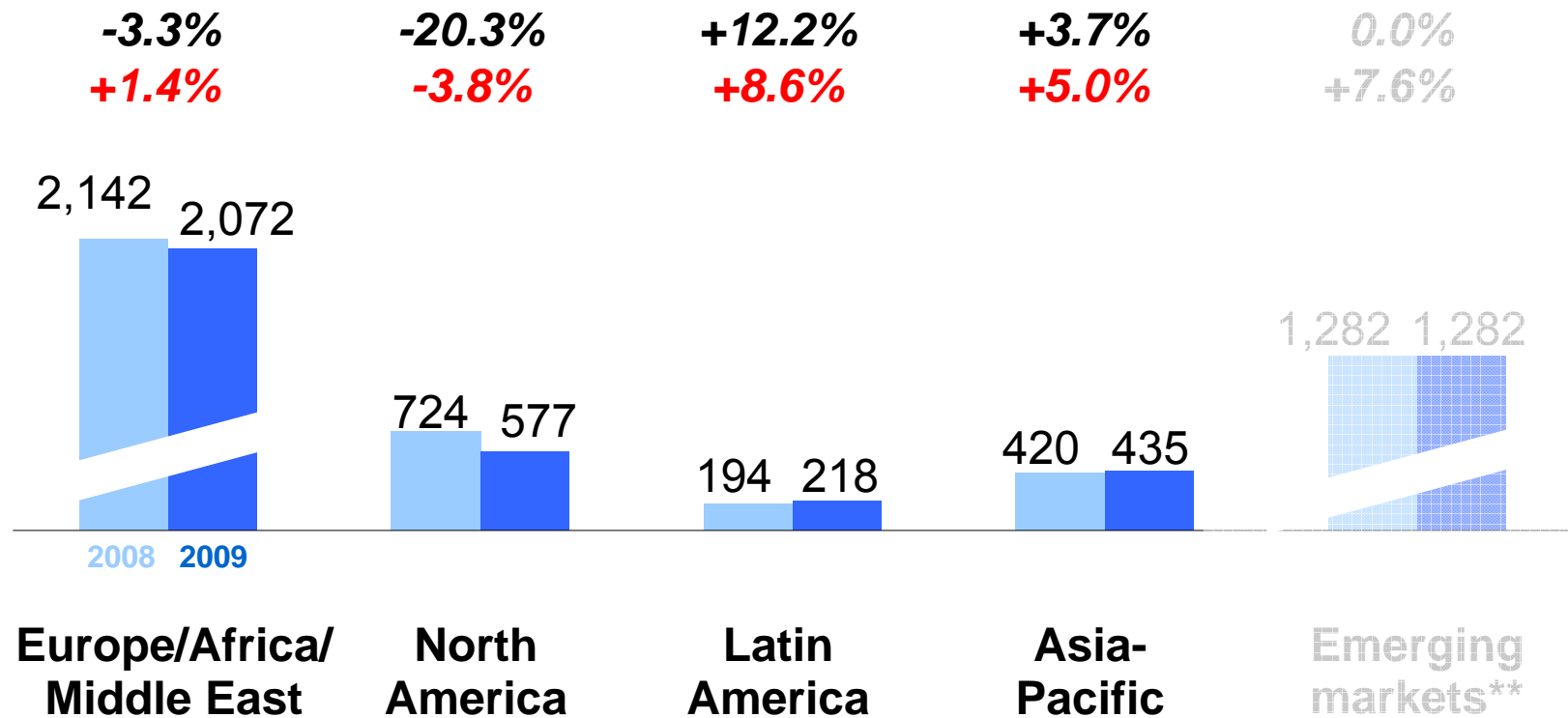


in %	Total	FX adjusted	Organic
Laundry & Home Care	-3.7	2.5	2.5
Personal Care	-3.0	2.4	3.3
Adhesive Technologies	-7.0	-2.4	-0.7
<b>Total Henkel</b>	<b>-5.5</b>	<b>-0.4</b>	<b>0.6</b>

# Sales Growth by Region Q4/2009 vs. Q4/2008\*



in m€



\* total / organic

\*\* Eastern Europe, Middle East/Africa, Latin America, Asia excl. Japan

# Adjusted EBIT by Business Sector Q4/2009 vs. Q4/2008



	Adjusted EBIT		Adjusted EBIT margin	
	in m€	Chg. in %	in %	Chg. in bp
<b>Laundry &amp; Home Care</b>	155	15.7	15.2	260
<b>Personal Care</b>	99	1.0	13.5	60
<b>Adhesive Technologies</b>	166	13.7	10.8	200
<b>Total Henkel</b>	<b>414</b>	<b>9.2</b>	<b>12.4</b>	<b>170</b>

# Key Financials Q1/2009 – Q4/2009

## Adhesive Technologies



	Q1/2009	Q2/2009	Q3/2009	Q4/2009
<b>Sales (m€)</b>	<b>1,469</b>	<b>1,582</b>	<b>1,630</b>	<b>1,543</b>
<b>Adjusted EBIT (m€)</b>	<b>54</b>	<b>114</b>	<b>172*</b>	<b>166</b>
<b>Adjusted EBIT margin (%)</b>	<b>3.7</b>	<b>7.2</b>	<b>10.6</b>	<b>10.8</b>

\* Restated

➔ **Sequential quarterly improvements with successful adjustment to lower business volume**

# Income Statement Adjusted Sales to Gross Profit



in m€	Q4/2008	Q4/2009	Change in %
<b>Sales</b>	<b>3,541</b>	<b>3,345</b>	<b>-5.5</b>
Cost of sales	-2,021	-1,781	-11.9
<b>Gross profit</b>	<b>1,520</b>	<b>1,564</b>	<b>2.9</b>
<b>Gross margin (in %)</b>	<b>42.9</b>	<b>46.8</b>	<b>390 bp</b>

# Income Statement Adjusted Sales to Adjusted EBIT



in m€	Q4/2008	Q4/2009	Q4/2009 Change	
			in %	in bps
<b>Sales</b>	<b>3,541</b>	<b>3,345</b>	<b>100.0</b>	
Cost of sales	2,021	1,781	53.2	
<b>Gross profit</b>	<b>1,520</b>	<b>1,564</b>	<b>46.8</b>	
Marketing, selling & distribution exp.	939	905	27.1	<b>60</b>
Research & development expenses	90	86	2.6	
Administrative expenses	153	161	4.8	
Net other operating income/charges	-41	-2	-0.1	
<b>Adjusted EBIT</b>	<b>379</b>	<b>414</b>	<b>12.4</b>	<b>170</b>

# Reported to Adjusted EBIT Q4/2009 vs. Q4/2008



in m€	Q4/2008	Q4/2009	Change in %
<b>EBIT (as reported)</b>	<b>155</b>	<b>293</b>	<b>+89.4</b>
One-time gains	-19	-6	
One-time charges	23	80	
Restructuring charges	220	47	
<b>Adjusted EBIT</b>	<b>379</b>	<b>414</b>	<b>9.2</b>

# Agenda

Henkel

*A Brand Like a Friend*

- 1 Market Environment and Highlights FY 2009
- 2 Progress on Strategic Priorities
- 3 Financials Q4/2009
- 4 Financials FY 2009**
- 5 Update on Restructuring Measures
- 6 Outlook FY 2010

# Income Statement Adjusted Sales to Gross Profit



in m€	2008	2009	Change in %
<b>Sales</b>	<b>14,131</b>	<b>13,573</b>	<b>-3.9</b>
Cost of sales	-7,817	-7,305	-6.5
<b>Gross profit</b>	<b>6,314</b>	<b>6,268</b>	<b>-0.7</b>
<b>Gross margin (in %)</b>	<b>44.7</b>	<b>46.2</b>	<b>150 bp</b>

# Income Statement Adjusted Sales to Adjusted EBIT



in m€	2008	2009	2009 Change in %	2009 Change in bps
<b>Sales</b>	<b>14,131</b>	<b>13,573</b>	<b>100.0</b>	
Cost of sales	7,817	7,305	53.8	
<b>Gross profit</b>	<b>6,314</b>	<b>6,268</b>	<b>46.2</b>	
Marketing, selling & distribution exp.	3,882	3,830	28.2	
Research & development expenses	377	383	2.8	10
Administrative expenses	698	703	5.2	30
Net other operating income/charges	-103	-12	-0.1	
<b>Adjusted EBIT</b>	<b>1,460</b>	<b>1,364</b>	<b>10.0</b>	<b>-30</b>

# Reported to Adjusted EBIT FY 2009 vs. FY 2008



in m€	2008	2009	Change in %
<b>EBIT (as reported)</b>	<b>779</b>	<b>1,080</b>	<b>+38.6</b>
One-time gains	-30	-9	
One-time charges	48	134	
Restructuring charges	663	159	
<b>Adjusted EBIT</b>	<b>1,460</b>	<b>1,364</b>	<b>-6.6</b>

# Cash Flow Statement

## Cash Flow From Operating Activities

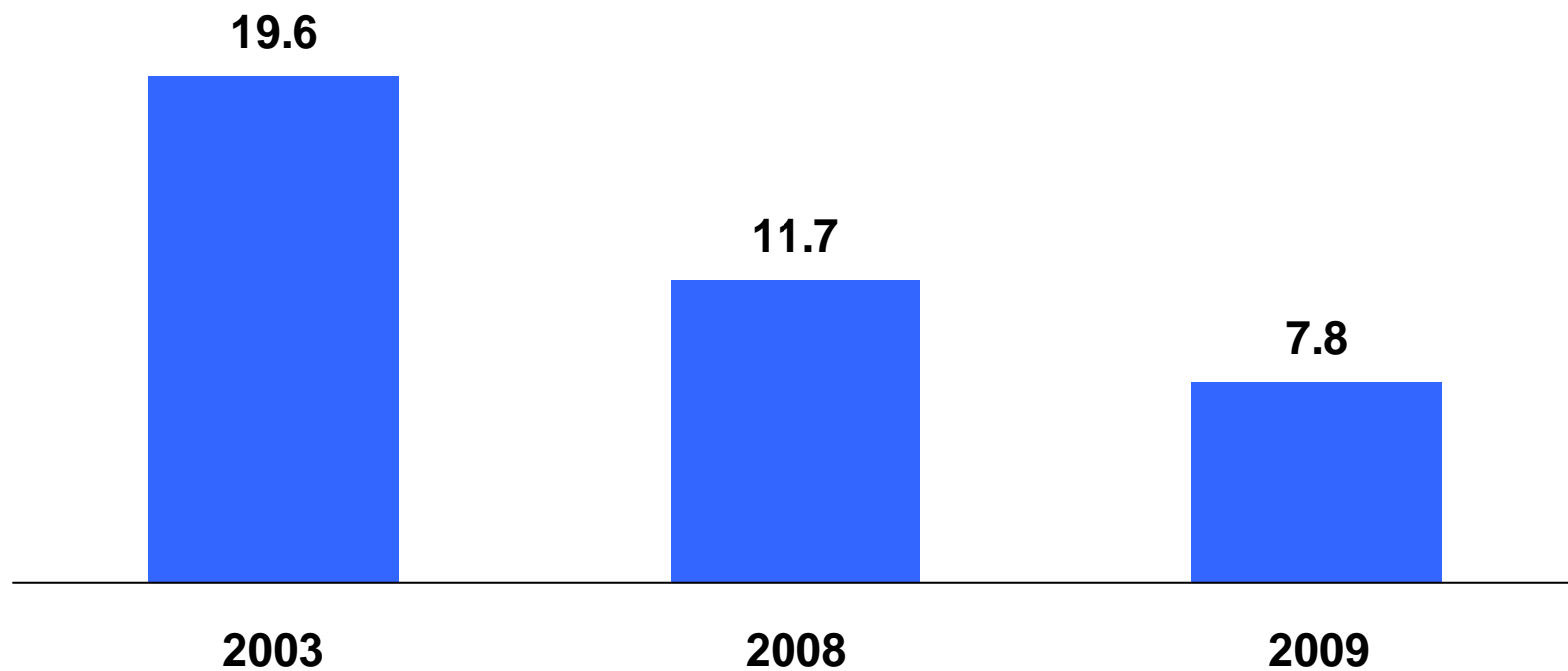


in m€	2008	2009
<b>Operating Profit (EBIT)</b>	<b>779</b>	<b>1,080</b>
Income taxes paid	-412	-305
Depreciation of non current assets	546	588
Net gains on disposal of non current assets	3	12
Change in other receivables and other misc. ass.	60	-15
Change in net working capital	-6	620
Change in other liabilities and provisions	195	-61
<b>Cash flow from operating activities</b>	<b>1,165</b>	<b>1,919</b>

# Development of Net Working Capital



NWC\*/sales ratio in %



\* inventories + trade accounts receivable ./ trade accounts payable

➔ **NWC/sales ratio at all-time low**

# Cash Flow Statement

## Free Cash Flow

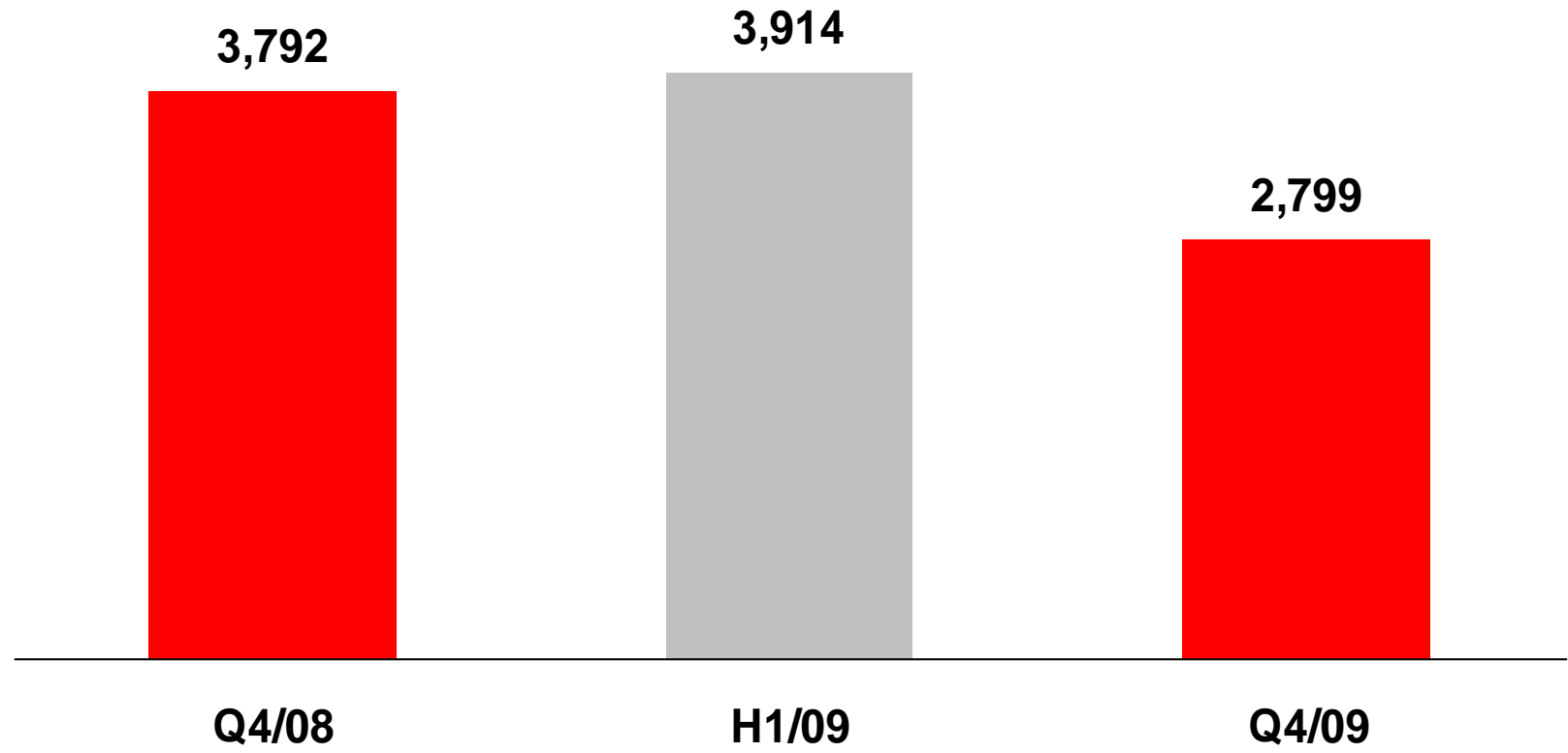


in m€	2008	2009
<b>Cash flow from operating activities</b>	<b>1,165</b>	<b>1,919</b>
Purchase of intangible assets	-20	-28
Purchase of property, plant and equipment	-473	-344
Proceeds on disp. of other non-current op. assets	40	51
Net interest paid	-255	-136
<b>Free cash flow</b>	<b>457</b>	<b>1,462</b>

# Net Debt Development



in m€



➔ Reduction of around 1 bill.€

# Agenda

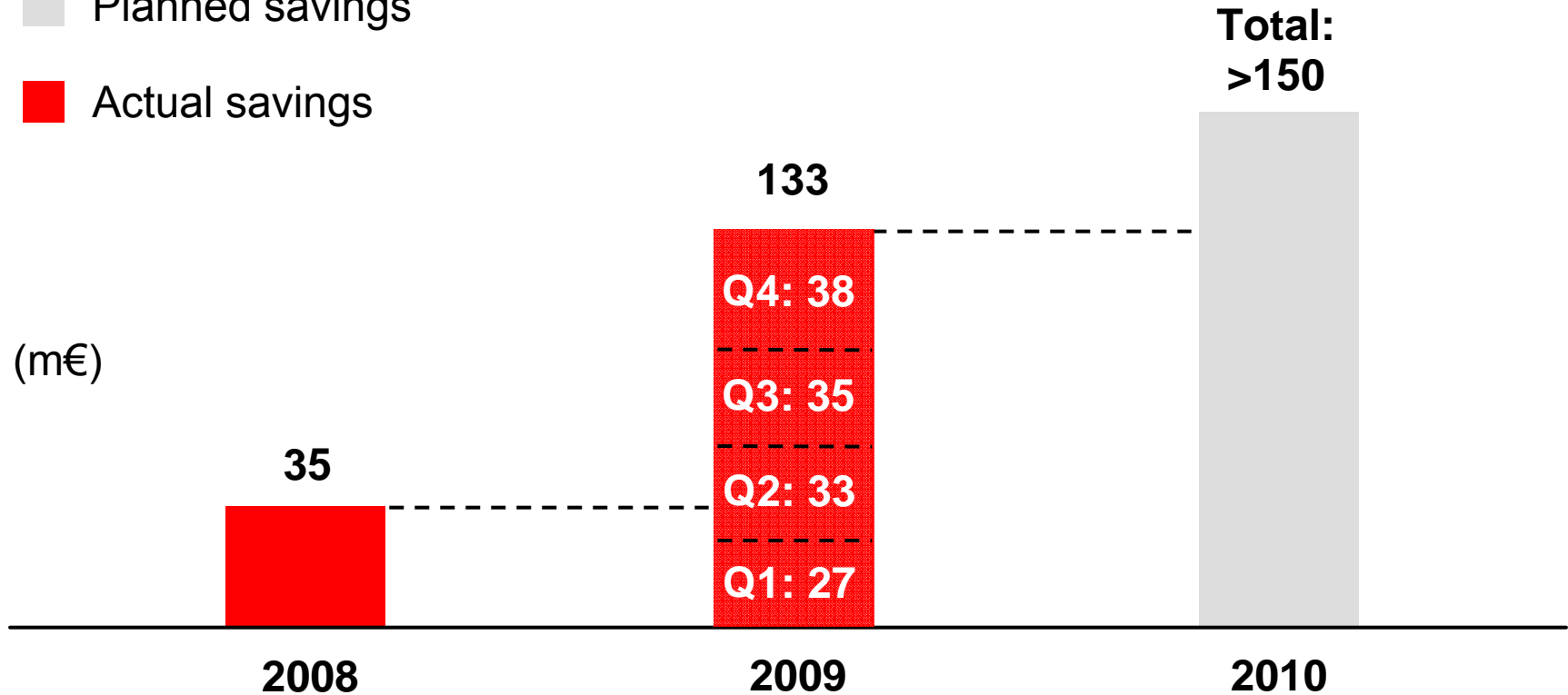


- 1 Market Environment and Highlights FY 2009
- 2 Progress on Strategic Priorities
- 3 Financials Q4/2009
- 4 Financials FY 2009
- 5 Update on Restructuring Measures**
- 6 Outlook FY 2010

# Global Excellence Finalized



- Planned savings
- Actual savings



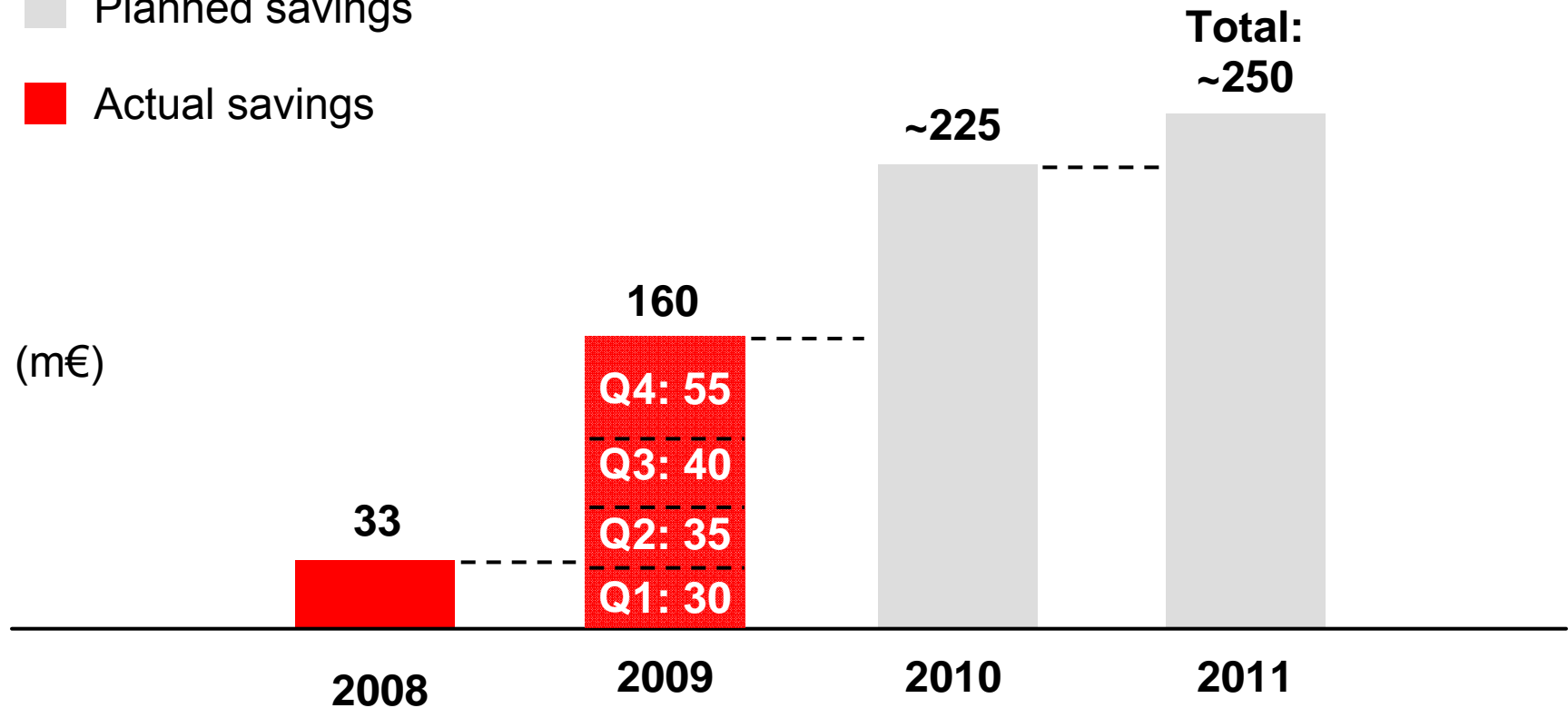
➔ Savings realization ahead of plan (2009 plan was 125m€)

# National Starch Integration to be Completed in 2010



Planned savings

Actual savings



➔ Savings realization ahead of plan (2009 plan was 150m€)

# Agenda



**1** Market Environment and Highlights FY 2009

**2** Progress on Strategic Priorities

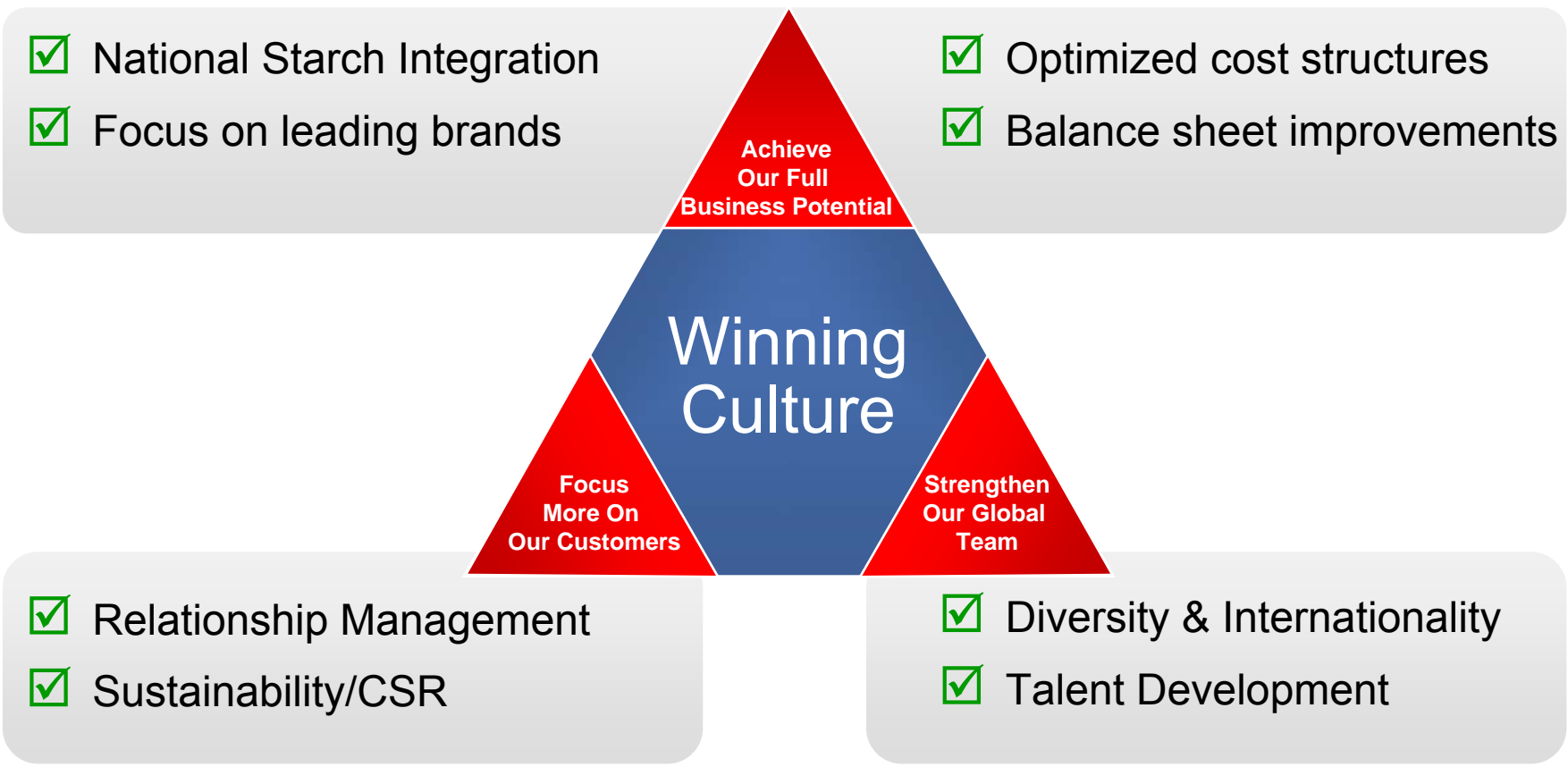
**3** Financials Q4/2009

**4** Financials FY 2009

**5** Update on Restructuring Measures

**6** Outlook FY 2010

# In 2009 we set the Course for a Successful Future



# Objectives 2010



- Strengthen leading brands
- Develop growth regions

- Execute strict **cost control**
- Further improve **financial ratios**

Achieve  
Our Full  
Business Potential

Winning  
Culture

Focus  
More On  
Our Customers

Strengthen  
Our Global  
Team

- Intensify **relationship mgmt. & business development**

- Intensify **pay for performance**

➔ **2010 to be an important step forward to our targets 2012**

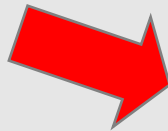
# Positive GDP Growth Expected for 2010



## Global GDP Growth (in %)\*:

2008

+1.9



2009

-2.1



2010

+2.8

**Industrial sector with higher growth rates than consumer goods business:**

- Transportation: +6 %
- Machinery: +4 %
- Electronics: +8 %
- Private consumption: +1.8 %
- Retail: +1.7 %

Source: FERI

# Expectations FY 2010



## Organic Sales Growth

**Home / Personal Care:**  
Outperforming our markets

**Adhesive Technologies:**  
Outperforming our markets

**Henkel:**  
Outperforming our markets

## Adjusted EBIT

**Home / Personal Care:**  
Slight improvement

**Adhesive Technologies:**  
Substantial improvement

**Henkel:**  
Noticeable improvement of 10%+  
(also for adj. EPS)

# 2010: A Global Team – Winning Together



*A Brand Like a Friend*



- Challenging year
- Well prepared and positioned
- Continuous adaptation of structures to changing market environments

→ **Commitment to financial targets 2012**



**A global team – winning together**