

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

**Investor Relations**



# Hybrid Bond: Key Features of the Offering



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

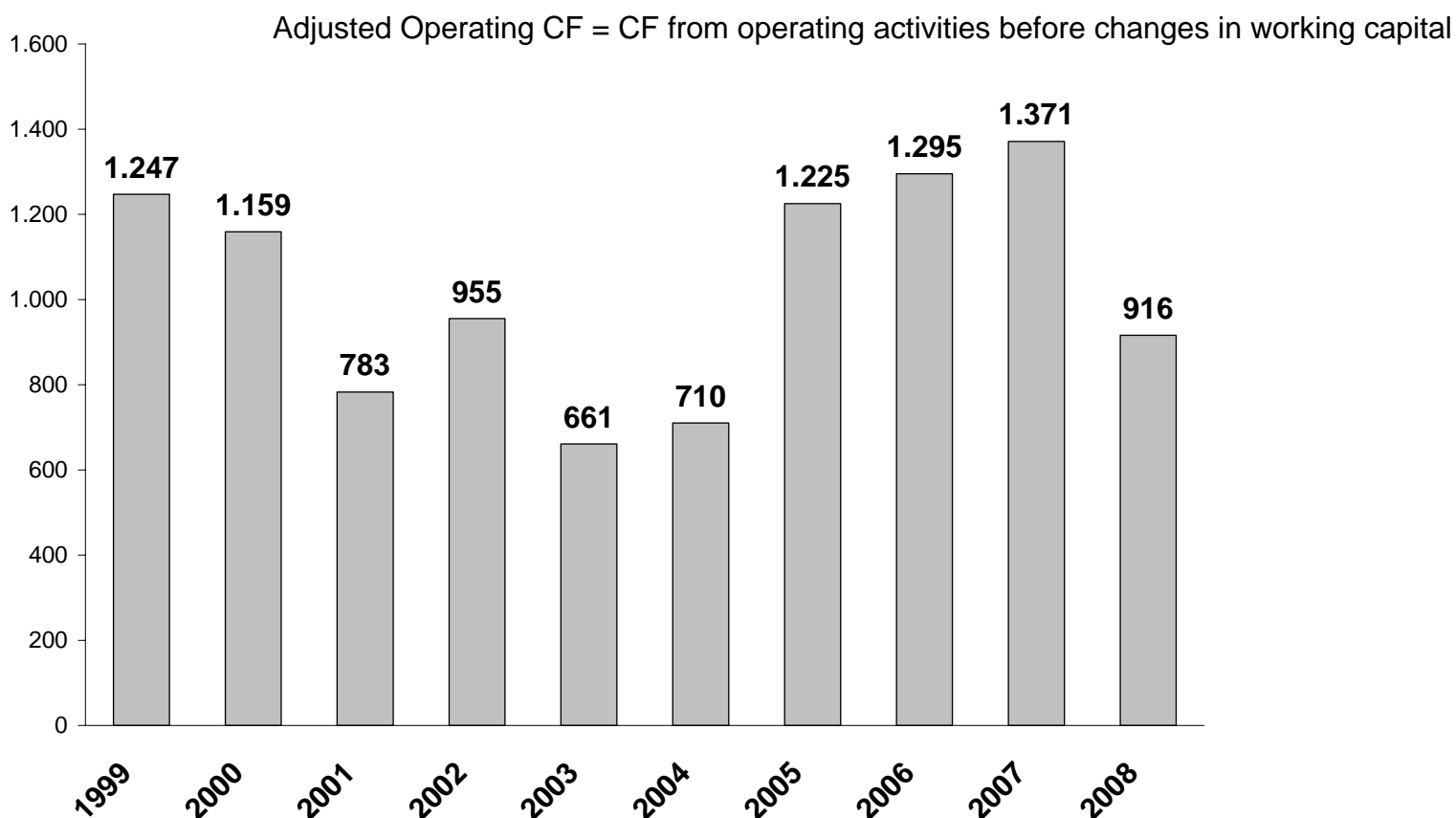


- **Coupon deferral mandatory if trigger ratio <15%**
- Issuer can elect to make coupon payment through either of **two alternative mechanisms**, subject to certain constraints:
  - Alternative Coupon Satisfaction Mechanism (**ACSM**) with a sale of “Preferred Shares”
  - Payment-in-kind (**PIK**): allotment 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



## Adjusted operating cash flow 1999 - 2008 (m €)

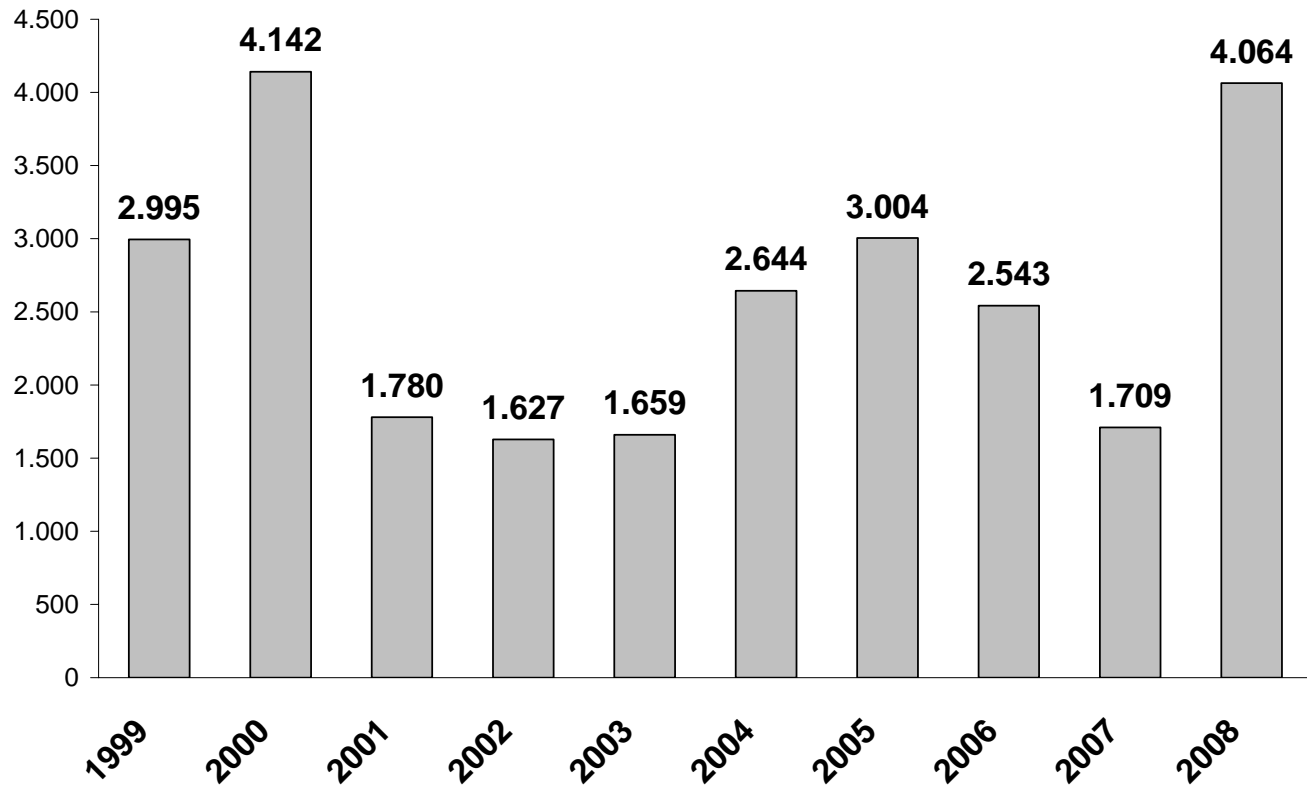


# Development of Adjusted Debt



## Adjusted debt 1999 - 2008 (m €)

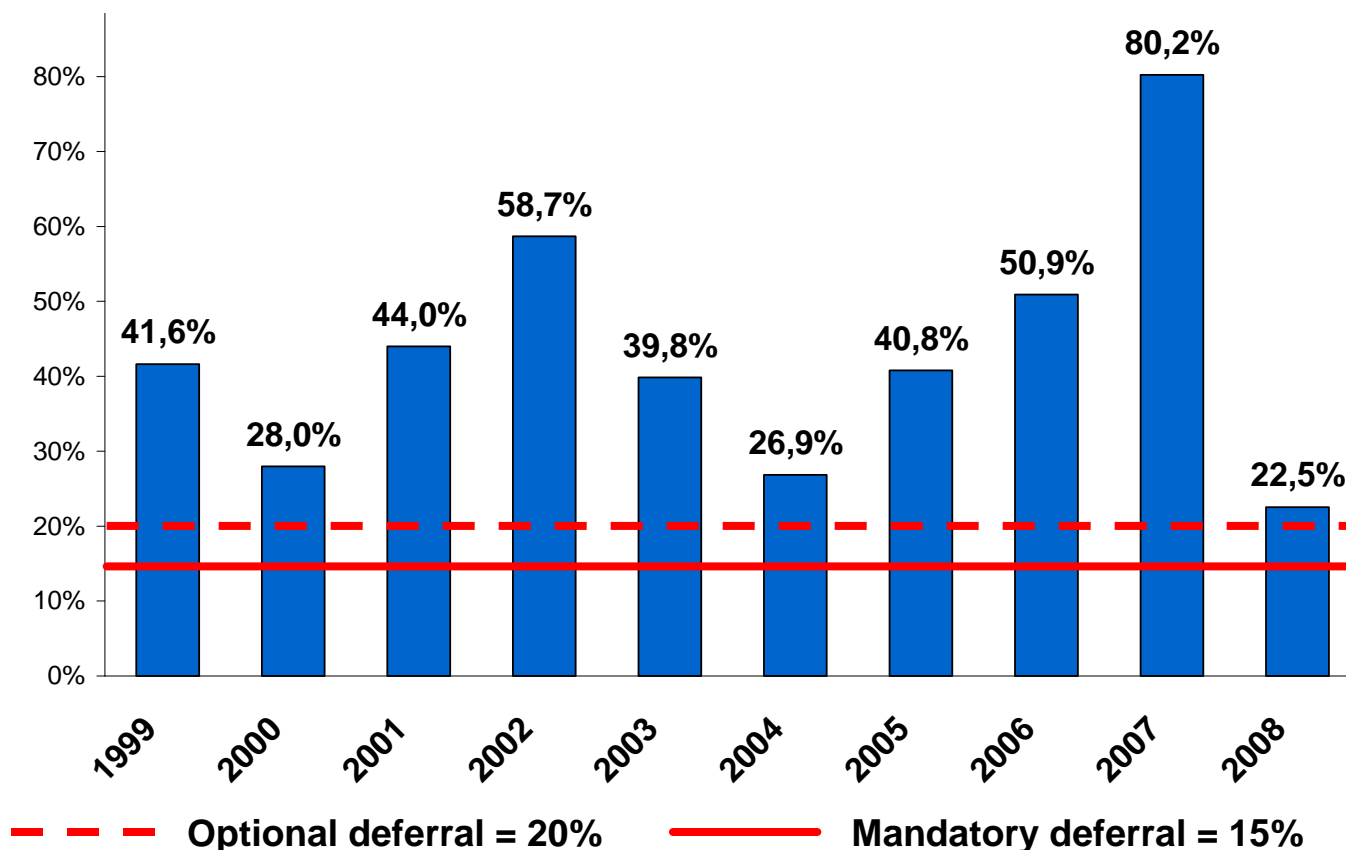
Adjusted debt = borrowings excl. bonds - liquid assets + pension prov. + 50% of bonds



# Development of “Trigger Ratio”



Adjusted operating cash flow / Adjusted debt 1999 – 2008 (%)



# Example: Trigger Calculation 2008



## Adjusted operating cash flow (in mill. €) 2008

Cash flow from operating activities	1.165
Change in inventories	78
Change in trade accounts receivable	-108
Change in other receivables and miscellaneous assets	-60
Change in trade accounts payable	36
Change in other liabilities and provisions	-195
<b>Adjusted operating cash flow</b>	<b>916</b>

## Adjusted debt (in mill. €)

Borrowings	4219
- Volume hybrid bond	1.300
- Liquid funds/Marketable securities	338
+ Provisions for pensions and similar obligations	833
+ Half of the principal amount of the Hybrid Bond (€1,300m)	650
<b>Adjusted Debt</b>	<b>4.064</b>

## Ratio:

**Adjusted operating cash flow / Adjusted debt** **22,5%**  
(= 916 / 4,064)



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