



EANS-News: Henkel AG & Co. KGaA
Henkel expects noticeable earnings improvement
in 2010

25.02.2010 - 07:51 Uhr, Henkel AG & Co. KGaA

Henkel reports better-than-expected 2009 results

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report/Annual Reports/Company Information/Earnings

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Düsseldorf (euro adhoc) - Düsseldorf, February 25, 2010

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• Laundry & Home Care has substantially higher earnings • Cosmetics/Toiletries continues
very successful performance • Adhesive Technologies shows strong recovery throughout the
year • Adjusted return on sales in Q4/2009 is 12.4 percent • Net debt reduced by 1
billion euros • Proposed dividends kept at prior-year levels

Henkel anticipates the current financial year will bring a noticeable improvement to its results. While regarding the recovery of the real economy and the financial markets as still fragile, the company expects that its organic sales growth, i.e. growth adjusted for foreign exchange and acquisitions/divestments, will outperform that of its relevant markets.

"For Henkel - and the world economy as a whole - 2009 will go down as a challenging year. Nevertheless, we have made good progress towards achieving our 2012 financial targets as proven by our outstanding results in the fourth quarter of 2009," said Kasper Rorsted, Chairman of the Henkel Management Board. "Our Laundry & Home Care and Cosmetics/Toiletries businesses have expanded their market positions and further increased their profitability. In the course of the year, our Adhesive Technologies business has rebounded well from the effects of the economic crisis." Rorsted continued: "Our results reflect the tireless efforts to adapt our structures and reduce our costs. We have shown that, even in adverse market conditions, we can act quickly and decisively. Once again, our strong brands have also made an appreciable contribution to the good performance: our new brand Syoss for example was the most successful launch in the hair care sector in 2009. We have put ourselves in a strong position and expect to improve noticeably our results in the current financial year."

In fiscal 2009, Henkel generated sales of 13,573 million euros. In a generally difficult market environment, this amounts to a decrease of 3.9 percent compared to the previous year. In organic terms, that is to say adjusted for foreign exchange and acquisitions/divestments, sales decreased by 3.5 percent versus prior year. After a substantial decline in sales in the first quarter caused by the economic crisis, the subsequent quarters were characterized by a gradual recovery. However, developments at the company's three business sectors continued to show a very mixed picture. While the consumer goods businesses of Laundry & Home Care and Cosmetics/Toiletries continued to perform very well with organic growth rates of 2.9 percent and 3.5 percent respectively, sales of the Adhesive Technologies business sector decreased organically by 10.2 percent due to the difficulties encountered in major customer industries worldwide.

Operating profit (EBIT) increased by 38.6 percent from 779 million euros to 1,080

million euros. The comparable prior-year figure was burdened by restructuring charges resulting from the company's "Global Excellence" efficiency enhancement program. After adjusting for one-time gains and charges and restructuring charges totaling 284 million euros, operating profit decreased by 6.6 percent, from 1,460 million euros to 1,364 million euros, attributable to the downturn suffered by the Adhesive Technologies business sector.

Return on sales (EBIT margin) was 8.0 percent, while adjusted return on sales decreased slightly from 10.3 percent to 10.0 percent due to the margin decline at Adhesive Technologies. By contrast, adjusted return on sales of the consumer goods businesses Laundry & Home Care and Cosmetics/Toiletries improved to 12.8 percent and 12.9 percent respectively.

Financial result decreased to -195 million euros, with the figure for the previous year having benefitted from a gain of 1,042 million euros arising from the disposal of Henkel's stake in Ecolab. Net interest improved by 84 million euros to -191 million euros. Due to the increase in cash flow and the lack of major acquisitions, Henkel was able to reduce its net debt compared to the prior-year by 1.0 billion euros to 2.8 billion euros. Together with the prevailing lower interest rates, this reduction in debt made a significant contribution to the improvement in Henkel's net interest result. At 29.0 percent, the tax rate was above the level of the previous year.

Due to the gain from the sale of the Ecolab stake in 2008, net earnings decreased by 605 million euros to 628 million euros. After deducting minority interests of 26 million euros, net earnings totaled 602 million euros. Adjusted net earnings after minority interests declined by 123 million euros to 822 million euros. Earnings per preferred share decreased from 2.83 euros to 1.40 euros. The adjusted figure was 1.91 euros compared to 2.19 euros in the previous year.

Good progress was also made in the management of net working capital. Compared to the prior-year, the ratio of net working capital to sales improved from 11.7 percent to 7.8 percent. Free Cash Flow was increased significantly from 457 million euros to 1,462 million euros compared to the prior year.

The Management Board, Supervisory Board and Shareholders' Committee will be proposing to Henkel's Annual General Meeting that it approve unchanged dividends of 0.53 euros per preferred share and 0.51 euros per ordinary share.

Business sector performance

The Laundry & Home Care business sector increased sales organically by 2.9 percent in fiscal 2009. In nominal terms, sales decreased by 1.0 percent to 4,129 million euros. The generally gratifying increase in organic sales was particularly attributable to double-digit improvements in the growth regions of Eastern Europe and Africa/Middle East. Sales performance in Asia was influenced by the exit from the Chinese market at the end of 2008. Adjusted operating profit increased substantially by 17.8 percent, from 450 million euros to 530 million euros. This improvement reflects the benefits accruing from measures introduced to reduce cost and enhance efficiency and lower prevailing material prices. Adjusted return on sales increased by 2.0 percentage points to 12.8 percent. In the Laundry business segment, the strongest growth momentum was generated by heavy-duty detergents and fabric softeners. Henkel also benefited from successful innovations such as Persil ActicPower, which requires only half the usual detergent dosage and develops its full laundry power at just 15 degrees Celsius, and Vernel Crystals - innovative fragrance crystals for the wash. The Laundry business also enjoyed major success in North America with Purex Complete 3-in-1. Organic sales growth in the Home Care business segment was generated primarily by improved sales of dishwashing detergents and WC products. While sales in machine dishwashing products increased particularly in Eastern Europe, hand dishwashing product sales experienced their highest growth rates in the Africa/Middle East subregion. The strongest growth in the case of the WC products was in Eastern Europe. With new products having been launched onto the market here, the company also succeeded in increasing its overall market share.

With organic sales growth of 3.5 percent, the Cosmetics/Toiletries business sector was able to continue its highly gratifying growth rates of previous years, despite the recessive market environment. In nominal terms, sales were stable at 3,010 million euros due to foreign exchange effects and divestments in North America. Organic growth was boosted by the encouraging performance of the branded consumer goods business in Eastern Europe and the regions of Africa/Middle East, Latin America and Asia-Pacific. But also in Western Europe developments were positive despite the adverse market environment. At 387 million euros, adjusted operating profit was 2.1 percent above the level for the previous year. Systematic cost reduction measures and the further elimination of complexity resulted in an improvement in the business sector's cost structures. Adjusted return on sales increased by 0.3 percentage points versus prior year, reaching a record high of 12.9 percent. In the Hair Cosmetics business, sales experienced substantial organic growth while market shares rose to new heights. The primary growth drivers were the Hair Care and Colorants businesses, due particularly to the highly successful international launches of the Syoss brand and Schwarzkopf Essential Color, a permanent colorant formulated without ammonia. In the Styling segment too, significant share gains in a declining market were made with new launches under Europe's leading styling brand Taft and the young fashion brand Got2b. The Body Care business

also continued to perform well. The core brands Fa and Dial successfully continued their innovation offensive, gaining market shares with a number of new launches. In the Skin Care business, the introduction of Diadermine's Dr. Caspari Method Dermo-Ident treatment contributed to further consolidation of the position enjoyed by the Diadermine brand in the rapidly growing anti-aging segment. In the Oral Care business, good results were achieved with the new freshness variant Theramed 2-in-1 Arctic White. Despite the difficulties of the market environment, the Hair Salon segment was able to further expand its position as the world's number three.

In a significantly contracting overall market, sales of the Adhesive Technologies business sector decreased by 7.1 percent to 6,224 million euros. In organic terms, sales were 10.2 percent below the level of the previous year. The decreases in the growth regions were less pronounced than in the mature markets of Western Europe and North America. In Latin America, sales actually increased compared to prior year. At 506 million euros, adjusted operating profit was 25.6 percent lower due to considerable volume decreases and a resulting lower level of capacity utilization. Adjusted return on sales declined by 2.0 percentage points to 8.1 percent, although steady improvement was registered in the course of the year. This gradual upturn is attributable to the accelerated process of synergy realization arising from the integration of the National Starch businesses, the benefits accruing from the "Global Excellence" program and further measures implemented to reduce costs. The Adhesives for Craftsmen, Consumers and Building business was impacted by market decreases in purchases by consumers, destocking by customers and the prevailing recession in the building industry. Overall, however, business with the building sector has increased on the back of encouraging developments in the regions of Eastern Europe and Africa/Middle East. The Transport and Metal business was especially hard hit by the effects of the global economic crisis, although here too, there were slight signs of recovery as the year progressed. Through close collaborative partnerships with major OEM customers from the automotive and metal processing industries the business was able to create further positive momentum. The General Industry business suffered from the decline in industrial production and a low level of propensity to invest, particularly in the case of durable goods, leaving sales overall well below the prior-year levels for this segment. Operations involving products for industrial maintenance, repair and overhaul under the Loctite brand performed at a more stable level and even posted a small degree of growth in North America. The Packaging, Consumer Goods and Construction Adhesives business remained somewhat more robust in a market environment characterized by falling demand for consumer goods. Adhesives for flexible packaging continued to perform well: here, the product portfolio has significantly expanded as a result of the integration of the National Starch businesses. The Electronics business was heavily affected by developments in the semiconductor market. Significant shrinkage in sales during the first half of the year, compared to 2008 levels, was followed by a degree of recovery in the second half.

Regional performance

At 8,335 million euros, the organic sales of the Europe/Africa/Middle East region were 1.9 percent below the level of the previous year. While the consumer goods businesses succeeded in generating a gratifying increase in sales, Adhesive Technologies posted a decline in the double-digit percentage range. There was a decrease in sales in Western Europe. In Eastern Europe, on the other hand, organic sales underwent a single-digit increase, and the Africa/Middle East subregion once again posted double-digit growth. Overall, the share of sales of the region declined from 63 to 61 percent. Sales in the North America region decreased organically by 8.6 percent to 2,546 million euros. All the company's business sectors suffered considerably from the underlying economic conditions, particularly during the first half of the year. The region's share of sales remained constant at 19 percent. The Latin America region continued to perform very encouragingly, posting organic sales growth of 5.0 percent to 825 million euros, with all business sectors contributing. The share of sales attributable to Latin America increased from 5 to 6 percent. Like Europe and North America, the Asia-Pacific region felt the effects of the economic crisis, with sales declining organically to 1,657 million euros, 5.8 percent below the prior-year level. Reported sales amounted to 1,657 million euros. An increase in sales posted by Cosmetics/Toiletries was offset by a decline in Laundry & Home Care which resulted from the discontinuation of the business sector's operations in China at the end of 2008. The organic sales performance of the Adhesive Technologies business sector likewise experienced a downturn, although positive growth returned in the second half of the year. The share of total sales accounted for by this region rose to 12 percent. Sales in the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased organically by 3.7 percent, with continuous improvement apparent during the course of the year. The consumer businesses made a particularly important contribution to the gains made, registering growth rates close to the double-digit percentage mark, while developments at Adhesive Technologies were slightly regressive. In nominal terms, sales fell by 1.0 percent to 5,114 million euros. The share of sales of the growth regions increased from 37 to 38 percent.

Fourth quarter 2009

In the fourth quarter of 2009, Henkel was able to continue the positive development of its consumer goods businesses from previous quarters, while its Adhesive Technologies business sector performed noticeably better than expected. Sales amounted to 3,345

million euros compared to 3,541 million euros in the same quarter of 2008. Organically sales increased by 0.6 percent versus the prior-year quarter. Operating profit amounted to 293 million euros. Included in this figure are restructuring charges and one-time charges and gains totaling 121 million euros. Adjusted operating profit increased significantly from 379 million euros to 414 million euros. Adjusted return on sales rose by 1.7 percentage points to 12.4 percent.

Due to the gain from the sale of the Ecolab stake in 2008, net earnings for the quarter decreased by 684 million euros to 177 million euros. After deduction of minority interests in the amount of 7 million euros, quarterly net earnings came in at 170 million euros. Earnings per preferred share (EPS) amounted to 0.39 euros, while the adjusted figure increased from 0.57 euros to 0.64 euros.

Sales and profits forecast 2010

Henkel regards the mildly encouraging market conditions prevailing in the real economy and on the financial markets as still fragile. The general economic climate and its further development therefore remain difficult to gauge with any degree of accuracy. Henkel's guidance for the current financial year is based on the assumption of moderate economic growth overall, but without expectation of a sustained upturn or any major growth dynamic.

Henkel is confident of again outperforming its relevant markets in terms of organic sales growth. A number of measures have already been introduced on the operational side, from which Henkel expects further positive momentum to develop. For example, the company anticipates additional contributions to profitability to emanate from the synergies arising from the integration of the National Starch businesses and its strict cost discipline. All these factors will positively influence the development of adjusted operating profit (EBIT) and adjusted earnings per preferred share (EPS). Henkel expects both metrics to undergo a noticeable improvement of more than 10 percent compared to the levels of 2009.

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.

Contact: Lars Witteck Wulf Klüppelholz Phone: +49-211-797-2606 Phone: +49-211-797-1875 Fax: +49-211-798-4040 Fax: +49-211-798-4040

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For more detailed facts and figures relating to fiscal 2009, please go to:
<http://www.henkel.com/ir>

press@henkel.com -----

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Irene Honisch
Assistent Corporate Communications
Tel.: +49 (0)211 797-5668
E-Mail: irene.honisch@henkel.com

Branche: Consumer Goods
ISIN: DE0006048432
WKN: 604843
Index: DAX, CDAX, HDAX, Prime All Share
Börsen: Frankfurt / regulated dealing/prime standard
Hamburg / free trade
Stuttgart / free trade
Düsseldorf / free trade
Hannover / free trade
München / free trade
Berlin / regulated dealing

Originaltext:

Henkel AG & Co. KGaA

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