

# **Henkel Hybrid Bond: Calculation of „Trigger Ratio“**

**Investor Relations**



# 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

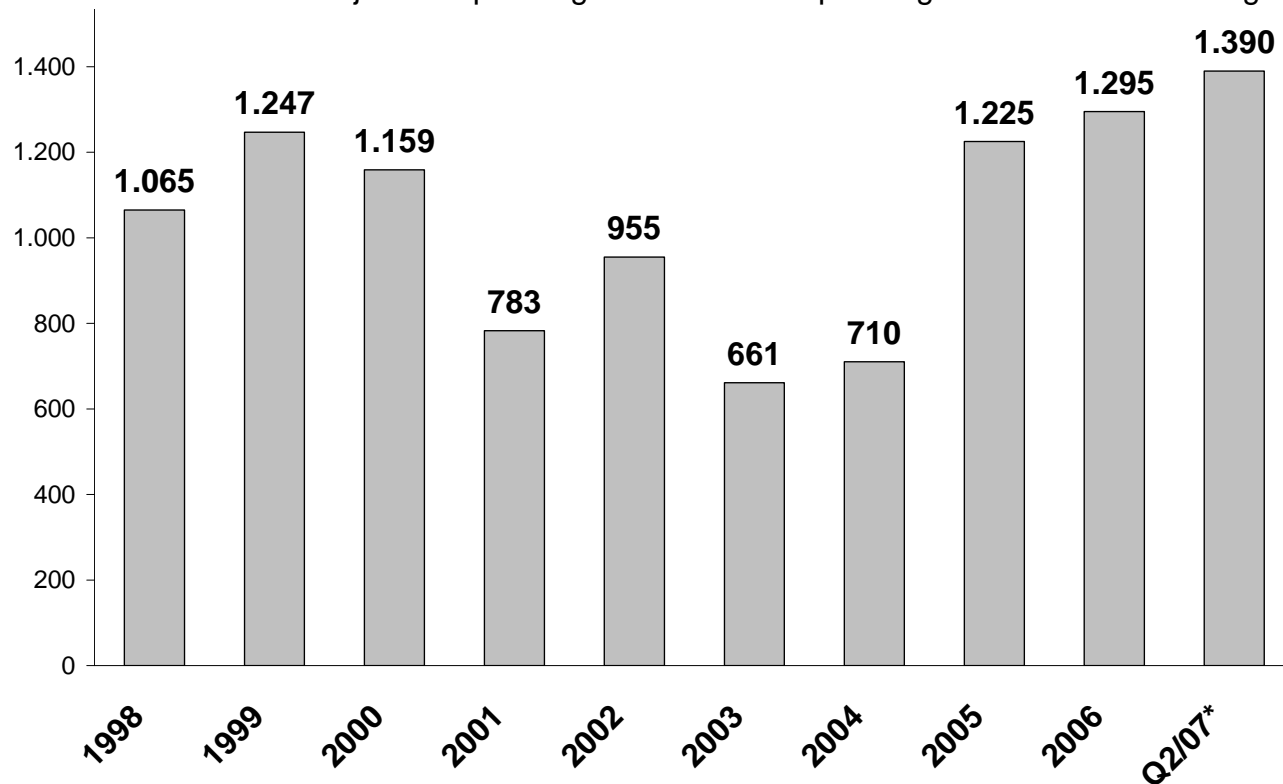
# Development of Adjusted Operating Cash Flow

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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

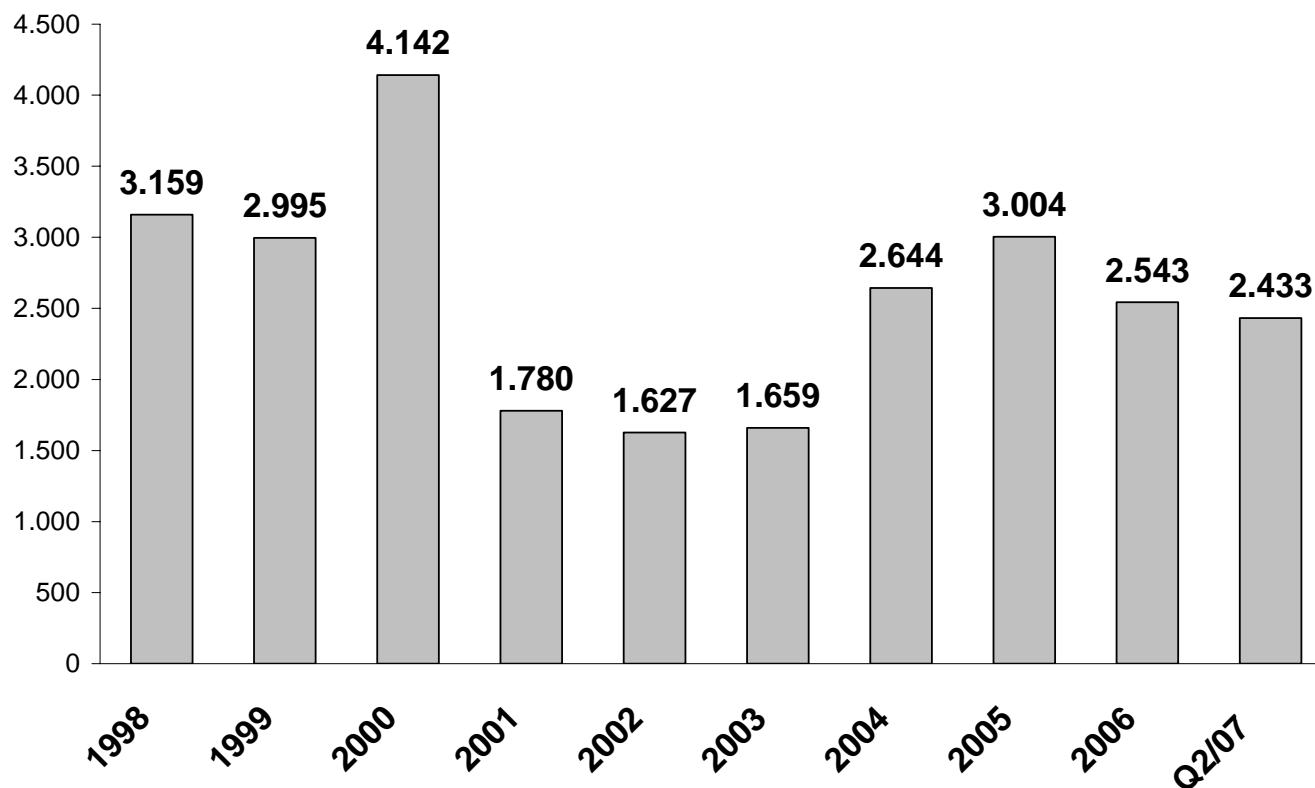
# Development of Adjusted Debt

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## Adjusted debt 1998 - 2007 (€m)

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

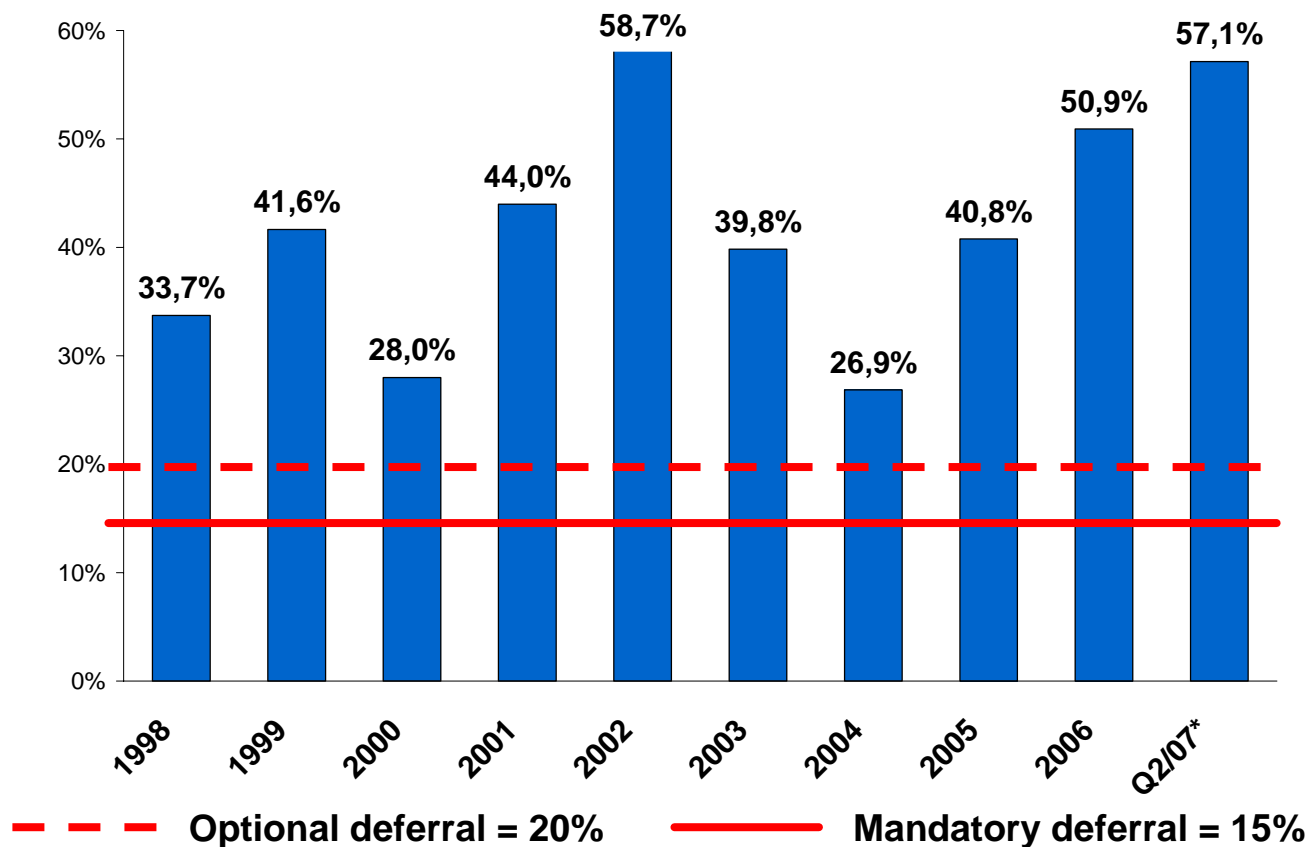


# Development of “Trigger Ratio”

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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
<b>Adjusted operating cash flow</b>	<b>1.295</b>

## 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
<b>Adjusted Debt</b>	<b>2.543</b>

## Ratio:

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



# Investor Relations Team

Henkel

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## What can we do for you?

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