

# Q1 2012 Analyst & Investor Conference Call

Kasper Rorsted, CEO  
Dr. Lothar Steinebach, CFO

London/Düsseldorf, May 9, 2012



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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 Q1 2012



## Financials Q1 2012



## Outlook FY 2012

## Q1/2012 Well on Track

	Q4/2011	Q1/2012	Guidance FY 2012
<b>Organic sales growth</b>	<b>3.8%</b>	<b>4.7%</b>	<b>3-5 %</b>
<b>Adjusted EBIT margin</b>	<b>13.2%</b>	<b>13.7%</b>	<b>14%</b>
<b>Adjusted EPS growth</b>	<b>11.6%</b>	<b>19.2%</b>	<b>≥10%</b>

# Key Developments Q1/2012

## Henkel



- Solid organic sales growth driven by strong pricing
- Strong growth in North America
- Adj. EBIT margin on track to reach FY 2012 target
- Further net debt reduction



- No increase in volumes
- Headwind in Southern Europe across all businesses
- Electronic Adhesives improving, sales still slightly negative

# Key Developments Q1/2012

## Laundry & Home Care

- Solid organic sales growth
- Adj. EBIT margin strongly increased
- Emerging markets growing double-digit, mature markets positive
- Further market share gains
- Key innovation: Purex UltraPacks / Persil Mega-Caps

**Persil**

**Purex**

**Dixan**

**> Exceeding Q1/2011 levels in all key data**

# Key Developments Q1/2012

## Cosmetics/Toiletries

- Solid organic sales growth
- Adj. EBIT margin further improved
- Emerging markets strong, mature markets solid
- Further market share gains
- Key innovation: Palette Mousse Color



**syoss**

**> Continuing strong performance**

# Key Developments Q1/2012

## Adhesive Technologies

- Strong organic sales growth
- Adj. EBIT margin strongly increased
- Emerging markets growing very strong, mature markets solid
- Electronic Adhesives sales slightly negative, but improved compared to Q4/2011
- Further market share gains
- Key innovation: Loctite Instant Adhesives

**LOCTITE**

**Teroson**

**technomelt**

**> Further sustaining profitable growth**

# Innovations as Drivers of Revenue & Margin Enhancements



**Persil Mega-Caps**



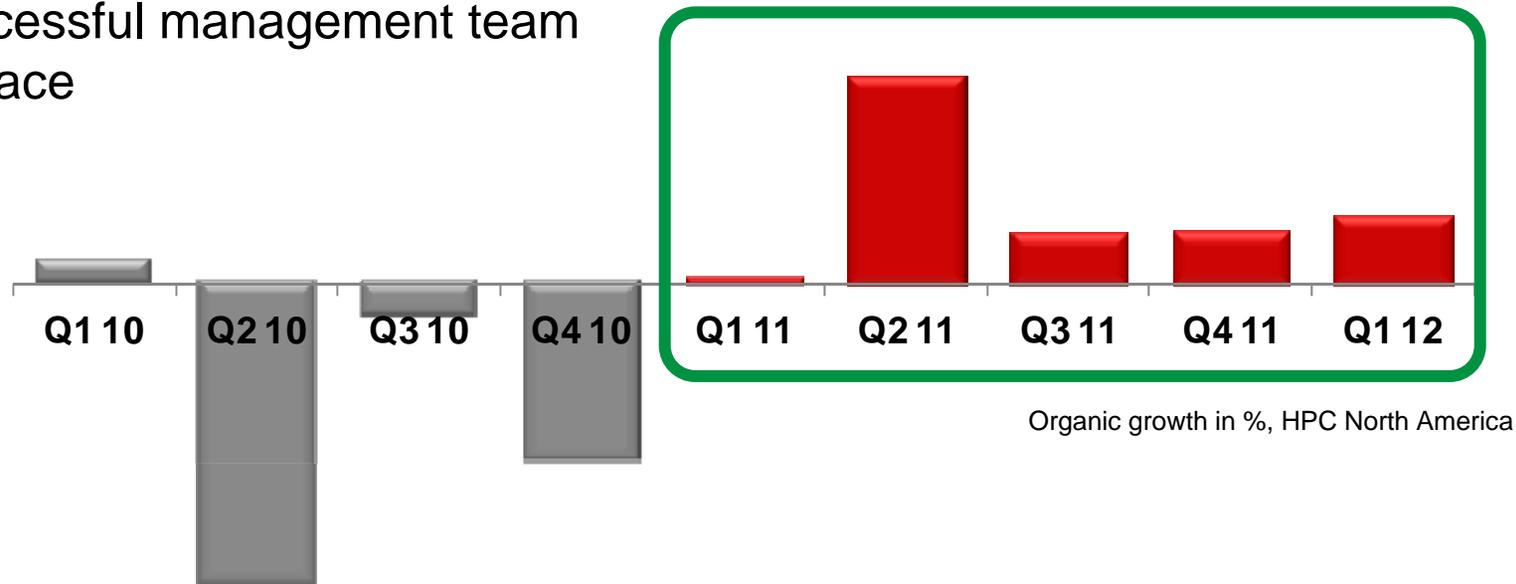
**Palette Mousse Color**



**Loctite Instant Adhesives**

# Update HPC in North America

- Stabilization achieved
- Strengthening of our portfolio via
  - Successful innovations, e.g. Purex UltraPacks, Right Guard Cooling
  - Divestment of several non-core brands within Cosmetics/Toiletries
- Improved cost base
- Successful management team in place

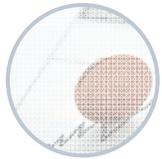


## Key Financials Q1/2012

	Q1/2011	Q1/2012	Change
<b>Sales (m€)</b> (OSG in %)	3,823	4,008	+ 4.8% (+ 4.7%)
<b>Adjusted gross margin (%)</b>	46.6	47.1	+50bp
<b>Adjusted EBIT (m€)</b>	473	551	+16.6%
<b>Adjusted EBIT margin (%)</b>	12.4	13.7	+130bp
<b>Adj. EPS per pref. share</b>	0.73	0.87	+19.2%
<b>NWC / sales (%)</b>	7.9	8.0	+10bp

› Q1 with good start, well on track for reaching FY 2012 guidance

# Agenda



Key Developments Q1 2012



**Financials Q1 2012**



Outlook FY 2012

# Sales Growth by Business Sector

Q1/2012 vs. Q1/2011

in %	Total	FX Impact	Organic	Thereof Price/ Volume*
<b>Laundry &amp; Home Care</b>	3.3	-0.2	4.5	4.5 / 0.0
<b>Cosmetics/ Toiletries</b>	4.9	1.3	4.0	1.9 / 2.1
<b>Adhesive Technologies</b>	6.2	1.4	5.6	6.2 / -0.6
<b>Total Henkel</b>	<b>4.8</b>	<b>0.9</b>	<b>4.7</b>	<b>4.8 / -0.1</b>

\* new product launches included in price

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- Double-digit growth in emerging markets, strong in North America, weakness in Southern Europe
- Laundry strong, Home Care stable with positive momentum in several segments

\* new product launches included in price

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- Strong growth in emerging markets with Eastern Europe flat, solid performance in mature markets
- Solid growth in both Hair Salon and Retail, with Hair Care growing very strong

\* new product launches included in price

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Total Henkel	4.8	0.9	4.7	4.8 / -0.1

- Very strong growth in North America and emerging markets, Asia growth impacted by partial exit from emulsion business
- Transport & Metal double-digit, Electronic Adhesives slightly below PY

\* new product launches included in price

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Q1/2012 vs. Q1/2011

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Cosmetics/ Toiletries	4.9	1.3	4.0	1.9 / 2.1
Adhesive Technologies	6.2	1.4	5.6	6.2 / -0.6
<b>Total Henkel</b>	<b>4.8</b>	<b>0.9</b>	<b>4.7</b>	<b>4.8 / -0.1</b>

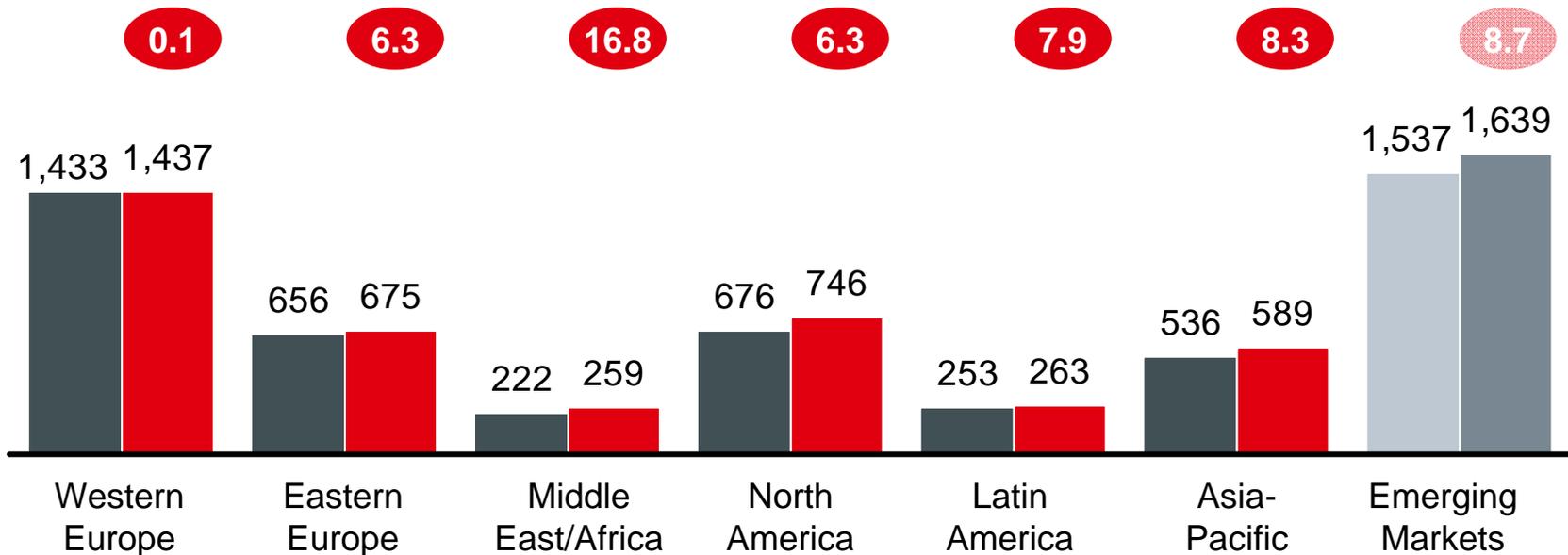
- Positive FX impact mainly from US Dollar, Chinese Renminbi and Japanese Yen
- Solid sales performance with all businesses and all regions contributing

\* new product launches included in price

# Sales Growth by Region

Q1/2012 vs. Q1/2011

XX Organic, percent

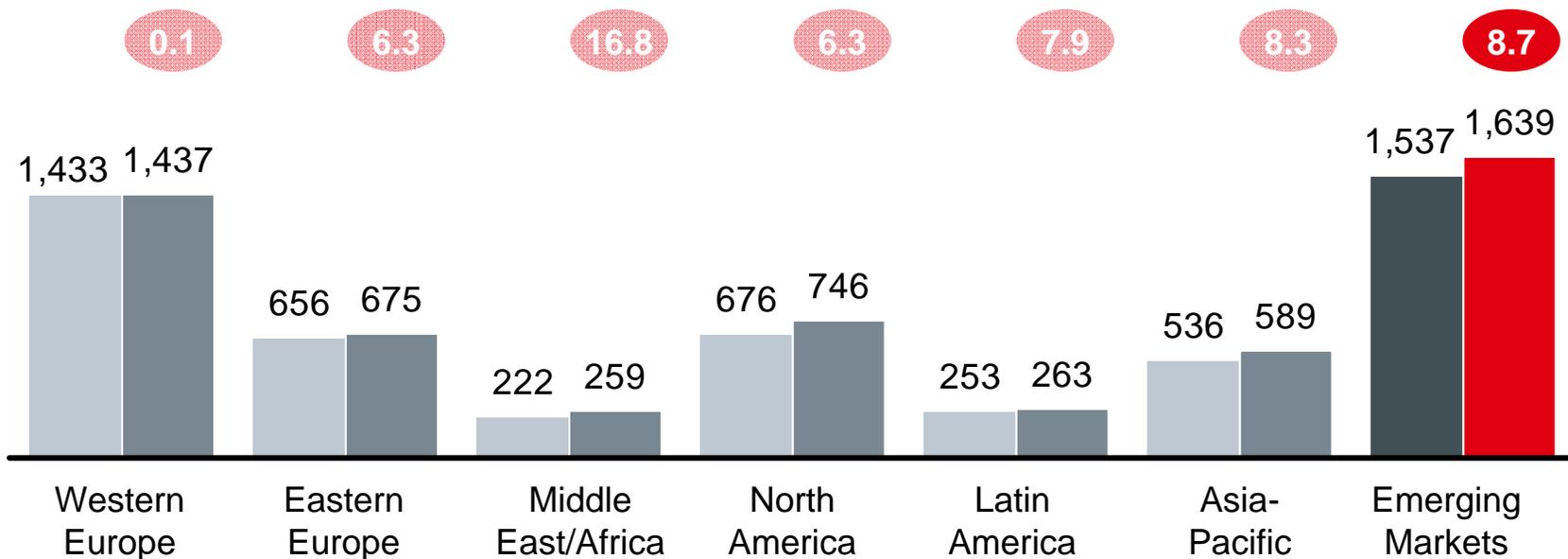


- Middle East/Africa with strongest growth
- Southern Europe with weak performance, Germany solid
- Asia-Pacific recovering to high single-digit

# Sales Growth by Region

Q1/2012 vs. Q1/2011

XX Organic, percent



- Sales performance driven by Laundry & Home Care and Adhesive Technologies
- Russia high single-digit growth, China with mid single-digit
- Emerging markets sales share at 41%

# Adjusted EBIT by Business Sector

Q1/2012 vs. Q1/2011

	Adjusted EBIT		Adjusted EBIT margin	
	in m€	Change in %	in %	Change in bp
<b>Laundry &amp; Home Care</b>	160	+20.9	14.5	+210
<b>Cosmetics/ Toiletries</b>	124	+9.3	14.4	+60
<b>Adhesive Technologies</b>	289	+16.9	14.4	+130
<b>Total Henkel</b>	<b>551</b>	<b>+16.6</b>	<b>13.7</b>	<b>+130</b>

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

# Income Statement Adjusted

## Sales to Gross Profit

in m€	Q1/2011	Q1/2012	Change in %
<b>Sales</b>	<b>3,823</b>	<b>4,008</b>	<b>+4.8</b>
Cost of sales	-2,044	-2,119	+3.7
<b>Gross profit</b>	<b>1,779</b>	<b>1,889</b>	<b>+6.2</b>
<b>Gross margin (in%)</b>	<b>46.6</b>	<b>47.1</b>	<b>+50bp</b>

# Income Statement Adjusted

## Sales to Gross Profit

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<b>Gross margin (in%)</b>	<b>46.6</b>	<b>47.1</b>	<b>+50bp</b>

- Gross margin negatively impacted by ~400bp from COGS
- Strong countermeasures allowed overachievement in margin increase
- Vigilance on development of raw material prices

# Income Statement Adjusted

## Sales to Adjusted EBIT

in m€	Q1/2011	Q1/2012	Q1/2012 in %	Change in bp
<b>Sales</b>	<b>3,823</b>	<b>4,008</b>	<b>100.0</b>	
Cost of sales	-2,044	-2,119	-52.9	
<b>Gross profit</b>	<b>1,779</b>	<b>1,889</b>	<b>47.1</b>	
Marketing, selling & distrib. exp.	-1,055	-1,052	-26.3	-130
Research & development exp.	-100	-101	-2.5	
Administrative expenses	-178	-185	-4.6	
Net other op. income/charges	27	0	0	
<b>Adjusted EBIT</b>	<b>473</b>	<b>551</b>	<b>13.7</b>	<b>+130</b>

# Income Statement Adjusted

## Sales to Adjusted EBIT

in m€	Q1/2011	Q1/2012	Q1/2012 in %	Change in bp
<b>Sales</b>	3,823	4,008	100.0	
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- Market shift towards higher promotional spend

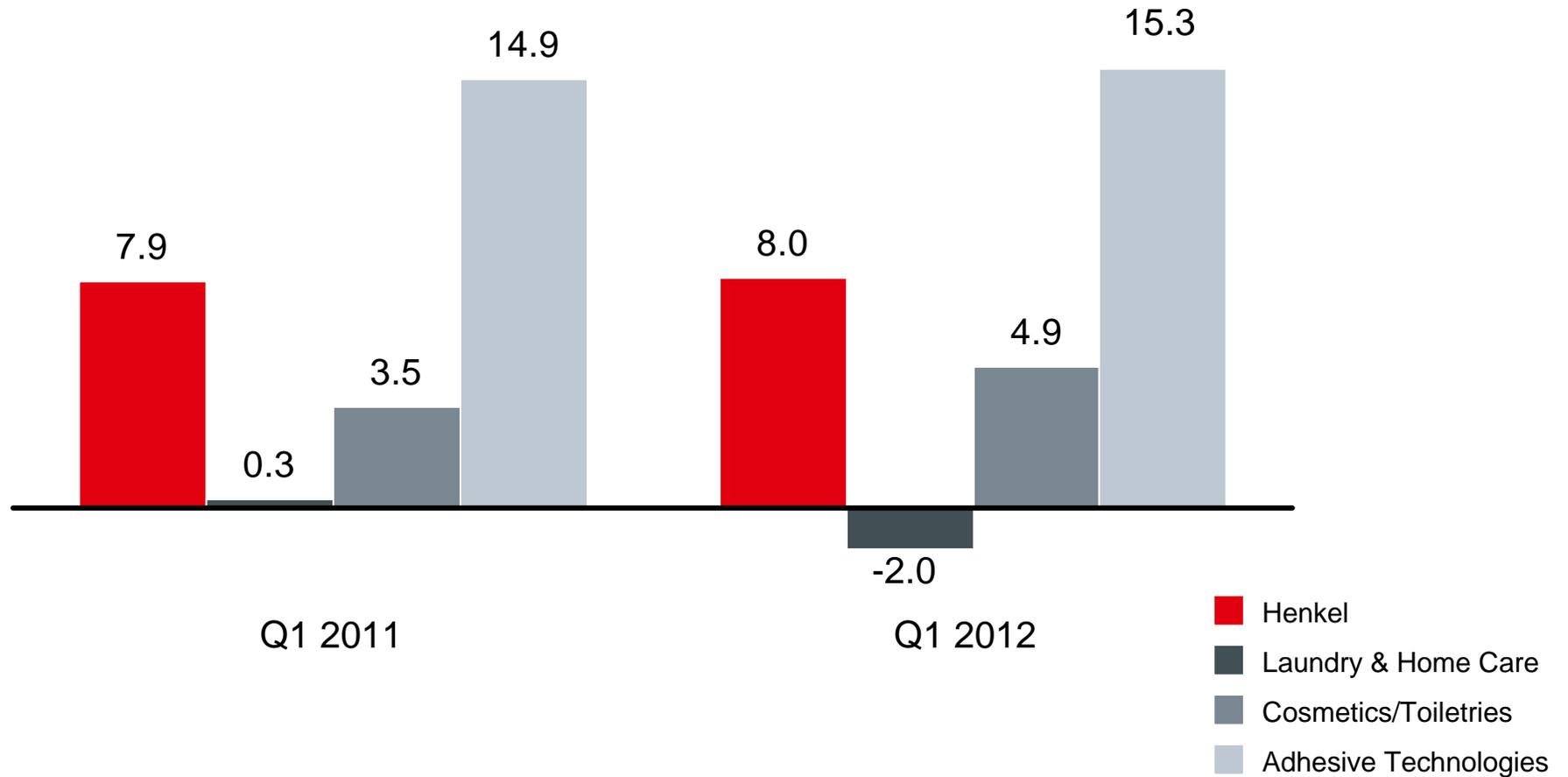
# Reported to Adjusted EBIT

Q1/2012 vs. Q1/2011

in m€	Q1/2011	Q1/2012	Change in %
<b>EBIT (as reported)</b>	<b>430</b>	<b>538</b>	<b>+25.2</b>
One-time gains	0	0	
One-time charges	0	0	
Restructuring charges	43	13	
<b>Adjusted EBIT</b>	<b>473</b>	<b>551</b>	<b>+16.6</b>

# Development of Net Working Capital

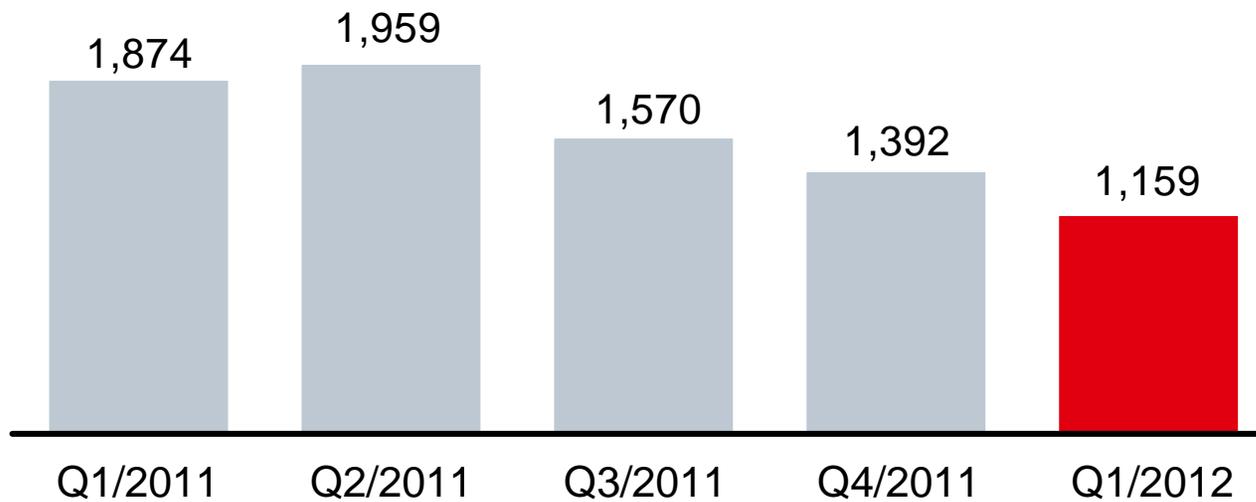
NWC/Sales Ratio\* in %



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

# Net Debt\* Development

in m€

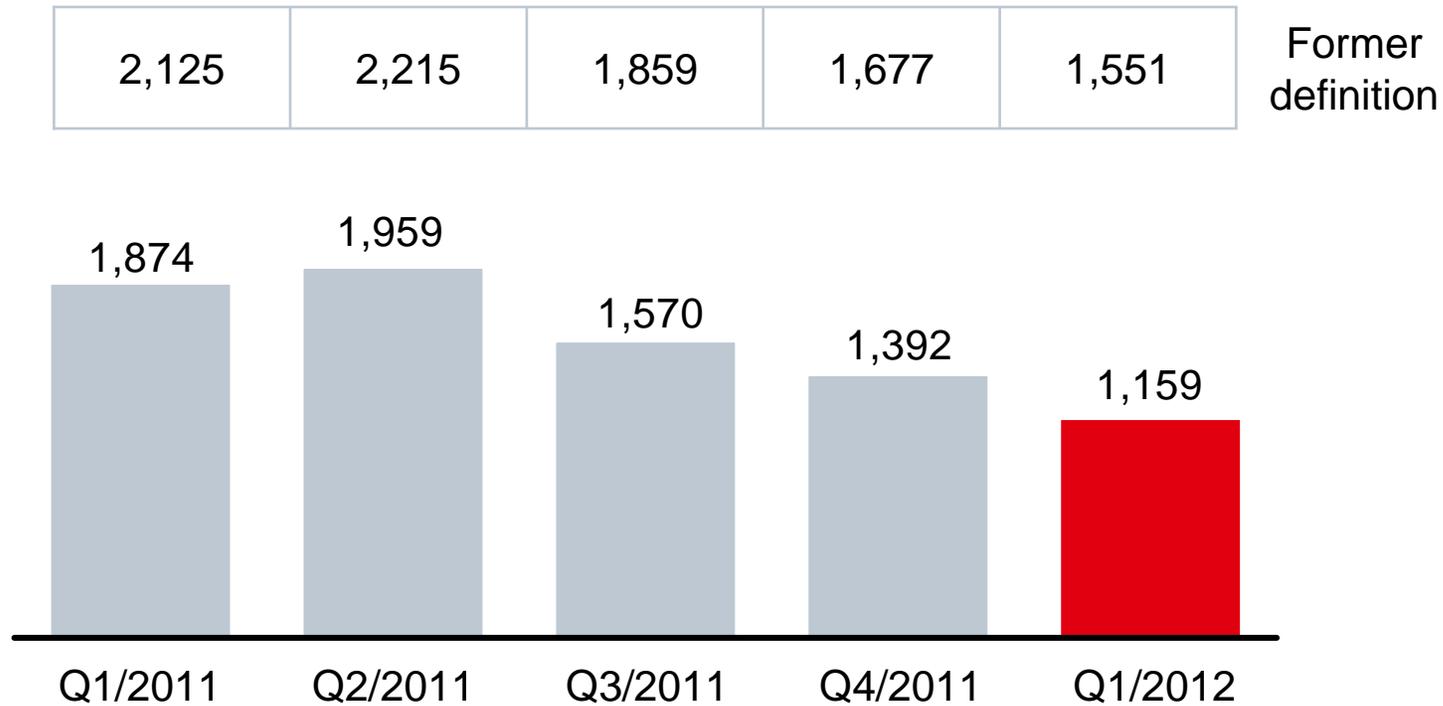


**Reduced net debt by almost 40% since Q1/2011**

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

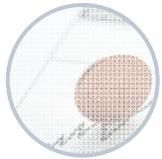
# Net Debt Development

in m€



**> New net debt definition as of Q1/2012**

# Agenda



Key Developments Q1 2012



Financials Q1 2012



**Outlook FY 2012**

# Summary Q1/2012

- Good start into FY 2012, despite macro economic challenges
- Innovations and emerging markets driving growth & profitability
- All KPIs on track to reach FY guidance

**> Continued focus on 2012 targets**



## Guidance FY 2012

<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>≥10%</b>		

**> Confirmed guidance for financial targets 2012**

## Events 2012

- Publication Q2 results: Aug 1, 2012
- Investor Day Laundry & Home Care, Düsseldorf Sep 4, 2012
- Publication Q3 results: Nov 16, 2012
  - Q3 financials
  - Strategy & guidance beyond 2012

# Thank you!



# Additional information: Backup

# Cash Flow Generation

in m€	Q1/2011	Q1/2012
<b>Cash flow from operating activities</b>	173	385
<b>Free cash flow</b>	75	230
<b>Net debt</b>	1,874	1,159

**Strong cash flow generation & disciplined net debt reduction**

## Further FY 2012 Guidance for Selected KPIs (unchanged)

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

