



**Statement by Kasper Rorsted
Chairman of the Management Board
Conference-Call
August 4, 2010, 10.00 a.m.**

Ladies and Gentlemen,

Welcome to today's telephone conference.

I would like to begin by giving you an overview of our business performance in the second quarter of 2010 and will then speak about our expectations for the full fiscal year. Following that, our CFO Lothar Steinebach, and I will gladly answer your questions.

Ladies and Gentlemen,

The world economy continued along the road to recovery during the second quarter of 2010. Most of the economic indicators show an upward trend and growth in global gross domestic product has further accelerated.

However, most of the recovery that we are seeing is in the industrial sector. Developments with respect to consumption are rather more sluggish, particularly in Europe.

The trend of rising raw material costs has continued. Consumer prices have also risen slightly, although still persisting at a generally low level.

Overall, the world economy has now stabilized. Nevertheless, we still have not reached the level of activity that we had prior to the crisis.

Those, then, are the underlying economic conditions within which we have been operating.



So how did Henkel perform against this background in the second quarter of 2010?

Following a good start to fiscal 2010, we were able to continue the successful development of our businesses in the second quarter and substantially increase sales and profits.

Our Adhesive Technologies and Cosmetics/Toiletries business sectors were particularly instrumental in this achievement.

Looking at the regional analysis of our performance, we were able to increase sales once again in the double-digit range in the growth regions of importance to us. Here we achieved for the first time a share of sales of now 41 percent.

Our focus on strengthening our top brands and our innovative capability also brought further positive results in the second quarter, with our upward development being again substantially supported by the growth of our strong brands and by successful innovations.

However, our ongoing focus on more efficient structures and a strict cost management approach, coupled with progress in the implementation of our strategic priorities, also made an important contribution to the strong results achieved.

So let me now speak about specific figures relating to our second quarter of 2010.

Group sales rose double-digit by 11.6 percent to around 3.9 billion euros. Organically, that is to say after adjusting for acquisitions, divestments and foreign exchange effects, the rise was 6.8 percent.

Following strong organic sales growth in the first quarter of 2010, this constituted a further significant increase compared to the prior-year quarter.



Operating profit improved by over 50 percent, rising from 279 million euros to 421 million euros, with the increase posted by Adhesive Technologies making a particularly significant contribution.

After adjusting for restructuring charges and one-time gains and charges, operating profit improved from 308 million euros to 476 million euros.

We were able to substantially increase return on sales from 8.0 to 10.8 percent, while the adjusted figure actually rose from 8.7 percent to 12.2 percent. As a result, we achieved a level of 12 percent or more for the third time in a row.

Due particularly to the rise in EBIT, but also to an improved financial result, net earnings for the quarter improved by almost 90 percent, increasing from 150 million euros to 280 million euros.

Earnings per preferred share rose substantially, from 33 cents to 63 cents. After adjustment, it almost doubled to 73 cents against 37 cents in the prior-year quarter.

We were also able to make good progress in our management of net working capital. Compared to the prior-year period, the ratio of net working capital to sales improved by 3.0 percentage points to 8.7 percent.

Again in the second quarter, our business activities in our growth regions continued to develop very successfully, with sales rising by 21.4 percent to around 1.6 billion euros. Compared to the prior-year quarter, organic growth came in at 11.6 percent, keeping the rate of increase in the double-digit range, and the importance of these regions will continue to rise in the future. We are well on track to increasing the share of total group sales accounted for by our growth regions to 45 percent by 2012.

Let me now deal in more detail with the performance of our three business sectors.



Laundry & Home Care saw sales rise by 2.7 percent to some 1.1 billion euros, reflecting a positive increase in volumes.

However, due to intensified promotional and price competition, the organic figure was below the equivalent for the prior-year quarter.

The heavy price pressures were encountered primarily in the laundry products business, while our home care activities continued to develop positively.

In our growth regions, the fastest organic growth was registered in Africa/Middle East with double-digit rates of increase.

Operating profit in this business sector increased by a substantial 15.4 percent to 137 million euros, thanks mainly to our success in offsetting the increase in material prices through further cost savings in procurement and production.

Return on sales increased accordingly versus prior-year, by 1.4 percentage points to 12.6 percent.

Successful innovations such as the new household cleaner DAC Disinfectant, developed for markets in North Africa and the Middle East, and also our four-component toilet rinser Bref Power Active contributed to these gratifying results.

Despite high prior-year figures, the Cosmetics/Toiletries business sector achieved organic sales growth of 5.0 percent, increasing sales to 865 million euros.

Hence, the business sector had again grown significantly faster than its relevant markets, continuing the very successful trend of recent quarters and achieving again record market shares.



The sustained success achieved was driven in particular by the growth regions of Asia, Africa/Middle East, Latin America and Eastern Europe, where we once again achieved double-digit growth rates.

While developments in North America declined slightly, sales in Western Europe rose significantly. And worthy of particular mention is the strong increase in sales generated in Germany.

This positive sales performance is also reflected in an increase in operating profit. Despite considerably higher advertising investments, this rose by a substantial 12.4 percent to 112 million euros. As a result, Q2 2010 was the best second quarter of all time in terms of profits for the Cosmetics/Toiletries business sector.

Return on sales increased by 0.3 percentage points to 13.0 percent.

The very strong growth achieved is also attributable to the resolute pursuit of our innovation offensive.

Examples worth mentioning are Gliss Shea Cashmere and the successful roll-out of the Right Guard brand. In our Hair Salon business, we created new momentum with the relaunch of our styling brand Osis.

Our Adhesive Technologies business sector saw the exceptionally positive performance of the first quarter continue through the second quarter. Compared to the weak prior-year quarter sales increased substantially, by 19.5 percent to around 1.9 billion euros, while in organic terms sales increased by 13.6 percent.

All the businesses and regions made a contribution to this increase, with our businesses in the growth regions once again performing above average. Nevertheless, growth in the mature markets of Western Europe and North America was also in the double-digit percentage range.



Despite material price increases, operating profit more than doubled compared to the prior-year quarter, coming in at 222 million euros. Adjusted operating profit amounted to 255 million euros. Reflected in this development are both the improved market development and the improved cost structure.

In the year-on-year comparison, return on sales rose significantly, by 5.8 percentage points to 11.8 percent.

Adjusted return on sales improved by 6.3 percentage points and, at 13.5 percent, achieved a new record high.

In the Adhesive Technologies business sector too, innovations again made an important contribution to the good performance achieved. Examples include Hysol Die Attach Film for computer chip bonding and Terocore 1811, a new structural foam for automotive construction.

We made further good progress in the integration of the National Starch businesses, advancing more quickly than was originally planned.

The integration process is scheduled for completion at the end of this year. The targeted savings of 250 million euros will then be fully available from 2011.

This year, we expect savings to amount to 225 million euros. Of this total, we achieved 60 million euros in the second quarter of 2010, and 115 million euros in the first half of this year.

We are constantly working on simplifying our structures and accelerating our processes in all areas of the company. This applies as much to our product and brands portfolio as it does to our internal operations.

As part of this drive, we are currently focusing on further expanding our shared service organization. In addition to leveraging cost advantages and improvements in



the management and control of the associated processes, we are also determined to establish more simplified, standardized, transparent procedures.

Another key issue for us is that of sustainability. We are convinced that focusing on long-term and sustainable development is integral to our responsibilities as a company, and that sustainable development contributes to creating value enhancement for our company over the long-term.

We can see that this issue is also becoming increasingly important as a decision-making criterion for our customers. So we are proud that, at the beginning of June and for the second year running, Henkel received the “Walmart Sustainability Award” from the US retailer.

Further accolades such as the “best brands award” in the Sustainability category, or our inclusion in the list of the “World’s Most Ethical Companies” for the third year in a row, serve to both inspire and oblige us to further intensify our activities in this domain.

Ladies and Gentlemen,

This brings me to our outlook for full fiscal 2010.

The world economy appears to be on the road to recovery, although it remains difficult to reliably predict the overall economic situation and the developmental direction of our markets.

While it seems likely that the classic industrial sectors will grow more strongly than the consumer goods industry this year compared to the previous year, it is still uncertain as to how sustainable the apparent recovery really will be.

The – in some cases – significant declines of the past year are still having an impact on the real economy, with the result that competition has considerably intensified.



Against this background, it remains important for us that we keep all our options open so that we can respond flexibly as our markets develop.

Our guidance for the current year is based on the premise that the world economy will experience growth in the region of 3.5 percent in 2010.

We are confident that, looking at the year as a whole, our sales will again grow faster organically than the markets of relevance for us. This implies that we intend to gain further market share in all three of our business sectors.

Our expectation for our consumer businesses Laundry & Home Care and Cosmetics/Toiletries is for an improvement in adjusted EBIT. We anticipate that our Adhesive Technologies business sector will register a significant increase in adjusted EBIT.

We expect Henkel as a whole to post an appreciable improvement in earnings. Adjusted EBIT and adjusted earnings per preferred share should, as things stand today, end the year more than 25 percent above the levels of 2009.

Ladies and Gentlemen,

Allow me to conclude by summarizing the main points:

- After a strong first quarter, we have achieved another excellent quarter.
- We have achieved solid organic sales growth.
- Both operating profit and EBIT margin have developed very well.
- With a share of total sales of 41 percent achieved in our growth regions, we have exceeded for the first time the 40 percent mark.
- We have made further progress in the pursuit of our strategic priorities and worked on improving our structures.
- Consequently, we regard the current financial year as a further major step on the way to achieving our 2012 targets.



And with that, I thank you for your attention.

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

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