

# Q2 2012

# Analyst & Investor Conference Call

Kasper Rorsted, CEO

Carsten Knobel, CFO

Düsseldorf, August 1, 2012



# 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



## Key Developments Q2 2012



## Financials Q2 2012



## Outlook FY 2012

## 2012 Well on Track

	Q1/2012	Q2/2012	H1/2012	Guidance FY 2012
Organic sales growth	4.7%	4.0%	4.3%	3-5 %
Adjusted EBIT margin	13.7%	14.5%	14.1%	14%
Adjusted EPS growth	19.2%	22.8%	21.1%	~15%

# Key Developments Q2/2012

Henkel



- Significant increase in gross margin
- Adj. EBIT margin at 14.5%
- Emerging Markets very strong, Eastern Europe with reinforced growth momentum
- Net working capital further improved
- Portfolio further optimized



- Further intensified headwind in Southern Europe
- Electronic Adhesives sales development remaining negative
- Growth in Latin America slowing

# Key Developments Q2/2012

## Laundry & Home Care

- Strong organic sales growth
- Adj. EBIT margin strongly increased
- Double-digit growth in Emerging Markets, supported by Mature Markets
- Further market share gains
- Key innovation: Bref “Power Aktiv“ with Chlorine Power Balls

**Persil**

**Purex**

**Dixan**

**› Strong sales & earnings performance**



# Key Developments Q2/2012

## Cosmetics/Toiletries

- Solid organic sales growth
- Adj. EBIT margin further improved
- Emerging Markets with very strong growth, Mature Markets flat
- Further market share gains
- Key innovation: Right Guard Cooling



**syoss**

**> Continued strong profitable growth**

# Key Developments Q2/2012

## Adhesive Technologies

- Solid organic sales growth
- Adj. EBIT margin strongly increased
- Strong growth in Emerging Markets, supported by North America
- Electronic Adhesives sales growth negative
- Further market share gains
- Key innovation: Liofol laminating adhesive without free isocyanates

**LOCTITE**

**Teroson**

**technomelt**

**› Solid sales growth & strong increase in profitability**



# Innovations as Drivers of Revenue & Margin Enhancements



**Bref “Power Aktiv” with Chlorine Power Balls**



**Right Guard Cooling**



**Liofol LA-1640 21 Laminating Adhesive**

# Continuous Portfolio Optimization

## Non-core brand & business divestments & disposals

- Exits from selected lower profit businesses in Adhesive Technologies
- Divestment of non-core US brands in Cosmetics/Toiletries

## Additions & extensions to existing portfolio

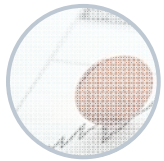
- Acquisition of industrial high-performance pressure sensitive adhesives from Cytec Industries, USA

## Key Financials Q2/2012

	Q2/2011	Q2/2012	Change
<b>Sales (m€) (OSG in %)</b>	3,953	4,206	+ 6.4% (+ 4.0%)
<b>Adjusted gross margin (%)</b>	46.1	47.6	+150bp
<b>Adjusted EBIT (m€)</b>	514	609	+18.6%
<b>Adjusted EBIT margin (%)</b>	13.0	14.5	+150bp
<b>Adj. EPS per pref. share</b>	0.79	0.97	+22.8%
<b>NWC / sales (%)</b>	8.4	7.5	-90bp

**> Well on track for reaching FY 2012 guidance**

# Agenda



Key Developments Q2 2012



**Financials Q2 2012**



Outlook FY 2012

# Sales Growth by Business Sector

Q2/2012 vs. Q2/2011

in %	Total	FX Impact	Organic	Thereof Price/ Volume*
<b>Laundry &amp; Home Care</b>	6.6	2.2	5.1	3.9 / 1.2
<b>Cosmetics/ Toiletries</b>	4.5	3.1	2.8	2.5 / 0.3
<b>Adhesive Technologies</b>	6.9	4.3	3.6	4.1 / -0.5
<b>Total Henkel</b>	<b>6.4</b>	<b>3.5</b>	<b>4.0</b>	<b>3.7 / 0.3</b>

\* new product launches included in price for L&HC and C/T and in volume for Adhesive Technologies

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- All regions contributing, with double-digit growth in Emerging Markets, Western Europe and North America positive
- Laundry with solid growth, Home Care strong

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Total Henkel	6.4	3.5	4.0	3.7 / 0.3

- All regions contributing, with strongest growth in Emerging Markets – esp. China; Western Europe and North America positive
- Retail with solid growth, Hair Salon flat

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- Strong growth in Emerging Markets, driven by Africa/Middle East and Eastern Europe, North America strong, Asia impacted by selected business exits
- Transport & Metal with strongest growth, Electronic Adhesives negative

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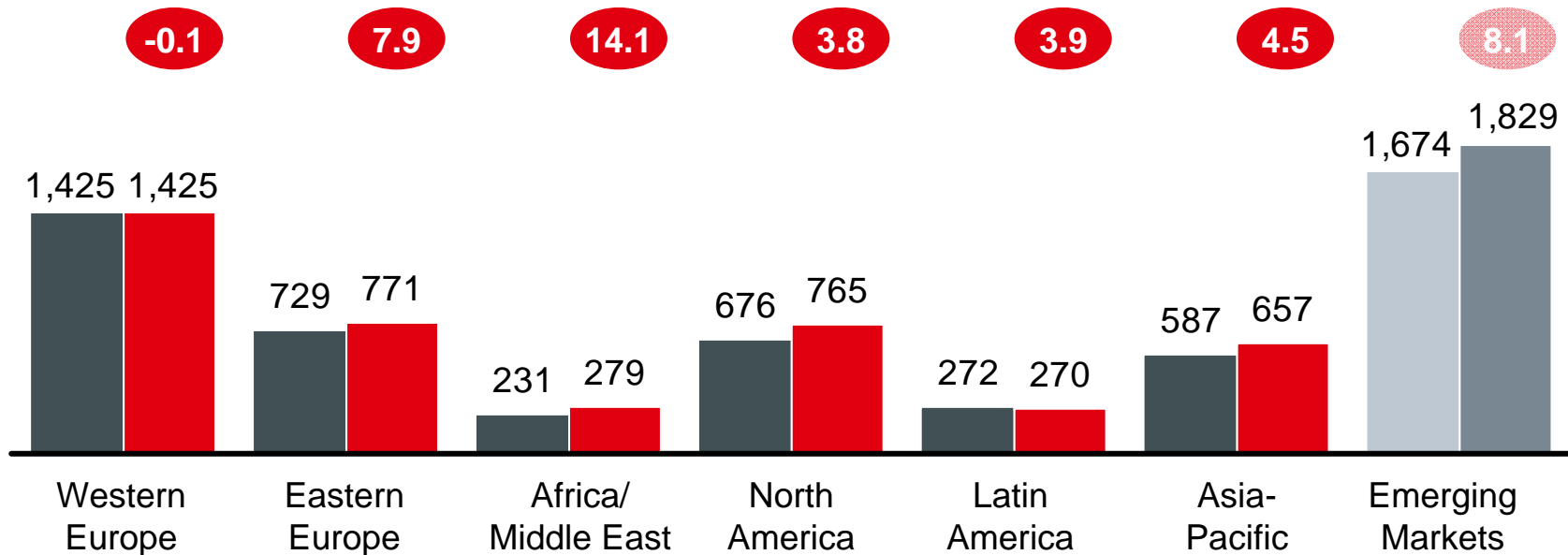
- Positive FX impact of 3.5% mainly from US Dollar, Chinese Renminbi and Japanese Yen
- Acquisitions/divestments accounting for -1.1%

\* new product launches included in price for L&HC and C/T and in volume for Adhesive Technologies

# Sales Growth by Region

Q2/2012 vs. Q2/2011

XX Organic, percent

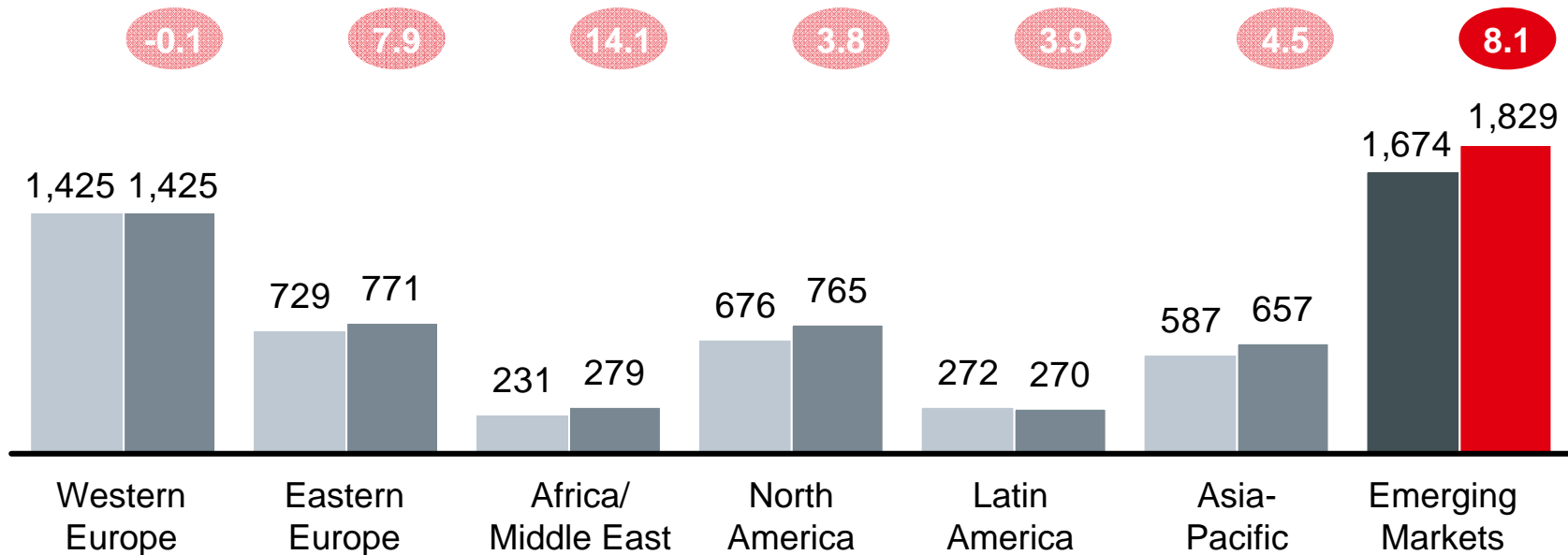


- Western Europe flat (34% sales share), increasing weakness in Southern Europe
- North America with solid growth in a sluggish consumer climate
- Asia-Pacific with double-digit contribution from Cosmetics/Toiletries

# Sales Growth by Region

Q2/2012 vs. Q2/2011

XX Organic, percent



- Emerging Markets sales share increased to 43%
- All businesses very strong, Laundry & Home Care with strongest growth
- Latin America below expectations
- Russia with double-digit growth supported by all businesses, China strong

# Adjusted EBIT by Business Sector

Q2/2012 vs. Q2/2011

	Adjusted EBIT		Adjusted EBIT margin	
	in m€	Change in %	in %	Change in bp
<b>Laundry &amp; Home Care</b>	167	+19.5	14.5	+150
<b>Cosmetics/ Toiletries</b>	133	+7.1	14.4	+30
<b>Adhesive Technologies</b>	330	+18.7	15.7	+150
<b>Total Henkel</b>	<b>609</b>	<b>+18.6</b>	<b>14.5</b>	<b>+150</b>

- Impact from higher input costs counteracted by pricing and innovation
- Portfolio focus shifting towards higher margin segments
- Ongoing cost and efficiency measures contributing

# Income Statement Adjusted

## Sales to Gross Profit

in m€	Q2/2011	Q2/2012	Change in %
<b>Sales</b>	<b>3,953</b>	<b>4,206</b>	<b>+6.4</b>
Cost of sales	-2,132	-2,203	+3.3
<b>Gross profit</b>	<b>1,821</b>	<b>2,003</b>	<b>+10.0</b>
<b>Gross margin (in%)</b>	<b>46.1</b>	<b>47.6</b>	<b>+150bp</b>

# Income Statement Adjusted

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- Significant increase in gross margin despite negative impact of 200bp from COGS
- Disciplined execution of countermeasures
- Remaining vigilant on development of raw material prices

# Income Statement Adjusted

## Sales to Adjusted EBIT

in m€	Q2/2011	Q2/2012	Q2/2012 in %	Change in bp
<b>Sales</b>	<b>3,953</b>	<b>4,206</b>	<b>100.0</b>	
Cost of sales	-2,132	-2,203	-52.4	
<b>Gross profit</b>	<b>1,821</b>	<b>2,003</b>	<b>47.6</b>	
Marketing, selling & distrib. exp.	-1,047	-1,107	-26.3	-20
Research & development exp.	-103	-104	-2.5	
Administrative expenses	-186	-184	-4.4	-30
Net other op. income/charges	29	1	0.1	
<b>Adjusted EBIT</b>	<b>514</b>	<b>609</b>	<b>14.5</b>	<b>+150</b>

# Income Statement Adjusted

## Sales to Adjusted EBIT

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Net other op. income/charges				
<b>Adjusted EBIT</b>				

- Marketing expenses in relation to sales increasing, relation for selling & distribution expenses decreasing



# Income Statement Adjusted

## Sales to Adjusted EBIT

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- Expansion of shared services and high cost discipline supporting lower cost base

# Reported to Adjusted EBIT

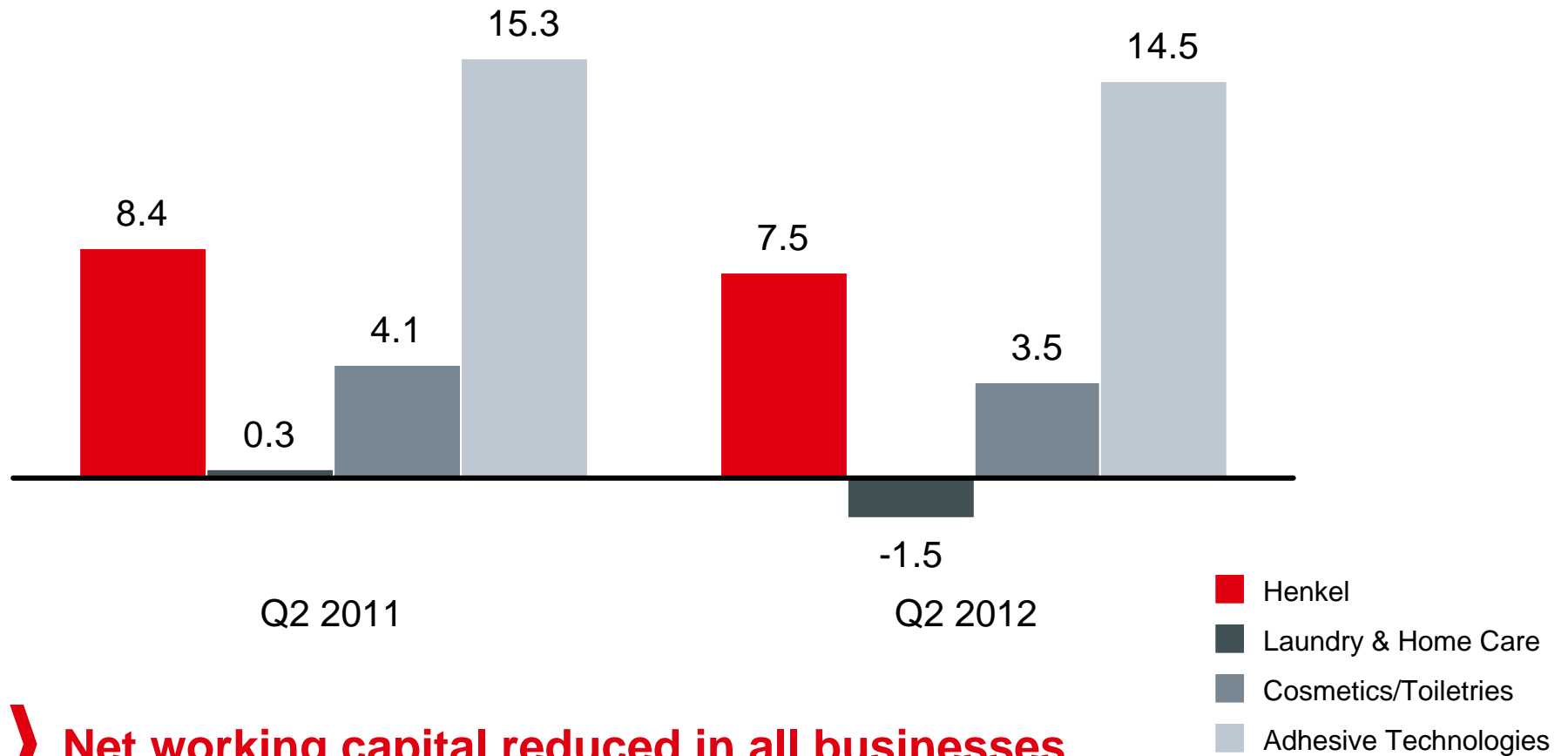
Q2/2012 vs. Q2/2011

in m€	Q2/2011	Q2/2012	Change in %
<b>EBIT (as reported)</b>	<b>537</b>	<b>583</b>	<b>+8.5</b>
One-time gains	-57	0	
One-time charges	0	0	
Restructuring charges	34	26	
<b>Adjusted EBIT</b>	<b>514</b>	<b>609</b>	<b>+18.6</b>

**> Continuous adaptation of structures to market**

# Development of Net Working Capital\*

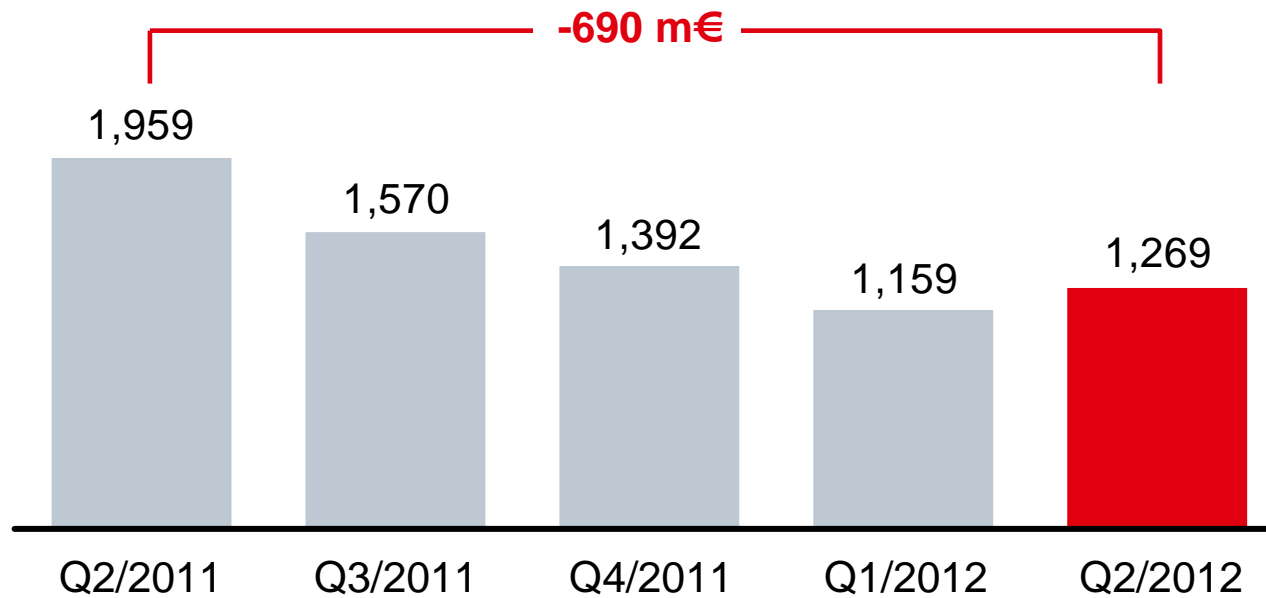
NWC/Sales Ratio in %



**Net working capital reduced in all businesses**

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

# Net Debt\* Development in m€



**Net debt with slight increase vs. Q1/2012 due to dividend payment**

\* All figures above are calculated according to adapted net debt definition, now also including marketable securities and time deposits.

# Cash Flow Generation

in m€	Q2/2011	Q2/2012	Change
<b>Cash flow from operating activities</b>	273	444	+171
<b>Free cash flow</b>	135	330	+195
<b>Net debt</b>	1,959	1,269	-690

**Continued strong cash flow generation & disciplined net debt reduction**

# Agenda



Key Developments Q2 2012



Financials Q2 2012



**Outlook FY 2012**

# Summary Q2/2012

- Continued positive development despite ongoing macro-economic challenges
- Successful performance driven by Emerging Markets, supported by Mature Markets
- All financial KPIs on track to reach FY guidance
- Adj. EBIT margin at 14.5% for total Henkel (H1: 14.1%)
- Active portfolio management continued
- Continuous adaptation of structures to market

**> Fully committed to reach 2012 targets**

## Guidance FY 2012 (updated)\*

<b>Organic sales growth</b>	<b>3-5%</b>		
	Laundry & Home Care	Cosmetics/ Toiletries	Adhesive Technologies
	low single-digit	low single-digit	mid single-digit
<b>Adjusted EBIT margin</b>	<b>14%</b>		
<b>Adjusted EPS growth</b>	<b>~15%</b>		previously: ≥10%

## Confirmed guidance for financial targets 2012

\* Please also see backup chart for guidance on additional KPIs (updated).



# Well Prepared for 2012 and Beyond



**> Very confident to reach 2012 targets**

# Upcoming Events

- Investor Day Laundry & Home Care Sep 4, 2012, Düsseldorf
- Publication Q3 results
  - Q3 financials
  - Strategy, targets beyond 2012



# Thank you!



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**Henkel** Excellence is our Passion

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# Additional information: Backup

# Further FY 2012 Guidance for Selected KPIs (updated)

- Direct materials increase of low single-digit percentage • previously: mid single-digit
- Restructuring charges ~100m€
- CAPEX on PPE slightly above 400m€

