Strategy Laundry & Home Care

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Agenda

1. The Laundry & Home Care Market
2. Henkel Laundry & Home Care
3. Key Data
4. Laundry & Home Care Strategy
5. Outlook
## Laundry & Home Care Market 2008

### World 2008: 86 bn€

<table>
<thead>
<tr>
<th>Laundry Care</th>
<th>45 bn€</th>
<th>Home Care</th>
<th>41 bn€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabric detergents</td>
<td>35 bn€</td>
<td>Surface cleaning</td>
<td>13 bn€</td>
</tr>
<tr>
<td>Fabric softener</td>
<td>6 bn€</td>
<td>Dishwashing</td>
<td>9 bn€</td>
</tr>
<tr>
<td>Laundry additives</td>
<td>4 bn€</td>
<td>Toilet care</td>
<td>3 bn€</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Air care</td>
<td>5 bn€</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Insecticides</td>
<td>5 bn€</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rest</td>
<td>6 bn€</td>
</tr>
</tbody>
</table>

Source: Euromonitor 2009
The Laundry & Home Care Market
World Market 2008

Market worldwide: 86 bn€

North America
Market: 15.3 bn€ (18%)

Western Europe
Market: 25.1 bn€ (29%)

Eastern Europe
Market: 7.6 bn€ (9%)

Latin America
Market: 13.3 bn€ (15%)

Middle East / Africa
Market: 4.9 bn€ (6%)

Asia Pacific / Austr.
Market: 20.3 bn€ (23%)

Source: Euromonitor 2009; ( ) Relevance of the regions within the world
The Laundry & Home Care Market 2008
Global Market Shares in % – Top 10

- Henkel #4 competitor within global Laundry & Home Care market
- Henkel is active in ~ 60% of global Laundry & Home Care market

Source: Euromonitor 2009
Global No. 2 in Active Markets

• Henkel covers ~60% of Laundry & Home Care market

GERMANY  # 1
EUROPE    # 2
WORLD     # 2

Source: GfK/IRI, Nielsen

Strong global presence
Performance in Active Markets
Market Leader in Germany

Henkel with dominant market leadership position

Source: GfK/IRI, Nielsen, May/June 2009
Performance in Active Markets
Co-Leader in Europe

Henkel achieved co-leadership

Source: GfK/IRI, Nielsen, May/June 2009
Performance in Active Markets
Global No. 2

Competitor A

Henkel

Competitor B

Competitor C

Competitor D

Source: GfK/IRI, Nielsen, May/June 2009

➔ Henkel outpaces peers
Performance in Active Markets
Global Market Position

- Competitor A
  - JF 09: 32.4
  - MA 09: 30.8

- Henkel
  - JF 09: 17.2
  - MA 09: 17.6
  - MJ 09: 17.6

- Competitor B
  - JF 09: 8.0
  - MA 09: 8.3

- Competitor C
  - JF 09: 7.3
  - MA 09: 7.4

- Competitor D
  - JF 09: 3.6
  - MA 09: 3.6

In 2009 best development amongst peers

Source: GfK/IRI, Nielsen, May/June 2009
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Laundry & Home Care within Henkel
Sales and EBIT 2008

Sales share 2008 (4,172 m€)

- Corporate: 2%
- Laundry & Home Care: 30%
- Adhesive Technologies: 47%
- Cosmetics / Toiletries: 21%

EBIT share 2008* (439 m€)

- Corporate: 2%
- Laundry & Home Care: 30%
- Adhesive Technologies: 45%
- Cosmetics / Toiletries: 25%

→ Laundry & Home Care accounts for ~1/3 of Henkel’s sales & EBIT

* Without corporate
Significantly Strengthened Global Presence
Sales by Region

Emerging markets share already 40%
Business Segments

Laundry & Home Care

- 69% Laundry Care
- 31% Home Care

Henkel Laundry & Home Care
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Organic Sales Growth Development

- **05-07**: Excellent development
- **08-09**: Outperforming the market in a challenging environment
EBIT Margin Development

- 05-08: Positive development despite strong input cost head wind
- 2009: Continuation of positive development

* incl. goodwill amortization
Successful H1 2009

<table>
<thead>
<tr>
<th>Category</th>
<th>H1 2008 (m€)</th>
<th>H1 2009 (m€)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (OSG in %)</td>
<td>2,043</td>
<td>2,071</td>
<td>+ 1.3% (+3.3%)</td>
</tr>
<tr>
<td>EBIT</td>
<td>192</td>
<td>226</td>
<td>+ 21.4% (fx-adj.)</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>9.4%</td>
<td>10.9%</td>
<td>+ 1.5% pp</td>
</tr>
</tbody>
</table>

- Positive organic sales development despite global economic downturn
- Excellent EBIT development
Success Factors H1 2009

Right measures implemented back in 2008 in response to input cost increase:

- Price increases based on strong brands / innovation / pricing power
- Increased investments behind strong brands
- Fundamental restructuring successfully implemented

→ Relief from decreasing input costs offset by unfavorable FX development
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Five Pillar Strategy for Profitable Growth

- Successfully established 2005
- Sharpened for challenging environment 2008
- Foundation for achieving targets 2012
Brand Equity

Target

- Leverage 130 years experience in brand building to strengthen consumer loyalty / trust and to assure further growth

Key Measures

1. Leading global brand equity clusters
2. Leverage synergies with intelligent branding
3. Increased brand support
4. Improved marketing efficiency (Neuromarketing)
5. DNA advantage: Performance based on sustainability

⇒ Brand equity building fostered by innovation
2 Innovation Leadership

Target

• Be the recognized leader in market-relevant innovation

Key Areas

Innovation with focus on:

1. Basic needs / better performance

2. Additional / combined benefits

3. “A little affordable luxury“
3 Portfolio Steering

Profitable growth balance

Categories

• Mass
• Specialty

Regions

• Developed
• Developing
Portfolio Steering
Profitable Growth Balance in Categories

**Mass categories**
(60% of portfolio)
- Drive margins
  - Push Innovation
  - Price increases
  - Synergies through brand clusters

**Specialty categories**
(40% of portfolio)
- Drive growth
  - Geographical roll-out

- Exit marginal positions (Food, Private Label)

Mass Categories main driver for margin improvement
Portfolio Steering
Profitable Growth Balance in Regions

Developed regions - Drive growth
  → Key means: Blockbuster Innovation

Developing regions - Drive margins

- Exit marginal positions (China)

→ Developing regions main driver for margin improvement
Customer Focus

Target

- We strive for best in class customer relations to create value for the customer and for Henkel

3-Step Approach

1. Excellent relationship on operational level (buyer/ sales) as base

2. Top-2-Top contacts to go for additional win-win solutions beyond the operative business

3. Multifunctional teams to leverage all opportunities along the entire value chain
Cost Focus

Target
- Striving for best in class lean cost structure to improve margin and increase brand investment

Key Measures …
1. Excellence in supply chain
2. Excellence in purchasing
3. GAIN / cost chase initiatives
4. Global Excellence
… leading to savings of > 250 m€ p.a. from 2012 on

→ Discipline in costs / structures → Changing mind-set
Strong Leadership Model

Management Standards as precondition

- Common business understanding
- Common procedures / rules / guidelines
- Global / regional / local responsibilities

⇒ Guiding framework for empowerment
Strong Leadership Model

Mission Based Management

• Empowerment
• Drives entrepreneurial mind set

 Leads to operational excellence
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Outlook H2 2009

- Slow down of market growth
- Risk of higher raw material costs (price/FX)
- Trade pressure on prices
- Trade focus on Private Label

- Sharpened strategy
- Pricing power of our brands
- Leading Innovations
- Ramp-up Global Excellence
- Ramp-up GAIN / new initiatives

Increased competition / Fight for market positions
Balancing

Volume / market position & Price / margin
Summary

Five Pillar Strategy for Profitable Growth

- Enabled turnaround since 2005
- Sharpened in 2008 to meet challenge of exploding input costs
- Success factor 2009
- Foundation for future success

Laundry & Home Care is well prepared and committed to reach targets 2012
Henkel is a leader with brands and technologies that make people's lives easier, better and more beautiful.