

Henkel

A Brand Like a friend

Q3/2008

Dr. Lothar Steinebach, CFO

Analyst & Investor Meeting

London, November 6, 2008

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Highlights Q3/2008

Key Financials



- **Strong sales growth of 12.0 percent**
- **Growth regions: sales plus 24.1 percent**
- **Organic sales growth: 3.5 percent**
- **Adjusted operating profit (EBIT): plus 6.3 percent**
- **Adjusted earnings per preferred share: plus 3.5 percent**

➔ Solid Performance in a Challenging Environment

Highlights Q3/2008

Key Facts



- **Double-digit sales growth in emerging markets: 13.5% organic**
- **Growth regions: increase to 39 percent of total sales**
- **Slowing growth in NA, WE declining**
- **NWC in % of sales improved by 110 bp to 12.8%**
- **Net debt decreased by 108 mill. Euros vs Q2**
- **Additional cost chase measures initiated**

Agenda



1. Sales and EBIT Performance

2. Financials

3. Update on Global Excellence / National Starch

4. Updated Outlook 2008

Sales Growth by Business Sector Q3/2008 vs. Q3/2007



in %	Total	FX adjusted	Organic	thereof: Price / Volume
Laundry & Home Care	1.4	3.5	3.4	4.5 / -1.1
Personal Care	0.3	3.3	3.4	0.7 / 2.7
Adhesive Technologies	26.2	31.8	3.6	4.7 / -1.1
Total Henkel	12.0	15.8	3.5	3.6 / -0.1

Sales Growth by Business Sector Q3/2008 vs. Q3/2007



in %	Total	FX adjusted	Organic	thereof: Price / Volume
Laundry & Home Care	1.4	3.5	3.4	4.5 / -1.1
Personal Care	26.2	9.8	3.6	7 / 2.7
Adhesive Technologies	26.2	9.8	3.6	4.7 / -1.1
Total Henkel	12.0	15.8	3.5	3.6 / -0.1

**Price driven growth:
Q1: 2.0%; Q2: 2.6%; Q3: 3.6%**

Sales Growth by Business Sector Q3/2008 vs. Q3/2007



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in %	Total	FX adjusted	Organic	thereof: Price / Volume
Laundry & Home Care	1.4	3.5	3.4	4.5 / -1.1
Personal Care				0.7 / 2.7
Adhesive T				0.7 / -1.1
Total Henkel			3.5	3.6 / -0.1

- Successful implementation of price increases
- Ongoing strong growth in emerging markets

Sales Growth by Business Sector Q3/2008 vs. Q3/2007



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in %	Total	FX adjusted	Organic	thereof: Price / Volume
Laundry & Home Care	1.4	3.5	3.4	4.5 / -1.1
Personal Care	0.3	3.3	3.4	0.7 / 2.7
Adhesive Technol				4.7 / -1.1
Total Henkel				2.6 / -0.1

▪ Hair and body as growth drivers
 ▪ Continuing strong growth in emerging markets and North America

Sales Growth by Business Sector Q3/2008 vs. Q3/2007



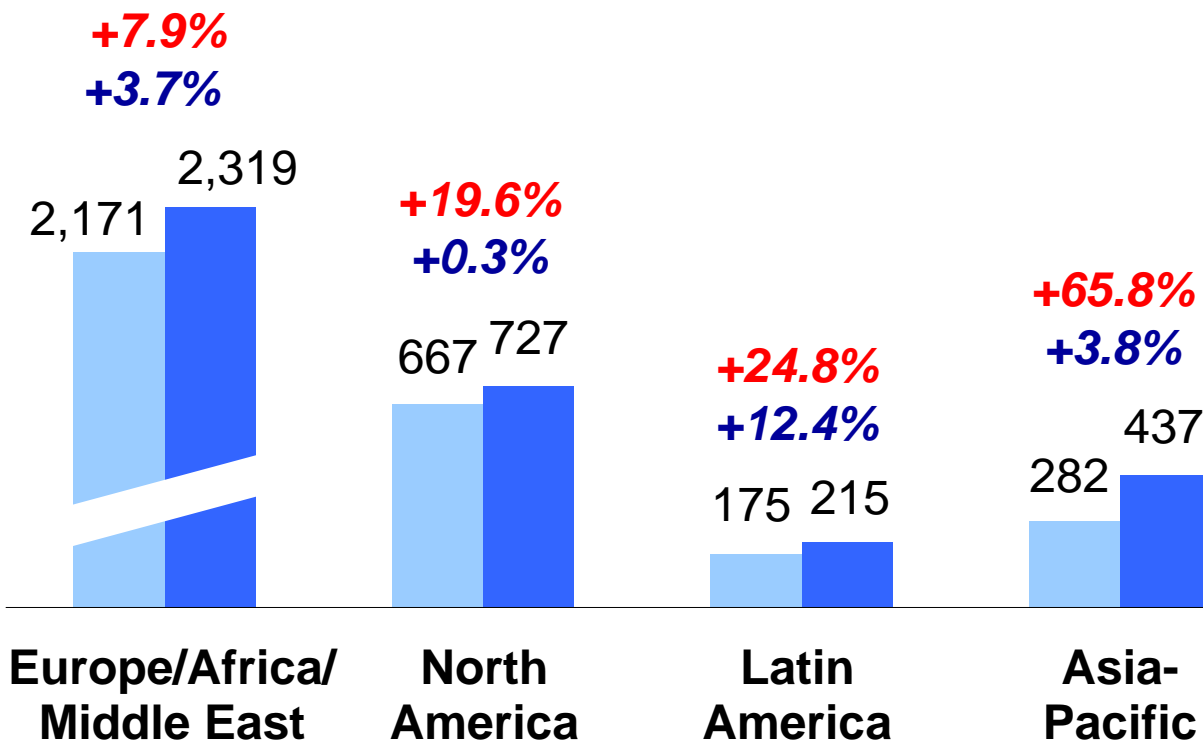
in %		FX	Organic	thereof: Price / Volume
Laundry				5 / -1.1
Personal Care				0.7 / 2.7
Adhesive Technologies	26.2	31.8	3.6	4.7 / -1.1
Total Henkel	12.0	15.8	3.5	3.6 / -0.1

- Industrial business weakening
- Building with robust growth
- Emerging markets strong, North America and Western Europe weaker

Sales Growth by Region Q3/2008 vs. Q3/2007*



in mill. €



* *adj. for foreign exchange / organic*

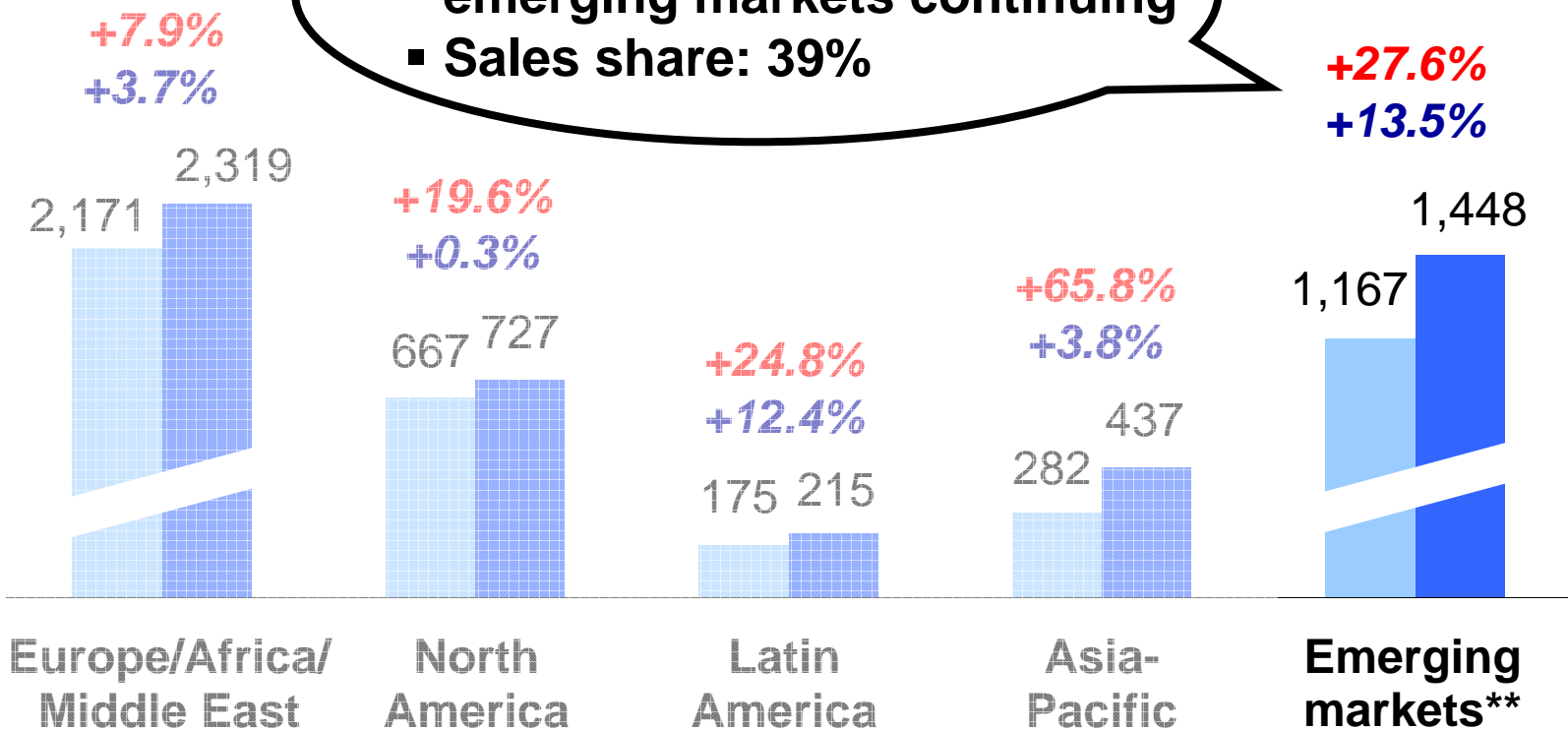
** *Eastern Europe, Middle East/Africa, Latin America, Asia excl. Japan*

Sales Growth by Region Q3/2008 vs. Q3/2007*



in mill. €

▪ Double-digit growth in emerging markets continuing
▪ Sales share: 39%



* adj. for foreign exchange / organic

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

EBIT Growth by Business Sector

Q3/2008 vs. Q3/2007



	in mill. €	EBIT		EBIT margin	
		Change in %	Change w/o FX in %	in %	Change in bp
Laundry & Home Care	117	-6.4	-4.5	11.0	-90
Personal Care	96	0.7	4.1	12.5	0
Adhesive Technologies	169	2.9	8.1	9.1	-200
Total Henkel	191	-46.8	-44.8	5.1	-560

EBIT Growth by Business Sector

Q3/2008 vs. Q3/2007



		EBIT		EBIT margin	
	in mill. €	Change in %	Change w/o FX in %	in %	Change in bp
Laundry & Home Care	117	-6.4	-4.5	11.0	-90
Personal Care				4.5	0
Adhesive T					-200
Total Henkel	191	-46.6	-44.8	5.1	-560

- Significant raw material cost increase not fully offset
- But: 160 bp improvement vs Q2/08

EBIT Growth by Business Sector

Q3/2008 vs. Q3/2007



	EBIT			EBIT margin	
	in mill. €	Change in %	Change w/o FX in %	in %	Change in bp
Laundry & Home Care				11.0	-90
Personal Care					0
Adhesive Technologies	109	2.9	8.1	9.1	-200
Total Henkel	191	-46.8	-44.8	5.1	-560

▪ Significant raw material cost increase not fully offset
 ▪ Integration cost of 19 mill. € (100bp)

EBIT Margin Impact R&D Expenses

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EBIT margin	Q3/2008 as reported in %	Change in bp	w/o R&D in %
Laundry & Home Care	11.0	30bp	11.3
Personal Care	12.5	20bp	12.7
Adhesive Technologies	9.1	10bp	9.2
Total BU	10.3	20bp	10.5

Adjusted Earnings

Q3/2008 vs. Q3/2007



in mill. €	Q3/2007	Q3/2008	Change in %
Reported EBIT	359	191	-46.8
One-time charges	-	19	
Normal restructuring charges	9	4	
Extraordinary restructuring charges	-	177	
Adjusted EBIT	368	391	6.3
Adjusted EBIT margin (in %)	11.0	10.4	-60 bp
Adjusted net earnings after min.	245	251	2.4
Adjusted EPS (in €)	0.57	0.59	3.5

Adjusted Earnings

Q3/2008 vs. Q3/2007



in mill. €	Q3/2007	Q3/2008	Change in %
Reported EBIT	250	191	-46.8
One-time	<ul style="list-style-type: none"> ▪ Global Excellence 168 mill. € ▪ National Starch 9 mill. € 		
Normal restructuring charges		4	
Extraordinary restructuring charges	-	177	
Adjusted EBIT	368	391	6.3
Adjusted EBIT margin (in %)	11.0	10.4	-60 bp
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Income Statement

Sales to Gross Profit

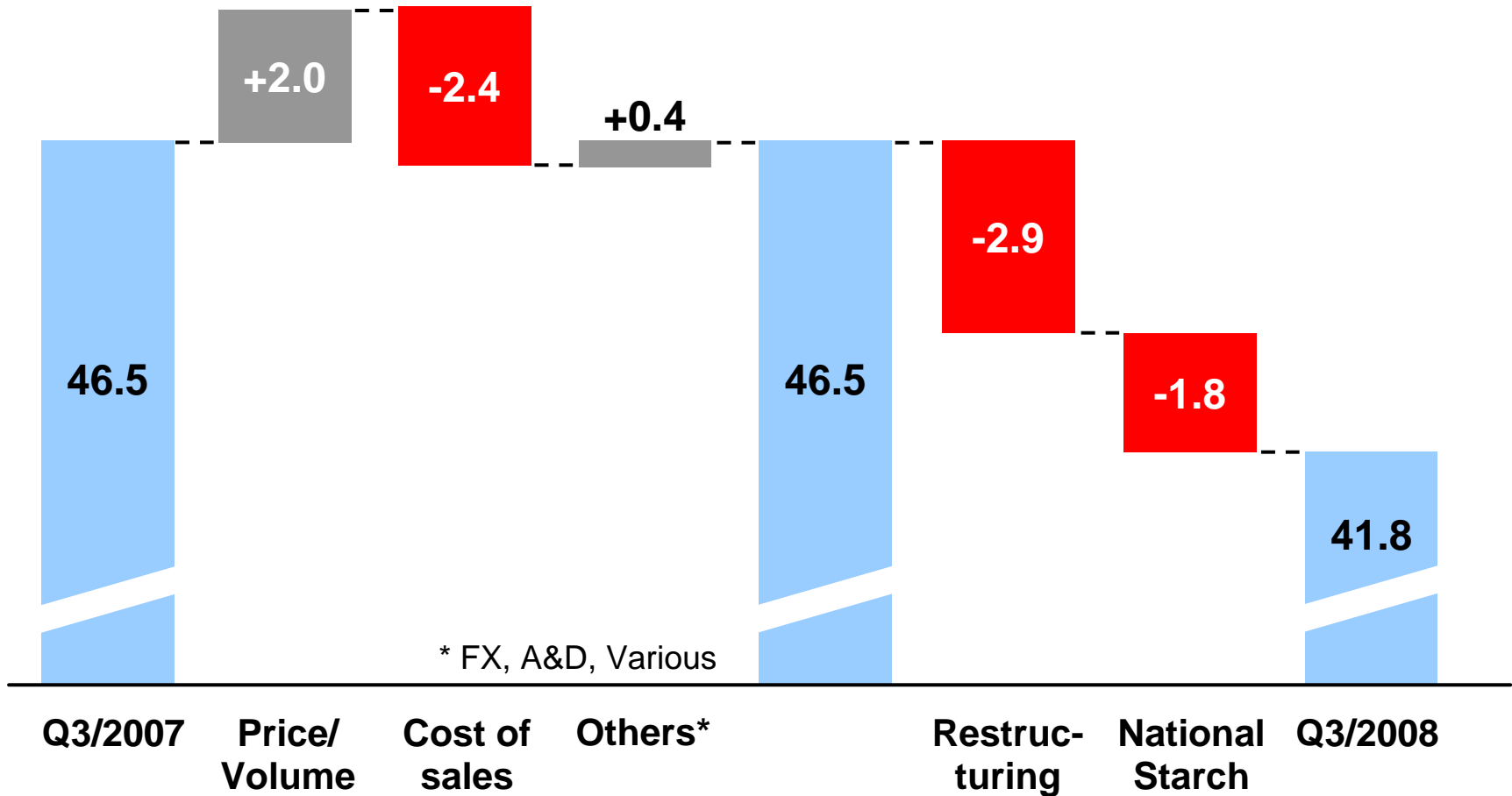


in mill. €	Q3/2007	Q3/2008	Change in %
Sales	3,358	3,760	12.0
Cost of sales	-1,797	-2,188	21.8
Gross profit	1,561	1,572	0.7
Gross margin (in %)	46.5	41.8	-470 bp

Gross Margin Development



in %



→ Price increases of >120 mill. € for direct materials (incl. NSC)

Restructuring Charges by Cost Line



in mill. €	Q3/2007	Q3/2008
Cost of sales	4	98
Marketing, selling & distribution exp.	-	17
Research & development expenses	-	45
Administrative expenses	5	21
Total	9	181

Income Statement adj. for Restructuring Gross Profit to Adjusted EBIT



in mill. €	Q3/2007	Q3/2008	Change in %
Sales	3,358	3,760	12.0
Cost of sales	-1,793	-2,090	16.6
Gross profit	1,565	1,670	6.7
Marketing, selling & distribution exp.	-963	-1,022	6.1
Research & development expenses	-87	-104	19.5
Administrative expenses	-151	-193	27.8
Net other operating income/charges	4	21	>100
Adjustment one-time gains/charges	0	19	
Adjusted EBIT	368	391	6.3

Income Statement adj. for Restructuring Gross Profit to Adjusted EBIT



in mill. €	Q3/2007	Q3/2008	Change in %
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Gross profit	1,565	1,670	6.7
Marketing, selling & distribution exp.	-963	-1,022	6.1
Research & development expenses	-87	-104	19.5
Administrative expenses	-114	-148	27.8
Net other	-10	-10	>100
Adjustment one time	-19	-19	
Adjusted EBIT	368	391	6.3

Mainly National Starch with higher R&D ratio (3.1%)

Income Statement adj. for Restructuring Gross Profit to Adjusted EBIT



in mill. €	Q3/2007	Q3/2008	Change in %
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Cost of sales	-1,793	-2,090	16.6
Gross profit	1,565	1,670	6.7
Marketing, selling & distribution exp.	-963	-1,022	6.1
Research & development expenses	-87	-104	19.5
Administrative expenses	-151	-193	27.8
Net other			>100
Mainly National Starch business			
Adjustment one-time gains/charges	0	19	
Adjusted EBIT	368	391	6.3

Income Statement

EBIT to Net Earnings



in mill. €	Q3/2007	Q3/2008	Change in %
EBIT (reported)	359	191	-46.8
Financial result	-22	-48	>100
Earnings before tax	337	143	-57.6
Taxes on income	-92	-36	-60.9
<i>Tax rate (in %)</i>	27.3	25.2	-210 bp
Net earnings after minority interests	238	101	-57.6
EPS pref. (in €)	0.55	0.23	-58.2

Income Statement Financial Items



in mill. €	Q3/2007	Q3/2008	Change (%)
Financial result	-22	-48	>-100
Investment result	22	24	9.1
Net interest	-44	-72	63.6

Increased financial debt

Cash Flow Statement

Cash Flow from Operating Activities



in mill. €	1-9/2007	1-9/2008
EBIT	1,021	624
Income taxes paid	-200	-247
Depreciation of non-current assets	256	369
Net gains on disposals of non-current assets	-8	-6
Change in net working capital	-236	-244
Change in other receivables, liabilities & provisions	-57	116
Cash flow from operating activities	776	612

Cash Flow Statement

Cash Flow from Operating Activities



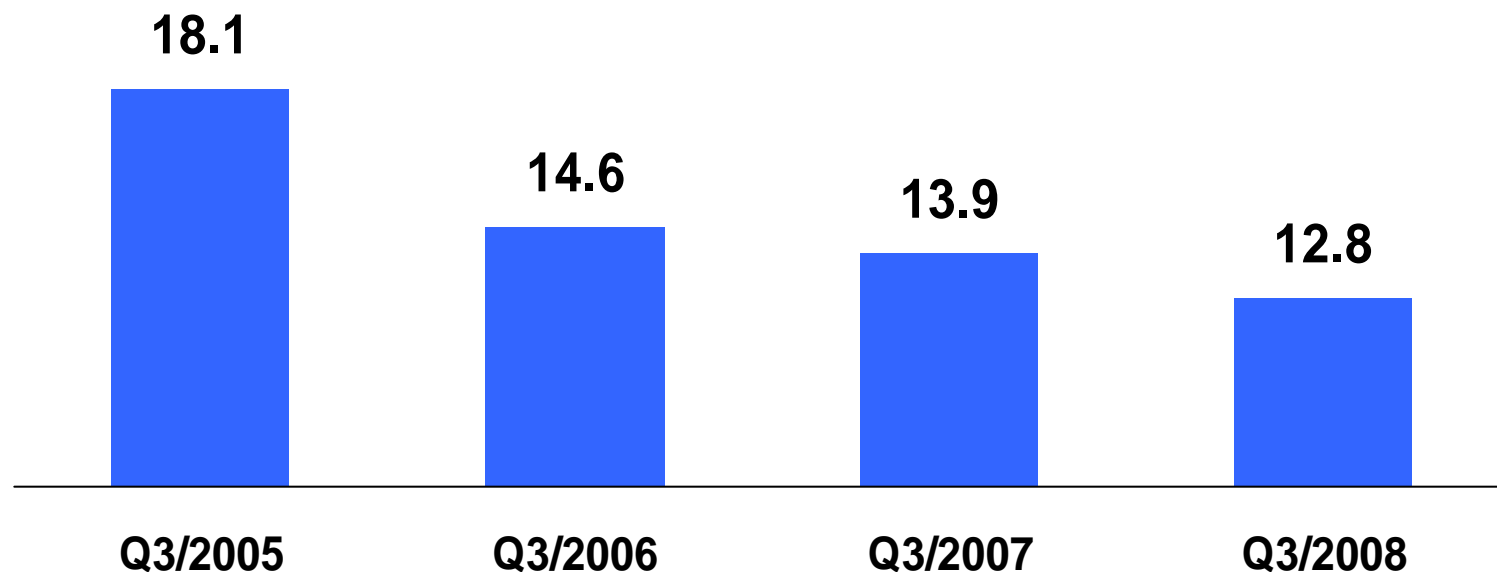
in mill. €	1-9/2007	1-9/2008
EBIT	1,021	624
Income taxes paid	-200	-247
Depreciation of non-current assets	256	369
Net gains on the sale of non-current assets		-6
Change in net working capital	255	-128
Cash flow from operating activities	776	612

- **Global excellence depreciation**

Development of Net Working Capital



NWC*/sales ratio in %

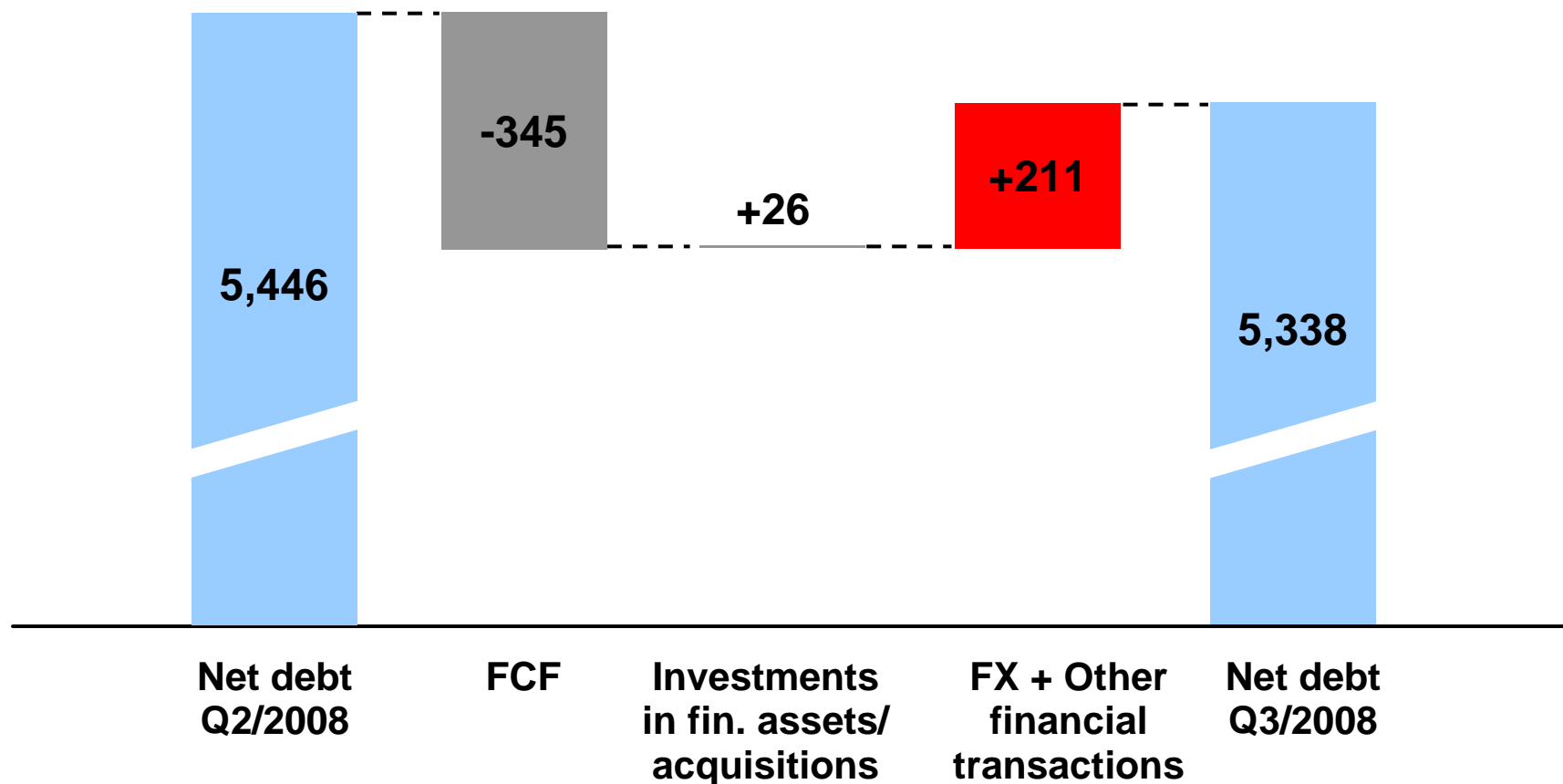


* inventories + trade accounts receivable ./ trade accounts payable

Net Debt Development Q3 vs. Q2/2008



in mill. €



Debt Structure and Maturity



	in mill. €	maturity
Hybrid Bond	1,300	2104
Bond	1,000	2013
Bridge Loan	1,600	2010
Commercial Paper	950	<3 month*
Bank + Other Loans	1,180	<12 month
Total	~ 6,000	

→ No immediate refinancing need (cash status: 653 mill. €)

* Back-up facility 2.1 bn Euro

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Global Excellence



- **Already 395 mill. € restructurings booked**
- **Total charge of ~ 500 mill. € in 2008**
- **Savings of 30 mill. € in 2008 confirmed (Q3: 8 mill. €)**

➔ Implementation on track

National Starch Acquisition



- **Already 32 mill. € restructurings booked**
- **Restructuring charges / one time charges of ~ 250 mill. € booked in 2008**
- **Savings of 20 mill. € in 2008 confirmed (Q3: 7 mill. €)**

➔ Integration process well underway

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Current Trading Conditions



- **Slowing markets in North America and Western Europe**
- **Emerging Markets with further expansion**
- **Consumer spending stable, industry output weakening**
- **Direct material cost increases: peaked in Q3, stabilizing at high single digit for full year**
- **Stronger US-Dollar**

➔ Overall environment remains challenging

Updated Outlook 2008*

incl. 9 Months National Starch



in mill. €	Basis 2007	Updated Outlook 2008
Sales Henkel	13,074	3-5% OSG
Reported EBIT Henkel	1,344	
One-time gains	-8	
One-time charges	-	
Restructuring charges	34	770-780
Adjusted EBIT Henkel	1,370	Around 10%
Adjusted EPS Henkel (in €)	2.19	low single-digit

* Pre potential Ecolab sale, PPA, tax implications

Looking Ahead to a Strong Finish



- **Organic sales growth driven by emerging markets and price increases**
- **Business performance:**
 - Laundry & Home Care catching up
 - Personal Care on track
 - Adhesive Technologies challenging
- **Adjusted EBIT growth in Q4 driven by**
 - One additional quarter of National Starch
 - Higher impact from own price increases
 - Savings of 35 mill. € from Global Excellence and National Starch
 - Savings of 25 mill. € from additional cost chase measures

**Henkel is a leader with brands and technologies
that make people's lives
easier, better and more beautiful.**

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