



**Statement by Kasper Rorsted
Chairman of the Management Board
Conference-Call
May 5, 2010, 10.00 a.m.**

Ladies and Gentlemen,

Welcome to today's conference call.

I would like first to give you an overview of our performance during the first quarter of 2010, and then I will talk about our expectations for the year as a whole. Subsequently, our CFO, Lothar Steinebach, and I will be glad to answer your questions.

Ladies and Gentlemen,
we saw the world economy continue to recover during the first quarter of 2010, with most of the economic indicators showing an upward trend.

The forecasts for the industrial sector in Western Europe this year anticipate a further mild degree of growth. However, consumption is likely to remain sluggish.

There were positive signals emanating from the US economy with not only industry, which was already showing signs of improvement at the end of last year, but also private consumption demonstrating a degree of recovery. On the other hand, raw material prices are beginning to increase again. Consumer prices have also slightly risen, although still generally persisting at a low level.

Overall, it appears that the world economy has now returned to a degree of stability. However, the recovery is still fragile. And we are still far from the situation that we had before the crisis.



Those then are the underlying economic conditions as we currently see them.

So what sort of start to the new financial year has Henkel had under these circumstances?

Well the answer is, a very good one, with all our business sectors posting substantial increases in both sales and profits compared to the prior-year quarter. And we were also able to substantially improve on all our key financials versus Q1 2009.

To give you the details:

- Against a persistently challenging environment, Laundry & Home Care and Cosmetics/Toiletries succeeded in continuing their successful development.
- Adhesive Technologies has returned to its former robust rates of growth.
- With an EBIT margin adjusted for one-time effects amounting to 12 percent, we were able to roughly sustain the level of returns achieved in what was a very good fourth quarter of 2009.
- Sales in the growth regions once again increased double-digit.
- Net debt versus the prior-year quarter has been reduced by 1.4 billion euros, which amounts to a further reduction of 100 million euros compared to year-end 2009.
- Our major brands – Persil, Schwarzkopf and Loctite – once again made a significant contribution to the good results achieved in this first quarter.

Also reflected in these gratifying results are our efforts in adapting our structures and reducing our costs, coupled with the good progress we have made in the implementation of our strategic priorities. Which brings me to the specific figures characterizing our first quarter performance in 2010.



Group sales increased by 7.8 percent to around 3.5 billion euros. In organic terms, i.e. after adjusting for foreign exchange, acquisitions and divestments, the increase was an even more respectable 8.8 percent.

For the first time in the last four quarters, we once again achieved a substantial improvement compared to the respective prior-year period, with all our business sectors contributing to the successes achieved.

Operating profit almost doubled, increasing from 218 million euros to 422 million euros, with the substantial improvement at Adhesive Technologies particularly noticeable.

After adjusting for restructuring charges and one-time gains and charges, operating profit improved from 235 million euros to 421 million euros.

We were able to substantially increase return on sales from 6.7 to 12.0 percent.

Adjusted return on sales also rose to 12.0 percent, from 7.2 percent.

Net income for the quarter improved on the back of the EBIT rise from 121 million euros to 266 million euros.

Earnings per preferred share increased from 28 eurocents to 60 eurocents. After adjustment, it again came in at 60 eurocents compared to 31 eurocents in the prior-year quarter.

We also made substantial progress in our management of net working capital.

Compared to the previous year, the ratio of net working capital to sales improved by 4.7 percentage points, to 8.5 percent.



As already mentioned, we again enjoyed significant success in our growth regions. Sales rose by 17.2 percent to around 1.3 billion euros, with an organic improvement of 14.2 percent.

Following this above-average expansion, the share of sales accounted for by the emerging economies increased to 38 percent, a rise of 3 percentage points versus the prior-year quarter. And the significance of these regions is also likely to grow in the future. By 2012, our growth regions are expected to contribute around 45 percent of total sales.

Let me now go into the performance of our business sectors in a little more detail.

Sales of Laundry & Home Care increased by 3.5 percent to 1.05 billion euros. Despite increasing competitive pressures, organic sales growth amounted to 3.6 percent, with contributions coming from successful developments in Western Europe and North America, coupled with double-digit growth in the Africa/Middle East region.

Operating profit significantly outstripped sales, rising by 41.2 percent to 151 million euros. Included in this figure is a gain of 15 million euros arising from the sale of licensing rights.

Our successful measures introduced to reduce cost and enhance efficiency again made a considerable contribution to the improvement in earnings.

Compared to the prior-year quarter, return on sales increased by a substantial 3.8 percentage points, reaching 14.4 percent, despite a rise in our advertising spend during the same period.

Innovations such as our Persil Hygiene rinser and the successful introduction of specialty disinfection products for the markets in the Middle East and Africa also made a contribution to these encouraging results.



The share of sales accounted for by our top ten brand cluster within the Laundry & Home Care business sector underwent a further increase to a current 83 percent.

Our Cosmetics/Toiletries business sector continued unerringly along its successful growth path in the first quarter of 2010. In nominal terms, sales increased by 5.8 percent to 762 million euros. With an organic improvement in sales of 5.5 percent, we were again able to substantially exceed even the high levels of recent quarters.

Posting double-digit growth rates, the contribution made by our growth regions was considerable. However, developments in the mature markets of Western Europe also played their part.

The positive sales performance achieved was also reflected in an increase in operating profit of 10.1 percent to 100 million euros. And that means that, despite significantly higher advertising expenditures, the rise in earnings substantially outstripped that of sales.

Return on sales increased accordingly, by 0.5 percentage points to 13.1 percent.

Our market shares in Europe are higher than they have ever been. And here we have succeeded in moving from fourth place to that of the number two supplier. This success is attributable not least to the further expansion of our successful Syoss brand.

By expanding our colorant products, we have opened up a new chapter in the enduring success story of this young brand.

Our focus on developing and growing our top brands has also paid off in the Cosmetics/Toiletries business sector. Indeed, we already generate more than 90 percent of our cosmetics sales with our top ten brands in this business.



The upward trend registered at Adhesive Technologies continued unabated, supported by significant increases in volume.

Against a weak comparative quarter in the previous year, sales rose by 12.4 percent to 1.65 billion euros. In organic terms, the increase was an even more encouraging 14.5 percent.

All our business units and regions contributed to the significant increase in sales. While the emerging economies again saw above-average improvements, we were also able to substantially increase sales in the mature markets Western Europe and North America.

The fastest rate of recovery occurred in the automotive and electronics segments, together with the metal processing industries. However, these were also the markets that were most heavily impacted by the crisis last year.

There was a significant improvement in operating profit. Compared to the prior-year quarter, it almost quadrupled to 185 million euros. Return on sales likewise increased, from 3.2 percent to 11.2 percent.

We benefited from the fact that we were able to quickly and successfully adjust our operations to the rapid change in the market conditions, adapting our costs and capacities accordingly.

Innovations also played an important part in the good results achieved.

One example is that of Teroson QuickCheck, the first-ever water-borne paint simulator that imitates repair paintwork on automobiles and therefore substantially reduces the likelihood of expensive rework being needed.



And finally, we also made good progress in the integration of National Starch, progressing faster than was originally planned.

The integration process is expected to be concluded by the end of this year, and the targeted savings of 250 million euros will then become fully available from 2011.

This year we expect to benefit from savings of 225 million euros, of which 55 million euros were realized in the first quarter.

And that brings me to our guidance for full fiscal 2010.

Despite the apparent economic recovery, we still do not see any clear signs of a sustainable upturn. The markets remain very volatile.

The real economy is still showing the effects of the – in part – very substantial setbacks that occurred last year. As a consequence, competition has also increased considerably.

It remains difficult to estimate how both the overall economic situation and our markets are likely to develop. Therefore, we will continue to keep all our options open to be able to react flexibly on the economic market developments.

According to the experts, the world economy should grow by about 3 percent this year.

However, this does not mean that we can look forward to a sustained upswing or an acceleration in growth any time soon. That said, it is probable that the classic industrial segments will – compared to last year – undergo stronger growth than the consumer goods industry as the current year progresses.

So what can we expect for Henkel?



We are confident that we will again outperform our relevant markets over the full year, expecting all three of our business sectors to gain market share.

We anticipate that our consumer goods businesses, namely Laundry & Home Care and Cosmetics/Toiletries, will see a further slight improvement in adjusted EBIT.

We expect our Adhesive Technologies business sector to post a substantial increase in adjusted EBIT.

Taking Henkel as a whole, we are looking forward to reporting an appreciable improvement in income. As things look at the moment, adjusted EBIT and adjusted earnings per preferred share are likely to be more than 15 percent above the levels of 2009.

Ladies and Gentlemen,

we regard the current financial year as providing a further step-up to the achievement of our 2012 targets.

As was already mentioned on the occasion of our annual general meeting, we have set ourselves the following goals for 2010:

- We want to expand our business in the growth regions.
- We intend to strengthen our top brands.
- We want to intensify our customer relationships.
- We will be concentrating in particular on the development of our employees and strengthening our global team in order to enhance the individual performance potential of every single member of our force.
- We will continue to maintain our cost discipline coupled with ongoing optimization of our processes.
- And we are aiming to further improve our financial ratios.



Ladies and Gentlemen, that brings me to the end of my initial presentation and I thank you for your attention.

Lothar Steinebach and I are now ready to take your questions.

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