Investor Relations News

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Business results reflect National Starch acquisition and Ecolab sale

Henkel increases sales and earnings

- **Strong sales growth of 8.1 percent to 14.1 billion euros**
- **Organic sales growth of 3.0 percent**
- **Adjusted operating profit*: +9.1 percent to 1,495 million euros**
- **Adjusted earnings per preferred share*: +3.2 percent to 2.26 euros**
- **Sales in growth regions: +3 percentage points to 37 percent of total**
- **Proposed dividends kept at prior-year levels**

"Despite the difficult economic environment, we sustained our very good position in 2008. Once again, all our business sectors were able to outperform their respective markets, with our businesses in the emerging markets making a particularly strong contribution," said Henkel CEO Kasper Rorsted. "At the beginning of 2008, we initiated a global efficiency enhancement program in early response to the increasing economic difficulties encountered in the market. With this and the acquisition of the National Starch businesses, we have been able to sustainably strengthen our competitiveness. Moreover, our heightened focus on our strategic priorities is already beginning to yield benefits." Rorsted continued: "We know that 2009 is not going to be an easy year. At the moment it is difficult to predict how the economy as a whole is going to develop. However, we are well equipped and confident we will emerge from this difficult economic environment with our position strengthened."

* Before purchase price allocation

In fiscal 2008, Henkel increased **sales** by 8.1 percent to 14,131 million euros. This substantial increase is mainly attributable to Henkel's acquisition of the National Starch businesses in April 2008. After adjusting for foreign exchange, sales rose by 11.6 percent. **Organic** sales growth, i.e. adjusted for foreign exchange and acquisitions/divestments, was a good 3.0 percent, falling within the range of our forecast for the year as a whole. All the company's business sectors contributed to this organic growth, with Laundry & Home Care and Cosmetics/Toiletries showing a stronger dynamic. Total organic growth resulted from a 3.2 percent increase derived from price effects and a volume decline of 0.2 percent.

Operating profit (EBIT) was primarily impacted in the year under review by restructuring charges arising from the global efficiency enhancement program and the integration of the National Starch businesses. Normal restructuring charges included, these expenses totaled 663 million euros compared to 34 million euros in the previous year. As a result, EBIT declined to 779 million euros. Conversely, operating profit adjusted for one-time gains/charges and restructuring charges ("adjusted EBIT") rose from 1,370 million euros to 1,460 million euros (+6.6 percent). This increase was again mainly due to the consolidation of the National Starch businesses. Included in this figure is a charge of 35 million euros for amortization of intangible assets measured at fair value, identified in the course of the purchase price allocation for the acquisition of the National Starch businesses. The rise in adjusted EBIT before amortization due to purchase price allocation, i.e. the basis for the forecast of approximately 10 percent specified by Henkel in November, came in at 9.1 percent, totaling 1,495 million euros.

The **EBIT margin** was 5.5 percent, while the adjusted EBIT margin decreased from 10.5 percent to 10.3 percent, largely due to the impact of the substantial rise in raw material prices on the two business sectors Laundry & Home Care and Adhesive Technologies. Before amortization of intangible assets arising from the acquisition of the National Starch businesses, return on sales rose 0.1 percentage points to 10.6 percent.

The **financial result** for 2008 reflects a gain of 1,042 million euros arising from the sale of the company's stake in Ecolab Inc. This resulted in a rise in net financial income of 942 million euros, from -94 million euros to 848 million euros. Net interest result was affected by borrowings to finance the purchase price for the National Starch businesses, resulting in an increase of 97 million euros to -275 million euros. At 24.2 percent, the **tax rate** was slightly below the level of the previous year.

Net earnings for the year increased by 292 million euros to 1,233 million euros due to the considerable increase in financial income. After deducting minority interests of 12 million euros, net earnings totaled 1,221 million euros. Adjusted net earnings after minority interests increased by 4 million euros to 945 million euros. **Earnings per preferred share** rose from 2.14 euros to 2.83 euros. After adjustment, EPS remained at the prior-year level of 2.19 euros, while the figure before amortization after purchase price allocation was 2.26 euros.

Based on this earnings performance, 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

Sales in the **Laundry & Home Care** business sector rose organically by a gratifying 3.8 percent, outstripping the rate of expansion in its markets. Nominal sales rose by 0.6 percent to 4,172 million euros, with foreign exchange having a negative effect. The rise was primarily price-driven. Growth came mainly from the Europe/ Africa/Middle East region, with Eastern Europe generating the primary impetus. In Western Europe, on the other hand, sales remained below the 2007 level. Aside from the high prior-year base generated by the pan-European "Best Ever" campaign and Persil's brand centennial, this decline was also due to price increases implemented. Until well into the second half of the year the steep rise in raw material and energy prices burdened profits. However, with the aid of a number of global measures to reduce cost and enhance efficiency, and through own price increases this negative effect could largely be compensated. Nevertheless, operating profit fell by 4.2 percent to 439 million euros, and by 2.0 percent after adjusting for foreign exchange. Also included in the operating profit calculations are expenses of 14 million euros previously attributable to the former Corporate Research function. Sales growth in the *Laundry* segment was driven primarily by Henkel's heavy-duty detergents and fabric softeners, with the biggest brand, Persil, generating high rates of increase particularly in Eastern Europe and Africa/Middle East. In the fabric softeners category, the sales increase was mainly due to results in the European and North American markets, the successful launch of Vernel Crystals and Purex Natural Elements having a particularly positive effect. The encouraging sales performance of the *Home Care* segment was especially helped by the company's dishwashing and WC products. In the machine dishwashing category, growth was mainly driven by activities in Europe, while the hand-dishwashing detergents business enjoyed particular success in Africa/Middle East, with Pril generating double-digit growth rates in a number of major countries in that region. The fourth quarter saw the launch in Germany and Switzerland of Terra Activ, a new brand that, by using mainly ingredients based on renewable raw materials, offers high environmental compatibility coupled with exceptional product performance.

With organic sales growth of 4.7 percent, the **Cosmetics/Toiletries** business sector significantly outpaced its markets. In nominal terms, sales rose by 1.5 percent to 3,016 million euros, reflecting both the absence of marginal activities, divested to streamline the portfolio, and the impact of adverse foreign exchange movements. Operating profit increased to 376 million euros. After adjusting for foreign exchange, operating profit was 4.1 percent above the prior-year, despite containing an additional 7 million euros in expenses relating to the former Corporate Research function. The *Hair Cosmetics* business once again raised its market shares to new record levels, with major contributions coming from its leading brands and numerous innovations in the coloration, hair care and styling segments. The successful launch of the Coloriste brand, the relaunch of the Brillance brand and the performance of the Palette Permanent Natural line were among the more prominent factors driving this achievement. In the hair care category, the Gliss Kur brand and a comprehensive Schauma relaunch contributed to this very positive performance. In the styling segment, Henkel's Taft brand consolidated its clear lead in the European market. The basis for positive developments in the *Body Care* business was provided by the new Fa Rice Dry series under the Fa brand and the relaunch of the Fa Yogurt range. Dial brand business performance was boosted by the introduction of various new lines and the launch of the first body care series in the US featuring yogurt proteins. The biggest contribution to the *Skin Care* business was made by the Diadermine brand with its successful anti-aging innovations. The good results of the *Oral Care* business were achieved on the basis of Henkel's core brand Theramed, with the innovative Theramed 2in1 OxiWhite for exceptional teeth whiteness and fresh breath having been launched. In the *Hair Salon* business, Schwarzkopf Professional was able to expand its worldwide market position by once again posting strong growth. Innovations such as Igora Absolutes and the further rollout of the Blond Me brand were among the major contributors to this success.

Sales in the **Adhesive Technologies** business sector increased by 17.3 percent to 6,700 million euros, or by 22.1 percent after adjusting for foreign exchange. The rise is mainly attributable to the acquisition of the National Starch businesses. Organic sales growth was 1.3 percent. While developments in the growth regions were again very encouraging, sales in the mature markets of Western Europe and North America were below the level of the previous year due to significant deterioration in business activity. Operating profit increased to 658 million euros, 6.0 percent above the prior-year figure, the rise after adjusting for foreign exchange amounted to 10.8 percent. Earnings were impacted by 36 million euros in charges incurred through the integration of the National Starch businesses, and by expenses of 10 million euros relating to the former Corporate Research function. The substantial rise in raw material prices also had an appreciable impact which could only be partly offset through price increases and formulation adjustments. In the *Adhesives for Craftsmen and Consumers* business, sales once again increased slightly, despite the difficult market conditions. The main growth drivers here were the bonding adhesives of the international Pattex brand and a number of innovations launched in the Loctite instant adhesives range. Growth of the *Building Adhesives* segment continued unabated with the biggest boost again coming from the regions of Eastern Europe and Africa/Middle East. The *Packaging, Consumer Goods and Construction Adhesives* business was significantly strengthened as a result of the acquisition of the National Starch operations. Especially good growth was achieved with the Liofol adhesives for flexible packaging and with adhesives for consumer goods. The *Specialty Adhesives and Surface Treatment* business showed mixed developments, with the overall results slightly below those of the previous year due to prevailing market conditions. There was a decline in the company's automotive business, this development being selectively countered by Henkel through the launch of various new products. The *Electronics* business likewise benefited substantially from the merger with the National Starch operations. However, consumer reluctance to purchase new electronic goods had an adverse effect on the sector as a whole, despite the encouraging performance of products used in the assembly of printed circuit boards.

Regional Performance

In the regional breakdown too, the acquisition of the National Starch businesses had a positive effect, promoting further sales growth in all regions. **Europe/Africa/Middle East** posted a significant sales increase of 4.5 percent to 8,863 million euros. Organic sales growth in this region was a good 3.7 percent, with all three business sectors making similar contributions. Eastern Europe and Africa/Middle East again achieved substantial double-digit growth rates. By contrast, sales in Western Europe underwent a slight decline. The share of sales accounted for by the region as a whole was 63 percent, due primarily to the smaller share of sales generated there by the National Starch businesses. Sales in **North America** rose by 5.6 percent to 2,700 million euros. The increase after adjusting for foreign exchange was 13.3 percent. In organic terms, and specifically after adjusting for the National Starch businesses, sales underwent a slight decrease of 1.4 percent, the results of the Adhesive Technologies business sector suffering significantly in the second half of the year as world economic conditions deteriorated. By contrast, Laundry & Home Care and Cosmetics/Toiletries posted further increases in organic sales within a difficult market environment. The share of sales accounted for by this region was 19 percent. **Latin America** continued to perform very well, posting an increase in sales of 12.8 percent to 780 million euros. After adjusting for foreign exchange, sales in this region grew by 18.5 percent in total, and by 10.7 percent in organic terms, with all our business sectors contributing. The share of total Group sales attributable to Latin America remained constant at 5 percent. In the **Asia-Pacific** region, sales grew by 40.1 percent to 1,545 million euros, and by 47.0 percent after adjusting for foreign exchange. The rise is mainly attributable to the acquired National Starch businesses. Organic sales growth amounted to 2.2 percent, with the Adhesive Technologies business sector in particular again feeling the effects of the economic downturn in the second half of the year. Because of the high share accounted for by the National Starch businesses in this region, its share of total Group sales increased significantly, from 8 to 11 percent. The **growth regions** of Eastern Europe, Africa, Middle East, Latin America and Asia (excluding Japan) posted an increase in sales of 17.8 percent to 5,167 million euros. After adjusting for foreign exchange, growth amounted to 22.4 percent. Organic growth came in at a strong 12.9 percent, with all the business sectors contributing. The share of sales attributable to these regions therefore rose from 34 to 37 percent.

Fourth Quarter 2008

In the fourth quarter, **sales** rose by 11.1 percent to 3,541 million euros, and by 10.8 percent after adjusting for foreign exchange. This substantial rise is largely due to the acquisition of the National Starch businesses. **Organic** sales growth was down by 1.2 percent, with positive price effects of 4.8 percent failing to fully offset the volume decline of 6.0 percent. While the Laundry & Home Care and Cosmetics/Toiletries business sectors further contributed to organic growth with increases of 5.4 percent and 3.3 percent respectively, Adhesive Technologies experienced the first effects of slowing economic development. Here, sales decreased organically by 9.2 percent. With the exception of Adhesive Technologies, our business sectors were able to generate double-digit growth rates in the emerging economies. In the mature markets, however, our performance declined.

At 155 million euros, **operating profit (EBIT)** was significantly below the level of the previous year. This decrease is primarily due to the restructuring charges incurred in connection with Henkel's global efficiency enhancement program and the integration of the National Starch businesses. Normal restructuring charges included, these expenses totaled 220 million euros, compared to 2 million euros in the prior-year quarter. Conversely, operating profit adjusted for one-time gains/charges and restructuring charges ("adjusted EBIT") rose by 16.6 percent, from 325 million euros to 379 million euros. Here, the savings realized from the global efficiency enhancement program and the integration of the National Starch businesses, supported by further cost chase measures, generated a positive effect in the fourth quarter. Also included in this figure is a charge of 35 million euros in amortization arising from purchase price allocation. Adjusted EBIT before purchase price allocation was 414 million euros. The **EBIT margin** in the fourth quarter was 4.4 percent, while the adjusted EBIT margin rose from 10.2 percent in the previous year to 10.7 percent; before amortization after purchase price allocation it amounted to 11.7 percent.

Net earnings for the quarter after minority interests increased by 619 million euros to 863 million euros. **Earnings per preferred share** rose by 1.43 euros to 2.00 euros, this figure being particularly affected by the gain from the divestment of Henkel's stake in Ecolab. Adjusted earnings per preferred share remained constant at 0.57 euros; before purchase price allocation it amounted to 0.64 euros.

Major Participation

In November 2008, Henkel successfully placed its 29.3 percent stake in **Ecolab Inc.**, St. Paul, Minnesota, USA on the stock exchange. The proceeds from the sale amounted to 1.7 billion euros.

Sales and Profits Forecast 2009

Henkel expects that the difficult market conditions prevailing in the real economy and also in the financial markets will continue during the remainder of 2009. The general economic climate and its further development are difficult to predict. Nevertheless, Henkel is confident of outperforming its markets in terms of organic growth (i.e. growth after adjusting for foreign exchange and acquisitions/divestments). A number of measures have already been introduced on the operational side, from which Henkel expects positive momentum in the course of the year. These and a further easing of raw material prices will support the development of operating profit (EBIT) and earnings per preferred share (EPS), adjusted in each case for one-time gains/charges and restructuring charges. As soon as the markets enable us to make properly reasoned assumptions, Henkel will communicate quantified expectations.

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.

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Key figures Q4/2008 and 1-12/2008

in million euros	Sales Q4	Sales 1-12	EBIT Q4	EBIT 1-12
Laundry & Home Care				
2008	**1,061**	**4,172**	**130**	**439**
2007	**1,002**	**4,148**	**105**	**459**
change versus previous year	**5.8%**	**0.6%**	**24.7%**	**-4.2%**
after adjusting for foreign exchange	**5.3%**	**3.0%**	**23.7%**	**-2.0%**
organic*	**5.4%**	**3.8%**		
Cosmetics/Toiletries				
2008	**759**	**3,016**	**95**	**376**
2007	**731**	**2,972**	**97**	**372**
change versus previous year	**4.0%**	**1.5%**	**-2.2%**	**0.9%**
after adjusting for foreign exchange	**3.2%**	**4.2%**	**-4.0%**	**4.1%**
organic*	**3.3%**	**4.7%**		
Adhesive Technologies				
2008	**1,660**	**6,700**	**147**	**658**
2007	**1,391**	**5,711**	**146**	**621**
change versus previous year	**19.3%**	**17.3%**	**0.3%**	**6.0%**
after adjusting for foreign exchange	**19.4%**	**22.1%**	**1.8%**	**10.8%**
organic*	**-9.2%**	**1.3%**		
Corporate				
2008	**61**	**243**	**-217**	**-694**
2007	**62**	**243**	**-25**	**-108**
Henkel				
2008	**3,541**	**14,131**	**155**	**779**
2007	**3,186**	**13,074**	**323**	**1,344**
change versus previous year	**11.1%**	**8.1%**	**-52.0%**	**-42.0%**
after adjusting for foreign exchange	**10.8%**	**11.6%**	**-53.4%**	**-40.5%**
organic*	**-1.2%**	**3.0%**		

* organic = after adjusting for foreign exchange effects and acquisitions/divestments

Henkel	**Q4/2007**	**Q4/2008**	**Change**	**1-12/ 2007**	**1-12/ 2008**	**Change**
Return on sales (EBIT) in %	**10.1**	**4.4**	**-5.7 pp**	**10.3**	**5.5**	**-4.8 pp**
Net earnings in million euros	**247**	**861**	**>100%**	**941**	**1.233**	**31.0%**
Net earnings after minority interests in million euros	**244**	**863**	**>100%**	**921**	**1.221**	**32.6%**
Earnings per preferred share in euros	**0.57**	**2.00**	**>100%**	**2.14**	**2.83**	**32.2%**
ROCE in %	**15.2**	**3.3**	**-11.9 pp**	**15.4**	**6.9**	**-8.5 pp**

Henkel in million euros	**Q4/2007**	**Q4/2008**	**Change**	**1-12/ 2007**	**1-12/ 2008**	**Change**
EBIT (as reported)	**323**	**155**	**-52.0%**	**1.344**	**779**	**-42.0%**
- One-time gains	-	-19	-	-8	-30	-
+ One-time charges	-	23	-	-	48	-
+ Restructuring charges	2	220*	-	34	663**	-
= Adjusted EBIT	**325**	**379**	**16.6%**	**1.370**	**1.460**	**6.6%**
Adjusted EBIT margin in %	**10.2**	**10.7**	**0.5 pp**	**10.5**	**10.3**	**-0.2 pp**
Adjusted net earnings after minority interests	**247**	**249**	**0.8%**	**941**	**945**	**0.4%**
Adjusted EPS per preferred share in euros	**0.57**	**0.57**	**0.0%**	**2.19**	**2.19**	**0.0%**
Adjusted EBIT w/o purchase price allocation	**325**	**414**	**27.4%**	**1.370**	**1.495**	**9.1%**
Adj. EPS per pref. share w/o purchase price allocation	**0.57**	**0.64**	**12,3%**	**2.19**	**2.26**	**3.2%**

Changes on the basis of figures in thousand euros
pp = percentage points
* of which 109 million euros from "Global Excellence", 110 million euros from National Starch and 1 million euros from ordinary activities
** of which 504 million euros from "Global Excellence", 142 million euros from National Starch and 17 million euros from ordinary activities