



Press Release

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Henkel reports outstanding third quarter results

CEO Kasper Rorsted: “2010 will be an important step to achieving our 2012 targets”

- Sales increase by 13.7 percent to 3,961 million euros
- Organic sales growth of 6.5 percent
- Share of sales of emerging markets: plus 3 percentage points to 42 percent
- Adjusted operating profit: plus 27.0 percent to 517 million euros
- Adjusted EBIT margin: plus 1.3 percentage points to 13.0 percent
- Adjusted earnings per preferred share (EPS): plus 35.6 percent to 0.80 euros

“In the third quarter, we further extended our recent successes with results even better than the good performance we have shown in recent quarters. This is the first quarter that we have ever achieved an adjusted EBIT margin of 13 percent,” said Kasper Rorsted, Chairman of the Henkel Management Board. “I would particularly like to emphasize the fact that all our regions and business sectors made a positive contribution to this success in a persistently challenging environment. Growth was once again given major impetus by our strong brands and successful innovations. However, the adaptation of our cost structures and further progress in the pursuit of our strategic priorities were also important contributory factors.”



Looking at the current fiscal year as a whole, Rorsted said: “We expect to achieve an adjusted EBIT margin of well above 12.0 percent for 2010, accompanied by an improvement in adjusted earnings per preferred share of more than 45 percent. 2010 is likely to be the most successful fiscal year in our corporate history, taking us an important step closer to our 2012 financial targets.”

In the third quarter of 2010, Henkel posted **sales** of 3,961 million euros. In an overall positive market environment, this represents an increase of 13.7 percent above the level of the prior-year quarter. After adjusting for foreign exchange, sales improved by 6.4 percent. **Organically**, i.e. after adjusting for foreign exchange, acquisitions and divestments, the increase was 6.5 percent, representing another significant rise versus the prior-year period. This positive development was supported by all the company’s business sectors. Following a slight decline in organic sales development in the second quarter of 2010, Laundry & Home Care recorded growth of 3.4 percent. Cosmetics/Toiletries once again substantially outperformed market growth with an increase of 4.6 percent. With growth of 9.7 percent driven by both price and volumes, Adhesive Technologies achieved an almost double-digit improvement versus the prior-year quarter.

Operating profit (EBIT) rose by 73.0 percent, from 290 million euros to 501 million euros. This is primarily due to the substantial improvement attained by Adhesive Technologies, which was able to maintain a significant rate of increase in earnings. After allowing for one-time gains (10 million euros) and restructuring charges (26 million euros), adjusted operating profit improved by 27.0 percent, from 407 million euros to 517 million euros.

Return on sales (EBIT margin) increased significantly, from 8.3 percent to 12.7 percent. Adjusted return on sales rose from 11.7 percent to 13.0 percent.

The company’s **financial result** improved from –40 million euros to –37 million euros due to lower net debt. The **tax rate** was 26.1 percent.

Thanks to the increase in EBIT, **net income for the quarter** rose by 90.6 percent, from 180 million euros to 343 million euros. After deducting non-controlling interests totaling 6 million euros, net income for the quarter came in at 337 million euros (prior-year quarter: 172 million euros). Adjusted quarterly net income after non-controlling interests amounted to 349 million euros compared to 256 million euros in the third quarter of 2009. **Earnings per preferred share (EPS)** doubled from 0.39 euros to 0.78 euros. The adjusted figure was 0.80 euros compared to 0.59 euros in the prior-year quarter.

Good progress was also made in the management of net working capital. Compared to the prior-year period, the **ratio of net working capital to sales** improved by 2.5 percentage points, decreasing to 7.8 percent. Due in particular to the substantial rise in net income, our debt coverage ratio increased in the period under review to close to 56 percent.

Business performance January through September 2010

In the first nine months of fiscal 2010, Henkel increased **sales** versus the prior-year period by 11.1 percent to 11,363 million euros within an expanding market environment. After adjusting for foreign exchange, sales improved by 6.6 percent. At 7.3 percent, **organic sales growth** also came in appreciably above the level of the prior-year period. **Operating profit (EBIT)** increased by 70.9 percent, from 787 million euros to 1,344 million euros. This was primarily due to the substantial improvement shown by the Adhesive Technologies business sector following the heavy impact it suffered from the crisis in the first half-year 2009. After allowing for restructuring charges (104 million euros) and one-time charges (9 million euros) and gains (43 million euros), adjusted operating profit improved by 48.8 percent, from 950 million euros to 1,414 million euros. **Return on sales (EBIT margin)** increased significantly, from 7.7 percent to 11.8 percent. Adjusted return on sales rose from 9.3 percent to 12.4 percent,

Due to the increased EBIT, **net income for the nine months** almost doubled, from 451 million euros to 889 million euros. After deducting non-controlling minority interests of 20 million euros, net income for the period totaled 869 million euros (previous

year: 432 million euros). **Earnings per preferred share (EPS)** more than doubled from 1.00 euros to 2.01 euros, while the adjusted figure rose from 1.27 euros to 2.13 euros.

Business sector performance in the third quarter

The **Laundry & Home Care** business sector increased sales by 8.4 percent to 1,123 million euros. The foreign exchange impact amounted to a positive 5.4 percent. Strong price and promotional competition continued in all relevant markets, leading to a decline in prices of 5.6 percent compared to the previous year. However, thanks to very strong volume growth of 9.0 percent, organic sales rose by 3.4 percent compared to the prior-year quarter. One of the main drivers of the organic sales growth achieved was again the Africa/Middle East region which registered a double-digit percentage increase. Western Europe also recorded a substantial rise in sales, driven in particular by strong business developments in Germany. Sales in North America declined slightly in the face of strong competitive pressures. In the other regions, the business sector succeeded in maintaining the sales levels of the prior-year quarter, with market share gains ensuing as a result. Operating profit rose by 1.4 percent to 139 million euros. At 13.6 percent, adjusted return on sales was slightly below the high level of the prior-year quarter which was positively influenced by both a high selling price level and lower material prices. However, compared to the second quarter, adjusted return on sales improved by more than one percentage point, despite continuous pressure on gross margin due to further increases in material prices and still declining selling price levels. In the *Laundry* business segment, the strongest growth momentum was generated by the heavy-duty detergents, with Persil doing especially well. Products of the Weisser Riese brand also performed very well, particularly the Intensive Color powder and gel variants with their active color power. The positive trend with respect to fabric softeners continued, supported by further innovations. In Western Europe, for example, a fabric softener with innovative fresh pearls was launched under the Vernel brand, combining wash-protective properties with long-lasting and drier-resistant fragrances. The continuing positive developments in organic sales registered by the *Home Care* business were further boosted in particular by the results generated by the company's dish-washing products. In the machine dish-washing segment, the products Somat 9 and Somat Per-

fect Gel made an especially strong contribution to the gratifying performance achieved. Henkel's hand dish-washing products experienced similarly encouraging growth rates. Positive sales momentum was also generated by the WC products business with the launch of the first WC rim block with four active pearls.

The **Cosmetics/Toiletries** business sector continued the excellent sales and profit performance of previous quarters. With organic growth of 4.6 percent to 845 million euros, it significantly exceeded the sales levels achieved in an already strong prior-year period. The rate of growth posted by Cosmetics/Toiletries was once again above that of the relevant markets and resulted from strong performance in both the mature markets and the emerging economies. The business sector continued to generate steady growth momentum in Western Europe, while developments in North America were stable. Performance in the growth regions of Asia (excluding Japan), Africa/Middle East, Latin America and Eastern Europe was somewhat above-average, with organic sales growth in the double-digit percentage range right across the board. Operating profit rose by 13.4 percent to 113 million euros, and by 7.3 percent after adjusting for foreign exchange. As a result, there was also an improvement in return on sales for this quarter. At 13.4 percent, it was 0.4 percentage points above the level for the prior-year quarter. Adjusted for restructuring charges and one-time gains, return on sales rose by an even better 0.6 percentage points to 13.6 percent, representing a new high for the Cosmetics/Toiletries business sector. The *Hair Cosmetics* segment continued to perform very well, expanding its market share and posting record results in all categories. In addition to the launch of the Schauma Silk Comb range, the Hair Care business also pursued the relaunch of Gliss Kur Oil Nutritive as one of its headline activities. In the Colorants business, the focus was on continuing the successful roll-out of the Syoss Color line and the introduction of the first permanent foam colorant in the form of Perfect Mousse. In the Styling category, the relaunch of Taft and the new sub-line Taft Ultra with Argon Oil likewise contributed to the good results achieved. In the third quarter, the *Body Care* business was characterized by the expansion of the innovation offensives at its core brands. In Western and Eastern Europe, the high-performance deodorant brand for men, Right Guard, was able to establish a position for itself in a challenging and competitive environment. Meanwhile, the focus with respect to Fa was on the introduction of the innovative Mystic Moments range. Market share in North America was substantially in-

creased with the successful launch of Right Guard Total Defense 5. The chief activities pursued in the *Skin Care* segment related to the launch of the new sub-line *Novagen* under the *Diadermine* brand. The priority in the *Oral Care* segment was on expanding the successful *Theramed 2in1* series through the inclusion of the innovative *Power Clean & White* line. The positive growth trend in the *Hair Salon* subsegment continued in the third quarter, supported by the relaunch of the cross-segment brand *Essensity*. In a persistently difficult market environment, the business was therefore able to further consolidate its good market position and gain additional market share.

— The **Adhesive Technologies** business sector succeeded in generating further profitable growth in the third quarter. Sales exceeded the level of the still crisis-affected prior-year quarter by a substantial 19.3 percent, reaching 1,945 million euros and outpacing market growth in all regions. Organic sales rose by 9.7 percent. With price levels only slightly higher, the growth performance and the market share gains that came with it were largely driven by volume increases. All the businesses and regions — contributed to this essentially positive development. The emerging economies of Asia (excluding Japan), Africa/Middle East, Latin America and Eastern Europe continued to exhibit above-average increases in sales, with overall organic growth in the double-digit percentage range. There were also substantial increases in sales in the mature markets of Western Europe and North America. Operating profit tripled compared to the prior-year quarter, reaching a record mark of 268 million euros. Return on sales likewise increased significantly by 8.3 percentage points to a new high of 13.8 percent. And this development is all the more notable, as rising raw material and packaging prices in this quarter had a considerably greater adverse effect than in the previous quarters. — The *Adhesives for Craftsmen, Consumers and Building* segment continued to develop well in all regions. Both our business serving craftsmen and consumers and our activities involving the construction industry contributed to the growth achieved. Substantial increases compared to the prior-year quarter were registered in Latin America and Eastern Europe. The significant improvements seen in the *Transport and Metal* business continued unabated. Particularly in Asia-Pacific, Latin America and Eastern Europe, the sales figures posted were substantially higher than in the prior-year quarter. Double-digit growth rates were also generated in the regions of North America and Europe/Africa/Middle East. The *General Industry* seg-

ment also continued to perform very encouragingly. Indeed, it was here that the strongest sales growth was achieved from within the business sector in the period under review, with all regions contributing to, in some cases, substantial double-digit percentage revenue growth rates. There was also a further increase in sales in the *Packaging, Consumer Goods and Construction Adhesives* business, the highest growth rates being achieved in Asia-Pacific, Latin America and Western Europe. The *Electronics* business continued to benefit from the continuing strong recovery taking place in the semiconductor industry. All Henkel's regions contributed to the appreciable growth achieved, with Europe and North America performing particularly well.

Regional performance

In the **Europe/Africa/Middle East** region, sales improved organically by 5.3 percent compared to the third quarter of 2009, coming in at 2,342 million euros, with all three business sectors contributing. In Africa/Middle East and Eastern Europe, organic growth was in the high single-digit percentage range. Western Europe including Germany posted an organic growth rate in the mid single-digits, as it had done in the first two quarters of 2010. At 733 million euros, sales of the **North America** region grew organically by 4.2 percent compared to the prior-year quarter. Sales of the Adhesive Technologies business sector developed particularly well, while sales at Laundry & Home Care declined slightly and those of the Cosmetics/ Toiletries business sector remained flat. Meanwhile, the successful development of the **Latin America** region continued unabated. Here, organic sales increased by 10.8 percent to 259 million euros, with all business sectors contributing. In the **Asia-Pacific** region, growth remained double-digit at 14.9 percent, with organic sales coming in at 579 million euros in the wake of gratifying increases in sales posted by Adhesive Technologies and Cosmetics/Toiletries. In the **growth regions** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan), sales rose by 20.7 percent to 1,656 million euros. Compared to the prior-year quarter, organic growth amounted to 10.1 percent, keeping it in the double-digit range. The increase was supported in particular by higher sales generated by Adhesive Technologies and Cosmetics/Toiletries. The share of sales attributable to the growth regions increased from 39 to 42 percent.

Sales and profits forecast 2010

In view of the economic forecasts for the current year, Henkel anticipates that the world economy will grow by around 3.5 percent.

Henkel is confident of again outperforming its relevant markets in terms of organic sales growth. A number of measures have been introduced and implemented on the operational side, from which Henkel expects additional positive momentum to develop. For example, it anticipates further contributions to profit arising both from the synergies created through the integration of the National Starch businesses and from the company's strictly disciplined cost management approach. These factors will, together with the expected increase in sales, positively influence our results. Compared to the levels in 2009, Henkel expects the adjusted EBIT margin to gratifyingly increase to a figure well above 12.0 percent and an improvement in adjusted earnings per preferred share of more than 45 percent.

This document 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 and similar formulations. 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 forward-looking statements.

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Photo material available for downloading at <http://www.henkel.com/press>. For more detailed facts and figures relating to the third quarter of 2010, please go to: <http://www.henkel.com/ir>.

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Key figures Q3/2010 and 1-9/2010

| in million euros | Sales | | EBIT | | EBIT margin | |
|--------------------------------|-------|--------|------|-------|-------------|-------|
| | Q3 | 1-9 | Q3 | 1-9 | Q3 | 1-9 |
| Laundry & Home Care | | | | | | |
| 2010 | 1,123 | 3,258 | 139 | 427 | 12.4% | 13.1% |
| 2009 | 1,035 | 3,106 | 137 | 363 | 13.2% | 11.7% |
| organic | 3.4% | 1.8% | - | - | - | - |
| 2010 adjusted ¹⁾ | - | - | 153 | 424 | 13.6% | 13.0% |
| 2009 adjusted ¹⁾ | - | - | 145 | 375 | 14.0% | 12.1% |
| Cosmetics/Toiletries | | | | | | |
| 2010 | 845 | 2,471 | 113 | 325 | 13.4% | 13.1% |
| 2009 | 764 | 2,274 | 99 | 290 | 13.0% | 12.8% |
| organic | 4.6% | 5.1% | - | - | - | - |
| 2010 adjusted ¹⁾ | - | - | 115 | 325 | 13.6% | 13.2% |
| 2009 adjusted ¹⁾ | - | - | 99 | 288 | 13.0% | 12.7% |
| Adhesive Technologies | | | | | | |
| 2010 | 1,945 | 5,486 | 268 | 676 | 13.8% | 12.3% |
| 2009 | 1,630 | 4,681 | 89 | 231 | 5.5% | 4.9% |
| organic | 9.7% | 12.5% | - | - | - | - |
| 2010 adjusted ¹⁾ | - | - | 268 | 725 | 13.8% | 13.2% |
| 2009 adjusted ¹⁾ | - | - | 172 | 340 | 10.6% | 7.3% |
| Henkel | | | | | | |
| 2010 | 3,961 | 11,363 | 501 | 1,344 | 12.7% | 11.8% |
| 2009 | 3,485 | 10,228 | 290 | 787 | 8.3% | 7.7% |
| organic | 6.5% | 7.3% | - | - | - | - |
| 2010 adjusted ¹⁾ | - | - | 517 | 1,414 | 13.0% | 12.4% |
| 2009 adjusted ¹⁾ | - | - | 407 | 950 | 11.7% | 9.3% |

| Henkel | Q3/2009 | Q3/2010 | Change | 1-9/ 2009 | 1-9/ 2010 | Change |
|---|---------|---------|--------|--------------|--------------|--------|
| Earnings per preferred share in euros | 0.39 | 0.78 | 100.0% | 1.00 | 2.01 | >100% |
| Adjusted EPS per preferred share in euros | 0.59 | 0.80 | 35.6% | 1.27 | 2.13 | 67.7% |

Changes on the basis of figures in thousand euros

¹⁾ adjusted for one-time charges/gains and restructuring charges