



## Investor Relations News

Düsseldorf, November 7, 2007

Marked rise in sales and earnings

# Henkel posts a strong third quarter

- Sales increase of 3.0 percent to 3,358 million euros
- Strong organic sales growth of 6.0 percent
- Operating profit (EBIT): +12.0 percent to 359 million euros
- Net earnings for the quarter: +12.9 percent to 245 million euros

“Developments during the third quarter have brought us considerable success. We were particularly pleased with our strong organic sales growth, to which once again all our business sectors contributed, and with the substantial improvement in earnings. There was also further dynamic expansion in the sales generated in our growth regions,” said Ulrich Lehner, Chairman of the Management Board of Henkel KGaA. “In view of this encouraging business performance, we now expect our organic sales growth rate for 2007 to be in the range of 5 to 6 percent. We further anticipate an increase in operating profit – adjusted for foreign exchange – in excess of organic sales growth.”

Düsseldorf – In the third quarter of 2007, Henkel reported **sales** of 3,358 million euros, an increase of 3.0 percent above the level of the prior-year period. **Organic sales growth**, i.e. growth adjusted for foreign exchange and acquisitions/divestments, was a highly gratifying 6.0 percent. All business sectors again contributed to this positive development. Laundry & Home Care posted a good 4.3 percent in organic growth. Cosmetics/Toiletries continued its positive trend,



achieving a particularly dynamic 7.3 percent increase. And in the Adhesives Technologies business sector, the organic growth rate was a strong 6.4 percent.

**Operating profit (EBIT)** was 359 million euros, an increase compared to the prior-year quarter of 12.0 percent, or 13.0 percent after adjusting for foreign exchange.

At 10.7 percent, **return on sales (EBIT)** was 0.9 percentage points above the level of the prior-year quarter. **Return on capital employed (ROCE)** increased by 1.9 percentage points to 16.3 percent, due in particular to the improvement in EBIT. Net income from participations increased by 9 million euros to 22 million euros. Net interest declined by 8 million euros to –44 million euros. Overall, **net financial items** improved slightly by 1 million euros to –22 million euros. The **tax rate**, at 27.3 percent, remained at the level of the prior-year quarter.

**Net earnings for the quarter** increased by 12.9 percent to 245 million euros due to the higher EBIT. After minority interests amounting to 7 million euros, net earnings for the quarter were 238 million euros (+12.8 percent). **Earnings per preferred share** increased by 12.2 percent to 0.55 euros.

### **Business Sector Performance**

Organic sales of the **Laundry & Home Care** business sector rose by 4.3 percent. Foreign exchange rates and acquisitions/divestments had a negative effect of 4.0 percent. Sales generated in the Europe/Africa/Middle East region were further increased, due mainly to the very good performance in Eastern Europe producing double-digit growth rates. Operating profit improved by 0.7 percent to 126 million euros, or – after adjusting for foreign exchange – 1.9 percent above the high level of the prior-year quarter. Sales growth in the *Laundry* segment was driven by continuing good performance in the heavy-duty detergent and fabric softener businesses. This was complemented by the launch of innovative products such as the Liquid Circle Bottle from Persil – a new container concept offering significantly improved handling – and further additions to the fabric softener line marketed under the successful Vernel brand. The *Home Care* segment benefited from good sales performance of the dishwashing detergent business, particularly its Somat brand. Sales in bath and

toilet cleaners also expanded strongly in Eastern Europe. Bref Power universal cleaner, a new all-purpose cleaning product offering an improved power formulation suitable for applications throughout the entire household, was launched onto the market.

With an organic sales growth rate of 7.3 percent, the **Cosmetics/Toiletries** business sector significantly outpaced its relevant markets, adding impetus to the positive trend registered during the first two quarters. Sustained good performance in its core markets was further augmented by particularly positive results in Eastern Europe and Latin America. As a consequence, operating profit improved by 6.4 percent to 95 million euros. After adjusting for foreign exchange, the growth rate amounted to 8.7 percent. The *Hair Cosmetics* business continued to generate significant growth. Its market shares in Europe hit new highs in all categories – i.e. colorants, care and styling. The *Body Care* business again performed well, due particularly to launches of new products under its two major brands Fa and Dial. In the deodorants segment, the relaunch of the Right Guard brand in the UK had a significant impact on the market. The *Skin Care* business benefited from the performance of its most important brand Diadermine, enabling its market positions to be further expanded throughout Europe. The primary contributors to this success were the relaunch of the Diadermine Lift+ line and the introduction of the premium line Diadermine Age ExCellium. In the *Oral Care* business, the focus was on the international launch of Theramed Titan Fresh. The *Hair Salon* business performed very well in all regions. Its Bonacure care line posted highly gratifying growth rates, while the SEAH brand also achieved further growth after its relaunch.

The **Adhesives Technologies** business sector continued to perform well, turning in an organic growth rate of 6.4 percent. It again registered above-average rates of expansion in the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia-Pacific. Business in the North America region experienced a slight decline due to market conditions. Operating profit increased to 164 million euros, a rise of 18.5 percent, or 20.4 percent after adjusting for foreign exchange. Even after adjusting for the restructuring charges that burdened the figures for the prior-year quarter, the business was still able to boast a double-digit increase in profit. This improvement is essentially attributable to a combination of strong organic sales

growth, successfully implemented price increases and strict cost management. In the *Consumer and Craftsmen* segment, the Loctite instant adhesives once again performed very well, also boosted by the international success of the “Hanging Man” advertising campaign. The highest growth rate was again recorded by the *Building Adhesives* business, registering particularly outstanding successes in Eastern Europe and the Middle East/North Africa region. The main growth drivers were the tile adhesives and the waterproofing products marketed under the Ceresit brand. The *Industry* segment continued to develop very successfully. Especially high growth rates were achieved with the Loctite product portfolio for industrial maintenance, repair and overhaul, and also in the electronics sector where the business benefited from the boom in memory devices. Despite the weakness of certain regional automobile markets, the company’s automotive business expanded worldwide.

## **Regional Performance**

Sales in the **Europe/Africa/Middle East** region rose to 2,171 million euros, an increase of 5.2 percent – or 5.1 percent after adjusting for foreign exchange – to which all business sectors contributed. In Eastern Europe, sales grew again in the double-digit percentage range. In Western Europe, the divestment of various marginal activities resulted in the absence of the associated sales. However, the core business was further expanded. At 65 percent, the region’s share of total consolidated sales was slightly above the level of the previous year. Due to foreign exchange effects, sales in the **North America** region decreased by 6.0 percent, although increasing by 0.8 percent after foreign exchange. Boosted by successful innovations, the *Cosmetics/Toiletries* business sector posted gratifying growth in this region. With sales totaling 667 million euros, the region’s share of total sales was 20 percent. Sales of the **Latin America** region amounted to 175 million euros, an increase of 5.5 percent, and 8.6 percent after adjusting for foreign exchange. All business sectors participated in these positive developments, with *Cosmetics/Toiletries* and *Adhesives Technologies* reporting particularly strong expansion. The share of sales of the region remained at 5 percent. Business development in the **Asia-Pacific** region was again very encouraging. At 282 million euros, sales were 7.7 percent higher than in the prior-year quarter, and 9.1 percent up after adjusting for foreign exchange. The *Adhesives Technologies* and *Laundry &*

Home Care business sectors recorded particularly high growth rates. At 8 percent, the share of sales accounted for by the region likewise remained unchanged.

### **Major Participation**

Ecolab Inc., St. Paul, Minnesota, USA, in which Henkel has a 29.6 percent stake, reported sales of 1,413 million US dollars in the third quarter of 2007, an increase of 10.5 percent compared to the previous year. Net earnings for the quarter rose by 3.4 percent to 114.0 million US dollars. The market value of this participation as of September 30, 2007, amounted to around 2.4 billion euros.

### **Updated Sales and Profit Forecast 2007**

In view of the encouraging business developments observed in the first nine months, Henkel now expects to achieve an organic sales growth rate (after adjusting for foreign exchange and acquisitions/divestments) of 5 to 6 percent for the full fiscal year.

Henkel continues to expect 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 information 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.

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## Key figures Q3/2007 and 1-9/2007

in million euros
<b>Laundry &amp; Home Care</b>
2007
2006
change versus previous year after adjusting for foreign exchange organic
<b>Cosmetics/Toiletries</b>
2007
2006
change versus previous year after adjusting for foreign exchange organic
<b>Adhesives Technologies</b>
2007
2006
change versus previous year after adjusting for foreign exchange organic
<b>Corporate</b>
2007
2006
<b>Henkel</b>
2007
2006
change versus previous year after adjusting for foreign exchange organic

Sales		EBIT	
Q3	1-9	Q3	1-9
1,053	3,146	126	354
1,050	3,085	125	347
0.3%	2.0%	0.7%	2.0%
1.7%	4.1%	1.9%	4.3%
4.3%	6.4%		
768	2,241	95	275
742	2,130	89	258
3.5%	5.2%	6.4%	6.5%
5.1%	7.3%	8.7%	8.9%
7.3%	6.0%		
1,474	4,320	164	475
1,408	4,140	139	460
4.6%	4.3%	18.5%	3.2%
6.7%	7.3%	20.4%	6.0%
6.4%	6.8%		
63	181	-26	-83
60	183	-32	-90
3,358	9,888	359	1,021
3,260	9,538	321	975
3.0%	3.7%	12.0%	4.7%
4.7%	6.1%	13.0%	6.7%
6.0%	6.4%		

Henkel	Q3/2006	Q3/2007	1-9/ 2006	1-9/ 2007	Change	
					Q3	1-9
Return on sales (EBIT) in %	9.8	10.7	10.2	10.3	0.9pp	0.1pp
Net earnings in million euros	217	245	650	694	12.9%	6.8%
Earnings after minority interests in million euros	211	238	635	677	12.8%	6.6%
Earnings per preferred share in euros	0.49	0.55	1.48	1.57	12.2%	6.1%
ROCE in %	14.4	16.3	14.5	15.4	1.9pp	0.9pp

Changes on the basis of figures in thousand euros

pp = percentage points