

Henkel Hybrid Bond: Calculation of „Trigger Ratio“

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Hybrid Bond: Key Features of the Offering

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Issuer	Henkel KGaA
Volume	€ 1.3 bn
Instrument Rating	BBB (S&P) / Baa1 (Moody's)
Ranking	Deeply subordinated
Maturity date	25.11.2104
Coupon	5.375% p.a. for 10 years, floating thereafter
Issuer Call	After 10 years and quarterly thereafter (100 basis points step-up after year 10)
Use of proceeds	Financing of German pension obligations

Optional coupon deferral mechanism



- **Coupon deferral optional if trigger ratio <20%**
- If coupon deferral chosen, coupon must be paid:
 - Within 12 months following a resolution of Annual General Meeting to distribute a dividend, or
 - Lapse of 5 years, whatever occurs earlier

Mandatory coupon deferral mechanism



- **Coupon deferral mandatory if trigger ratio <15%**
- Issuer can elect to make coupon payment through either of **two alternative mechanisms**, subject to certain constraints:
 - Alternative Coupon Satisfaction Mechanism (**ACSM**) with a sale of “Preferred Shares”
 - Payment-in-kind (**PIK**): allotment of further Bonds
- **ACSM/PIK must be attempted at the earlier of**
 - within 12 months following a resolution of Annual General Meeting to distribute a dividend, or
 - lapse of 5 years, whatever occurs earlier

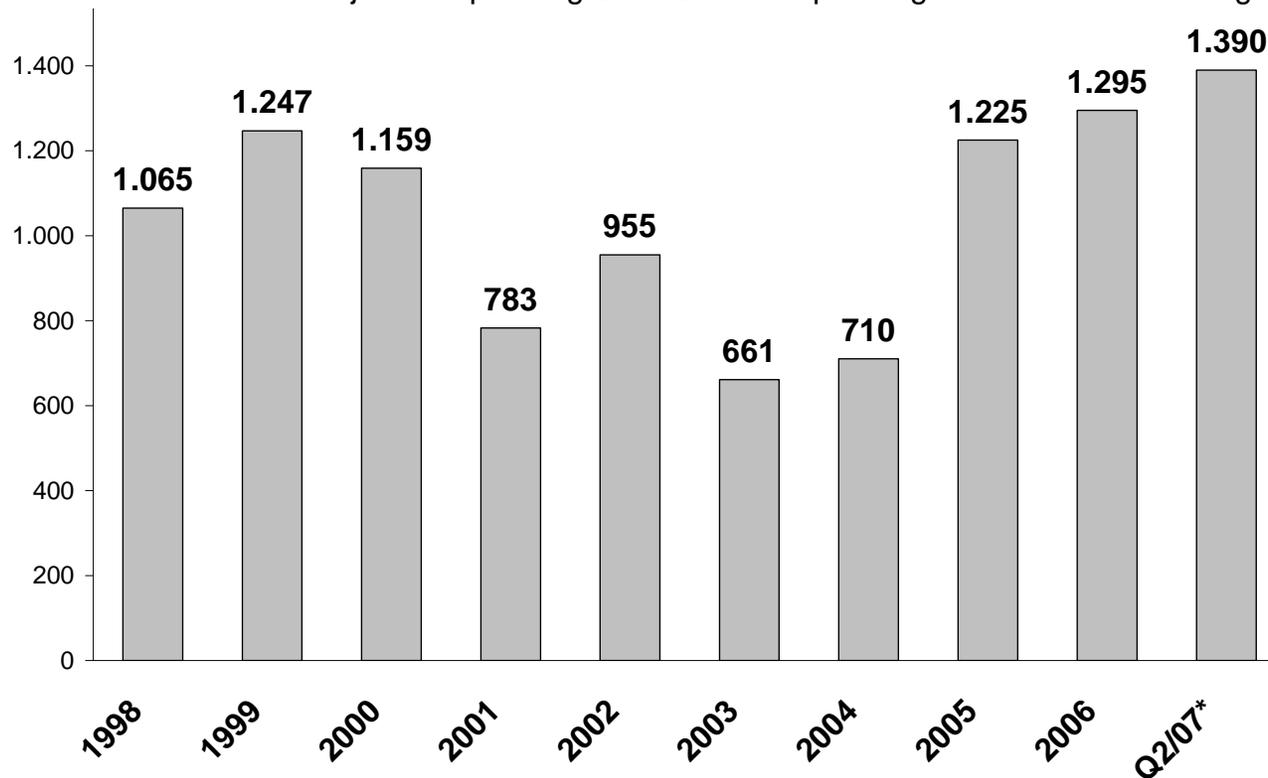
Development of Adjusted Operating Cash Flow

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Adjusted operating cash flow 1998 - 2007 (€m)

Adjusted Operating CF = CF from operating activities before changes in working capital



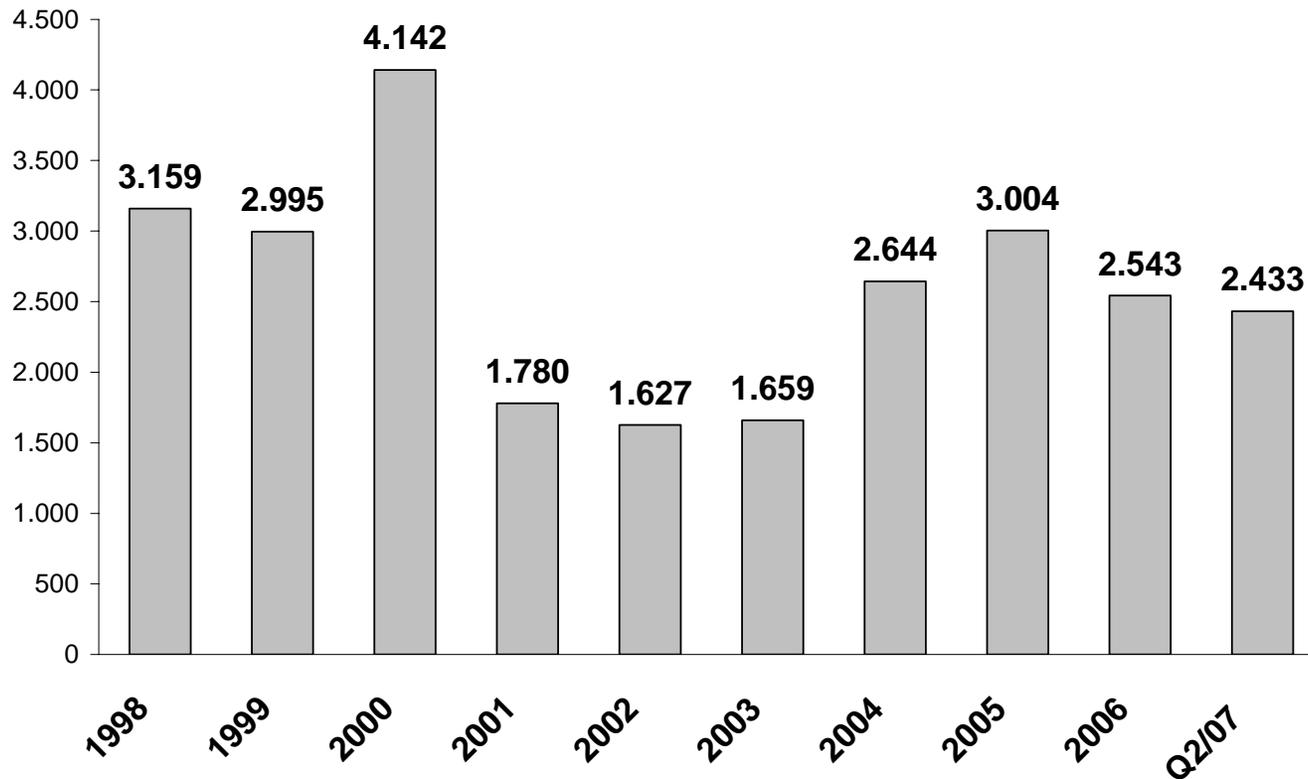
* Linear adjusted cash flow annualisation

Development of Adjusted Debt



Adjusted debt 1998 - 2007 (€m)

Adjusted debt = borrowings excl. bonds - liquid assets + pension prov. + 50% of bonds

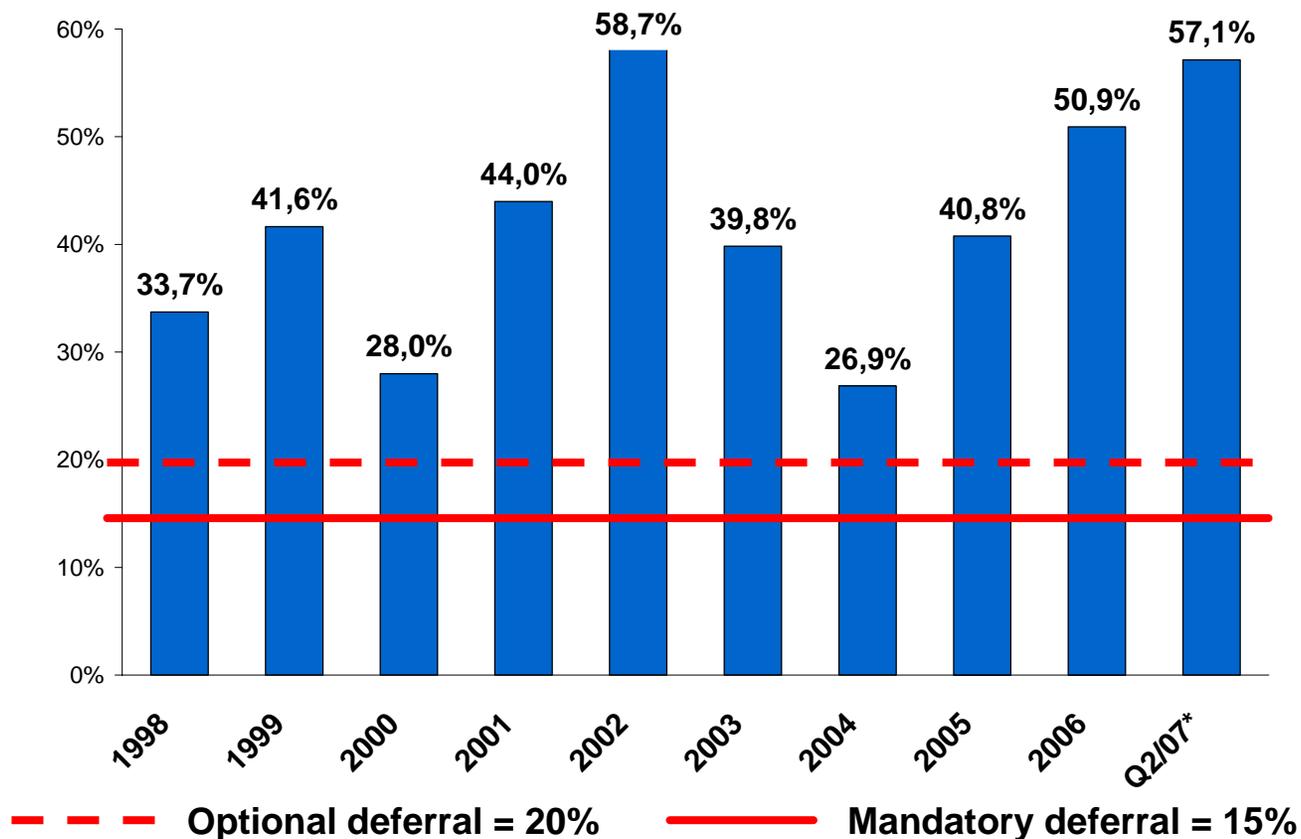


Development of "Trigger Ratio"

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Adjusted operating cash flow / Adjusted debt (%)



Example: Trigger Calculation 2006

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Adjusted operating cash flow (in mill. €)	2006
Cash flow from operating activities	1.131
Change in receivables and miscellaneous assets	186
Change in inventories	147
Change in liabilities and provisions	-169
Adjusted operating cash flow	1.295

Adjusted debt (in mill. €)	
Borrowings	3.334
Volume hybrid bond	-1.300
Liquid funds/Marketable securities	-929
Provisions for pensions and similar obligations	788
Half of the principal amount of the Hybrid Bond (1.300 mill. €)	650
Adjusted Debt	2.543

Ratio:

Adjusted operating cash flow / Adjusted debt	50,9%
	(= 1.295 / 2.543)

Investor Relations Team

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What can we do for you?

Sabine
Katterbach

Oliver
Luckenbach

Ines
Göldner



Maria
Dominguez
Parra

Tim
Lange

Andrea
Haschke

Henkel KGaA
Investor Relations
40191 Düsseldorf
Germany

Phone: +49-211-797-3937

Fax: +49-211-798-2863

E-mail: investor.relations@henkel.com

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