



## Investor Relations News

Düsseldorf, May 2, 2007

Strong first-quarter from boost in sales

# Henkel reports successful start to 2007

- Sales increased by 6.2 percent to 3,237 million euros
- Strong organic sales growth of 9.1 percent
- Operating profit (EBIT) up 9.2 percent to 323 million euros
- Earnings for the quarter improved 13.5 percent to 210 million euros

“Our start to the new fiscal year has been very successful. We are particularly encouraged by our strong organic sales growth and the significant contributions made by all our business sectors,” said Ulrich Lehner, Chairman of the Management Board of Henkel. “We have generated further dynamic expansion in our growth regions while our businesses in Western Europe including Germany also performed well. The launch of numerous new and innovative products again contributed to this good performance.”

Düsseldorf, Germany – In the first quarter of 2007, Henkel reported **sales** of 3,237 million euros, an increase of 6.2 percent compared to the prior-year quarter, with all business sectors contributing. The increase in **organic sales**, i.e. growth adjusted for foreign exchange and acquisitions/divestments, was even higher at 9.1 percent. The Laundry & Home Care business sector posted a very high organic growth rate of 11.9 percent, due particularly to the extensive activities undertaken in celebration of Persil’s centennial. The Cosmetics/Toiletries business sector achieved an encouraging growth rate of 6.4 percent. The strongest performer was the Consumer and Craftsmen Adhesives business sector, posting a rise of 12.3 percent, aided by



mild weather in Europe that had a positive effect on the building sector. Henkel Technologies achieved an organic growth rate of 7.5 percent.

Exceeding sales, **operating profit (EBIT)** rose by 9.2 percent to 323 million euros, again with all the business sectors contributing. After adjusting for foreign exchange, profit growth was even higher at 12.4 percent.

**Return on sales (EBIT)** was 10.0 percent, exceeding the level of the prior-year quarter by 0.3 percentage points. **Return on capital employed (ROCE)** improved further – by 1.5 percentage points to 14.6 percent. Income from participations increased by 6 million euros to 19 million euros. The prior-year quarter was burdened by an impairment loss taken for the meanwhile divested participation in the Lion Corporation, Japan. Net interest expense decreased by 2 million euros to -49 million euros. Overall, **net financial items** thus improved by 4 million euros, from -34 million euros to -30 million euros. At 28.3 percent, the **tax rate** was slightly below the figure for the previous year, which also included the taxes payable on income from the sale of the Dial foods business.

**Earnings for the quarter** increased by 13.5 percent to 210 million euros. After adjusting for minority interests of 5 million euros, the figure was 205 million euros (up 13.3 percent). **Earnings per preferred share** rose by 12.6 percent to 1.43 euros.

### **Business Sector Performance**

Despite the sale of the Dial foods business, the **Laundry & Home Care** business sector reported an appreciable increase in sales to 1,069 million euros, representing a rise of 6.0 percent compared to the prior-year quarter. Organic growth amounted to a very strong 11.9 percent. An above-average increase was posted for the Europe/Africa/Middle East region, supported particularly by a strong expansion in sales in Western Europe and, once again, double-digit percentage growth rates in the countries of Eastern Europe. Operating profit rose by 2.7 percent to 117 million euros, despite the fact that the figure for the previous year included current income from the Dial foods business. In the *laundry* segment, the Persil

centennial gave Germany and Austria a strong start to 2007. A special detergent for high-quality, delicate jeans was introduced in Italy and the Netherlands. In Africa/Middle East, new Vernel One Rinse Only was launched, a fabric softener that offers significant advantages with respect to both the laundry process and the wash result. The company continued its good development in the *home care* segment. With WC Frisch Complete, Henkel introduced the first WC cleaner specifically designed to clean the toilet inside and out. In the dishwashing detergents category, the focus was on the launch of the automatic dishwasher tab product Somat 7, newly formulated to offer two additional functions.

— In the **Cosmetics/Toiletries** business sector, sales increased by 9.6 percent to 704 million euros. Both the highly encouraging organic sales growth of 6.4 percent, which was significantly above the relevant market growth, and the successful integration of the deodorant brands acquired from Gillette contributed to this achievement. The business performed particularly well in Eastern Europe, North America and Latin America. Operating profit improved by 11.1 percent to 82 million euros. After adjusting for foreign exchange, the rate of increase was even higher at 14.6 percent. — The *hair cosmetics* business exhibited continued strong growth. The company was able once again to expand its market positions in all three categories – colorants, care and styling. The positive trend also continued in the *body care* business, supported in particular by the two major brands Fa and Dial similarly enhancing their market positions through the launch of numerous successful innovations. The *skin care* business benefited from the results achieved with the anti-aging innovation 1000 Microliftings in the Diadermine Lift+ series. In the *oral care* business, the focus was on the international relaunch of Theramed 2-in-1. The *hair salon* business performed well and gained additional market share. —

Sales of the **Consumer and Craftsmen Adhesives** business sector again substantially increased compared to the previous year, rising by 11.0 percent to 497 million euros. This was due primarily to a strong organic growth rate of 12.3 percent. There was significant momentum from Eastern Europe, Latin America and Africa/Middle East, with Western Europe also turning in highly gratifying results. At 52 million euros, operating profit achieved a disproportionate increase of 17.5 percent, rising further to 21.1 percent after adjusting for foreign exchange. The

primary contributors here were measures successfully introduced to improve profitability combined with economies of scale and implemented price increases. The segment *adhesives and adhesive tapes for home, school and office* performed well, supported by continued encouraging growth in instant adhesives. As a result, Henkel has been able to further extend its worldwide leading position in this market segment. With above-average rates of expansion, the *adhesives and sealants for construction, DIY and craftsmen* segment remained the growth driver of the Consumer and Craftsmen Adhesives business sector. Here, the biggest contribution was provided by construction adhesives, sales here boosted by the mild weather promoting brisk levels of building activity.

The **Henkel Technologies** business sector increased sales to 909 million euros, 2.4 percent above the figure for the prior-year quarter. Here, allowance has to be made for the divestments in the previous year of the insulating glass sealants and rubber-to-metal bonding chemicals businesses. Organic growth came in at a strong 7.5 percent. Once again the growth regions of Eastern Europe and Asia-Pacific posted above-average expansion characterized by double-digit percentage growth rates. Operating profit increased by 7.8 percent to 97 million euros. After adjusting for foreign exchange, the increase was 13.6 percent, achieved from very good organic growth, strict cost management and price increases due to higher raw material costs. In the *transportation* market segment, business with the aircraft industry generated above-average growth. Here, the increased use of composite materials in place of aluminum had a positive effect. Business with the automotive industry, on the other hand, was sluggish, particularly in Europe and North America. Activities involving the *steel industry* underwent a substantial increase thanks to a range of new surface treatment products. Within the *electronics* market segment, Henkel continued to positively further the trend toward lead-free soldering components. Business with manufacturers of *packaging products for consumer goods* continued to perform well with growth momentum again emanating from laminating adhesives under the Liofol brand with their reduced solvent content and improved curing behavior. In the *durable goods* market segment, Henkel was able to increase the rate of expansion with respect to its core polyurethane and polyamide product groups under the Purmelt and Macromelt brands. In the *industrial maintenance, repair and overhaul*

segment, the product range for motor vehicle repair shops performed particularly well. In addition, Henkel strengthened this business through the relaunch of Loctite instant adhesives.

## **Regional Performance**

The regional analysis shows that **Europe/Africa/Middle East** posted a strong increase in sales of 10.9 percent to 2,116 million euros, to which all the business sectors contributed. In Eastern Europe, sales again underwent a double-digit percentage increase with further encouraging sales improvements also being registered in Western Europe and Germany. In all, the share of sales accounted for by this region increased slightly to 65 percent. Due to foreign exchange effects, sales in the **North America** region fell by 4.7 percent, while increasing by 4.1 percent after adjusting for foreign exchange. With sales at 652 million euros, the proportion of sales accounted for by this region amounted to 20 percent. The **Latin America** region posted a sales increase of 5.1 percent to 164 million euros, a rise of 15.3 percent after adjusting for foreign exchange. The Personal Care and Consumer and Craftsmen Adhesives business sectors achieved double-digit percentage growth in sales in this region. The overall share of sales remained at 5 percent. Business performance in the **Asia-Pacific** region was likewise encouraging. Sales rose by 4.1 percent to 247 million euros. The increase after adjusting for foreign exchange was 10.2 percent. High levels of growth momentum were once again exhibited here, particularly by the Henkel Technologies and Consumer and Craftsmen Adhesives business sectors. The share of sales accounted for by the region was unchanged at 8 percent.

## **Major Participation**

**Ecolab Inc.**, St. Paul, Minnesota, USA, in which Henkel has a 29.0 percent stake, reported sales of 1,254 million US dollars in the first quarter of 2007, an increase of 12.0 percent compared to the previous year. Net earnings for the quarter rose by 14.9 percent to 89.5 million US dollars. The market value of this participation as of March 31, 2007, amounted to around 2.3 billion euros.

## Outlook

Henkel once again intends to grow faster than its markets.

Henkel expects to achieve organic sales growth (i.e. after adjusting for foreign exchange and acquisitions/divestments) to be at the upper end of the 3 to 4 percent range in 2007.

Henkel expects an increase in operating profit (EBIT) – adjusted for foreign exchange – in excess of organic sales growth.

Henkel likewise expects an increase in earnings per preferred share (EPS) in excess of organic sales growth.

This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel 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 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.

### Contact:

Oliver Luckenbach  
☎ +49-2 11-7 97 16 31  
Fax: +49-2 11-7 98 28 63  
oliver.luckenbach@henkel.com

Sabine Katterbach  
☎ +49-2 11-7 97 36 09  
Fax: +49-2 11-7 98 136 09  
sabine.katterbach@henkel.com

Tim Lange  
☎ +49-2 11-7 97 15 10  
Fax: +49-2 11-7 98 11510  
tim.lange@henkel.com

Andrea Haschke  
☎ +49-2 11-7 97 21 66  
Fax: +49-2 11-7 98 121 66  
andrea.haschke@henkel.com

Maria Dominguez Parra  
☎ +49-2 11-7 97 72 78  
Fax: +49-2 11-7 98 172 78  
maria.dominguezparra@henkel.com

Ines Göldner  
☎ +49-2 11-7 97 39 37  
Fax: +49-2 11-7 98 139 37  
ines.goeldner@henkel.com

## Key figures Q1/2007

in million euros	Sales		EBIT
	Q1		Q1
<b>Laundry &amp; Home Care</b>			
2007	1,069		117
2006	1,009		114
change versus previous year	6.0%		2.7%
after adjusting for foreign exchange	9.5%		5.4%
organic	11.9%		
<b>Cosmetics/Toiletries</b>			
2007	704		82
2006	642		74
change versus previous year	9.6%		11.1%
after adjusting for foreign exchange	12.8%		14.6%
organic	6.4%		
<b>Consumer and Craftsmen Adhesives</b>			
2007	497		52
2006	448		44
change versus previous year	11.0%		17.5%
after adjusting for foreign exchange	15.2%		21.1%
organic	12.3%		
<b>Henkel Technologies</b>			
2007	909		97
2006	887		90
change versus previous year	2.4%		7.8%
after adjusting for foreign exchange	7.2%		13.6%
organic	7.5%		
<b>Corporate</b>			
2007	58		-25
2006	62		-27
<b>Henkel</b>			
2007	3,237		323
2006	3,048		295
change versus previous year	6.2%		9.2%
after adjusting for foreign exchange	10.0%		12.4%
organic	9.1%		

  

Henkel	Q1/2006	Q1/2007	Change
			Q1
Return on sales (EBIT) in %	9.7	10,0	0.3pp
Net earnings in million euros	185	210	13.5%
Earnings after minority interests in million euros	181	205	13.3%
Earnings per preferred share in euros	1.27	1.43	12.6%
ROCE in %	13.1	14.6	1.5pp

Changes on the basis of figures in thousand euros  
pp = percentage points