



Press Release

Henkel recovery continues through third quarter

Consumer businesses continue their successful course – Adhesives business further improved versus previous quarters.

- Sales down 7.3 percent to 3,485 million euros
- Decline in organic sales reduced to 2.5 percent
- Operating profit up 191 million euros to 290 million euros
- Adjusted operating profit down 1.5 percent to 385 million euros

Düsseldorf, Germany/Rocky Hill, Conn., November 11, 2009 – In the third quarter of 2009, Henkel generated **sales** of 3,485 million euros. In a still difficult market environment, this represents a decrease of 7.3 percent compared to the figure for the prior-year quarter. In **organic** terms, i.e. after adjusting for foreign exchange and acquisitions/divestments, sales showed another improvement compared to the first two quarters of this year, coming in just 2.5 percent below the level of the third quarter of 2008. However, performance of the company's three business sectors continued to show a very mixed picture. Laundry & Home Care again performed well, posting an increase in organic sales of 2.4 percent. Cosmetics/Toiletries saw organic sales rise by 3.7 percent, again outstripping the already very good figures of recent quarters. Due to the volume decline encountered in major customer industries, Adhesive Technologies registered a decrease in organic sales of 7.6 percent. Compared to the second quarter, however, the drop in organic sales has halved.

Persil **LOCTITE**

Schwarzkopf

Ceresit

Dixan

Teroson

Dial

Bonderite

Purex

Liofol

Fa

Pritt

“In the third quarter, we were again able to continue our positive performance of recent quarters”, says Kasper Rorsted, Chairman of the Henkel Management Board. “We achieved excellent results at Laundry & Home Care, and our Cosmetics/Toiletries business sector was also able to once again exceed the very good performance of the previous quarters. There was also a further improvement in the results of the Adhesive Technologies business sector in the course of the year, albeit on a lower level than in the previous year.” Rorsted continued: “The encouraging results registered in this last quarter reflect both the stabilization in our markets and our programs on structural and cost alignment.”

Due primarily to the burden of restructuring charges on the results of the prior-year quarter, **operating profit (EBIT)** increased by 51.8 percent, from 191 million euros to 290 million euros. After adjusting for one-time gains and charges and restructuring charges totaling 95 million euros, adjusted operating profit (“adjusted EBIT”) decreased slightly by 1.5 percent, from 391 million euros to 385 million euros.

Return on sales (EBIT margin) was 8.3 percent, while adjusted return on sales (“adjusted EBIT margin”) increased from 10.4 percent to 11.0 percent.

The investment result fell from 24 million euros to 0 million euros due to the sale of the company’s stake in Ecolab in November 2008. Net interest expense improved by 32 million euros, from –72 million euros to –40 million euros, largely attributable to lower interest rates compared to the previous year. Consequently, the **financial result** improved from –48 million euros to –40 million euros. The **tax rate** amounted to 28.0 percent.

Due to the increased EBIT, **net earnings for the quarter** rose by 68.2 percent, from 107 million euros to 180 million euros. After deducting minority interests of 8 million euros, quarterly net earnings totaled 172 million euros compared to 101 million euros in the third quarter of 2008. Adjusted quarterly net earnings after minority interests amounted to 240 million euros versus 251 million euros in the prior-year quarter. **Earnings per**

preferred share increased from 0.23 euros to 0.39 euros. The adjusted figure was 0.55 euros compared to 0.59 euros in the prior-year quarter.

Thanks to a strong cash flow performance, **net debt** was further reduced compared to the end of the second quarter of 2009 by some 700 million euros to 3.2 billion euros. Good progress was also made with regard to working capital management: compared to the prior-year period, the ratio of **net working capital to sales** improved from 12.8 percent to 10.3 percent.

Business Sector Performance

Laundry & Home Care increased sales in organic terms by 2.4 percent, with foreign exchange having a negative impact of 5.3 percent. In nominal terms, sales decreased by 2.9 percent to 1,035 million euros. The generally gratifying increase in organic sales was attributable to the growth regions of Eastern Europe, Africa/Middle East and Latin America which, in some cases, posted double-digit percentage improvements. In Western Europe and North America, on the other hand, the difficult market environment impeded sales performance to the extent that neither region was able to attain the sales level of the prior-year quarter. Nevertheless, operating profit rose significantly, by 17.0 percent to 137 million euros. After adjusting for foreign exchange, the rise was an even more encouraging 23.7 percent. Return on sales improved by 2.2 percentage points to 13.2 percent. The *Laundry* segment made a disproportionately high contribution to the rise in sales, with the biggest boost to growth again coming from Eastern Europe and Africa/Middle East. The good sales performance posted was also due to a number of successful innovations such as Persil ActicPower, the most advanced laundry detergent available under the premium Persil brand. Persil ActicPower requires just half the previous quantity per wash and develops its laundry power at just 15 degrees Celsius. In the USA, Henkel's innovation Purex 3-in-1 also continued to perform very well. The *Home Care* segment likewise turned in a positive sales performance, with the growth regions of Eastern Europe and Africa/Middle East again leading the way. Here, Henkel's dishwashing products continued to generate particular success.

With organic sales growth of 3.7 percent, **Cosmetics/Toiletries** maintained its consistently strong development in the third quarter. Once again it was successful in outpacing the growth of its relevant markets as they continued to bear the impact of the economic downturn. The contributions made by the growth regions of Eastern Europe, Asia-Pacific and Latin America were particularly noticeable, with Western Europe also posting an organic sales increase. This encouraging sales performance was also reflected in an increase in operating profit of 3.3 percent to 99 million euros. After adjusting for foreign exchange, growth was even 6.8 percent, with marketing spend also having increased. Return on sales rose by 0.5 percentage points to 13.0 percent. The *Hair Cosmetics* segment produced another good set of results. The Hair Care business developed very well as a result of the further roll-out of the new Syoss brand and the introduction of the new variants Schwarzkopf Gliss Kur Hair Active and Schauma Hair Activator. Product launches including those of Essential Color and Poly Palette 10 Minutes Coloration greatly boosted the results posted by the Colorants category. The Styling segment continued to garner success, this time with innovations in the Got2b series and the new Drei Wetter Taft line 10 Carat Gloss. In the *Body Care* segment, the Dial brand consolidated its ongoing success in the USA, with the body wash product Dial Anti-Oxidant having developed into one of the most successful launches in this market segment. In Europe too, the shower gels/body wash products marketed under the Fa brand continued to perform very well, achieving one of the fastest growth rates in this category. In the *Skin Care* business, the focus was on the launch of new Diadermine 3D Wrinkle Expert, specially formulated for deep wrinkles. In the *Oral Care* segment, the launch of the new Theramed variant Arctic White created further positive momentum. Despite increasingly adverse market conditions, Henkel's *Hair Salon* business was able to successfully consolidate its position and win important new customers. The focus in this segment was on the relaunch of Bonacure Time Restore and the introduction of new products in the form of the sublines Igora Color 10 and Seah Cashmere Cream Shampoo.

The third quarter saw the **Adhesive Technologies** business sector make further progress along the road to recovery embarked upon in the second quarter, with the quality of its earnings significantly improving. Organic sales were 7.6 percent below the figure for the prior-year quarter. After adjusting for foreign exchange, the decrease was 9.9

percent. In nominal terms, sales declined by 12.4 percent to 1,630 million euros. However, in all regions the rates of decline have been reduced compared to those of recent quarters. The regions of Latin America and Africa/Middle East have again begun to show moderate growth in sales adjusted for foreign exchange. Operating profit decreased by 47.0 percent. Included in this figure are one-time charges of 24 million euros of valuation losses on assets held for sale, and restructuring charges amounting to 37 million euros. Consequently, adjusted operating profit ("adjusted EBIT") only decreased by 20.6 percent to 150 million euros. Compared to the previous quarter it actually increased by 32.0 percent. Reflected in this improvement are the accelerated process of synergy realization arising from the integration of the National Starch businesses, and the benefits accruing from the "Global Excellence" program. Return on sales decreased by 3.6 percentage points to 5.5 percent, although adjusted it only declined by 1.0 percentage points to 9.2 percent. The performance of the *Adhesives for Craftsmen and Consumers* and *Building Adhesives* segments improved compared to the second quarter of 2009. In Asia-Pacific, Eastern Europe and Africa/Middle East, certain significant increases were achieved in the Building Adhesives segment compared to the prior-year quarter. Sluggish consumer demand in the developed countries impacted on business performance of the *Packaging, Consumer Goods and Construction Adhesives* segment. Here, however, substantial increases in sales compared to the prior-year quarter were registered in the growth regions of Eastern Europe, Latin America and Africa/Middle East. There was also a slight recovery in various industries served by the *Specialty Adhesives and Surface Treatment* segment, although sales remained significantly below prior-year levels, particularly with respect to the automotive and metal industries. The *Electronics* segment has experienced a revival due to the recovery of the semiconductors industry. This business therefore succeeded in significantly increasing sales versus the second quarter, thus substantially reducing the rate of decline compared to the prior-year quarter.

Regional Performance

In the **Europe/Africa/Middle East** region, sales further improved compared to the second quarter of 2009, although in organic terms they were slightly – 0.9 percent – below

the level of the third quarter of 2008. While Laundry & Home Care and Cosmetics/Toiletries were able to achieve a gratifying increase in their respective sales figures, Adhesive Technologies posted a single-digit decrease. In Africa/Middle East, Henkel achieved organic sales growth in the single-digit percentage range, while performance in Western Europe including Germany declined. The growth rates in Eastern Europe further recovered in comparison to the first two quarters of this year. Overall, the Europe/Africa/Middle East region's sales decreased from 2,319 million euros to 2,154 million euros, giving it a share of 62 percent of total sales. Organic sales in the **North America** region declined by 7.8 percent. In a challenging market environment, sales of Adhesive Technologies decreased considerably; performance of the consumer businesses Laundry & Home Care and Cosmetics/Toiletries was also slightly down. Overall, sales in this region came in at 628 million euros, representing an 18 percent share of total sales. The **Latin America** region saw organic sales increase by 2.7 percent, driven by the consumer businesses and particularly Cosmetics/Toiletries which posted a double-digit percentage rate of growth. At 209 million euros, the share of total sales accounted for by this region remained at 6 percent. In the **Asia-Pacific** region, organic sales fell by 3.7 percent compared to the third quarter of 2008. A gratifying increase in performance at Cosmetics/Toiletries was offset by the decrease at Laundry & Home Care arising from the closure of its business operation in China at the end of 2008. The organic sales development of the Adhesive Technologies business likewise showed a decline, although there was an improvement compared to the second quarter of 2009. Overall, sales in this region came in at 438 million euros, slightly above the level of the prior-year quarter. The share of total sales accounted for by this region was 12 percent. In the **growth regions** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan), organic sales increased by 4.1 percent, marking a further improvement compared to the second quarter of 2009. In nominal terms, sales fell by 5.2 percent to 1,372 million euros, a figure that represents 39.4 percent of total sales compared to 38.5 percent in the prior-year period.

Sales and Profits Forecast 2009

Despite the recently apparent stabilization of the markets at their low level of activity, it remains difficult to assess the overall economic situation and how it is likely to develop going forward.

Nevertheless, Henkel is confident of again outperforming its relevant markets in terms of organic sales growth (i.e. after adjusting for foreign exchange and acquisitions/divestments). A number of measures have already been introduced on the operational side, from which Henkel expects further positive momentum to develop. These activities and also relief from easing raw material prices will support the development of operating profit (EBIT) and earnings per preferred share (EPS), adjusted in each case for one-time gains and charges and restructuring charges.

Henkel expects its consumer businesses to continue to perform well in the fourth quarter as they have in the first nine months of this year, albeit with a degree of deceleration. Henkel anticipates that the performance of its Adhesive Technologies business sector will be an improvement on that of the first nine months.

Henkel in North America:

Henkel markets a wide range of well-known consumer and industrial brands in North America, including Dial® soaps, Purex® laundry detergents, Right Guard® antiperspirants, got2b® hair gels, and Loctite® adhesives. Visit www.henkelna.com for more information.

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

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You will find the full report for the third quarter of 2009 and also photo material at
<http://www.henkel.com/press>.

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