



Investor Relations News

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Increase in dividends proposed

Henkel increases sales and profits

- Sales up 2.6 percent to 13.07 billion euros
- Organic sales growth of 5.8 percent
- Operating profit (EBIT): up 3.5 percent to 1,344 million euros
- Net earnings for the year: up 8.0 percent to 941 million euros

“Once again, we achieved a good performance in 2007. Our organic sales growth and further increase in profits were encouraging. All our business sectors contributed to this success and we maintained sales momentum in our growth regions,” commented Ulrich Lehner, Chairman of the Management Board of Henkel KGaA. “These results demonstrate the effectiveness of our strategy of focusing on our core businesses while striving for innovation leadership in each of our markets.”

Düsseldorf – Today Henkel published its annual report for fiscal 2007. **Sales** increased by 2.6 percent to 13,074 million euros, with all the company’s business sectors contributing. **Organic sales**, i.e. sales after adjusting for foreign exchange and acquisitions/divestments, were increased by 5.8 percent.

Henkel improved its **operating profit (EBIT)** by 3.5 percent to 1,344 million euros, thus outstripping sales growth. After adjusting for foreign exchange, the increase was 5.8 percent, again with all the business sectors contributing. **Return on sales (EBIT)**



increased by 0.1 percentage points to 10.3 percent. After adjusting for exceptional gains and restructuring charges, operating profit (EBIT) rose by 8.2 percent to 1,370 million euros with the corresponding return on sales figure improving 0.6 percentage points to 10.5 percent.

Net financial result improved by 28 million euros to -94 million euros, due primarily to the absence of the impairment loss of 26 million euros incurred in the previous year from our participation in Lion Corporation which was sold in November 2006. At 24.7 percent, the **tax rate** was 1.2 percentage points below the level of the previous year.

Net earnings for the year increased by 8.0 percent to 941 million euros. After deducting minority interests of 20 million euros, net earnings were 921 million euros (+7.7 percent). **Earnings per preferred share** increased from 1.99 euros to 2.14 euros (+7.5 percent).

Capital expenditures on property, plant and equipment in 2007 totaled 470 million euros, and **free cash flow** amounted to 769 million euros. **Net working capital** was reduced by 1.8 percentage points to 11.5 percent of sales.

In view of the earnings performance, the Management Board, the Supervisory Board and the Shareholders' Committee will be proposing to the Annual General Meeting that it approve an increase in **dividends** from 0.50 euros to 0.53 euros per preferred share and from 0.48 euros to 0.51 euros per ordinary share.

Business Sector Performance

Sales of the **Laundry & Home Care** business sector increased by 0.8 percent to 4,148 million euros, despite the divestment of a number of marginal businesses in the past fiscal year. Organic sales growth was 5.5 percent, generated primarily in the Europe/Africa/Middle East region, with the highest growth rates occurring in Eastern Europe. In Western Europe, particularly the "Best Ever" campaign, initiated both to celebrate the Persil centennial and to relaunch the company's other premium European detergent brands, yielded positive results. Operating profit rose by 2.1

percent to 459 million euros, and by 4.5 percent after adjusting for foreign exchange. Growth in the *Laundry* segment was mainly driven by sales of heavy-duty detergents and fabric softeners. The Persil centennial activities contributed particularly to the good development of the heavy-duty detergents business. Henkel's most important detergent brand was again improved in terms of performance, fragrance experience and design esthetics. The fabric softener brands Vernel and Silan benefited noticeably from the successful introduction of further new fine fragrances. Major contributions to the good sales performance of the *Home Care* business were made by the dishwashing and WC products. The results posted in the machine dishwashing sector were boosted by innovations such as Somat 7 which, in addition to the functions of Somat 5, also contains a cleaning booster and an activator for improved results at low temperatures. Hand dishwashing detergents continued their good development in Europe; especially in the growth regions.

Sales of the **Cosmetics/Toiletries** business sector reached a new record high, above market volume, with organic sales growth of 5.8 percent. Before adjusting for foreign exchange and the sale of the Morris fine fragrance business, sales increased nominally by 3.7 percent to 2,972 million euros, with business in Western Europe growing substantially faster than that of the overall market. Double-digit percentage growth rates were again achieved in Eastern Europe. The Middle East and Latin America regions likewise generated sales increases. Sales performance in North America was characterized by expansion of the Dial business and the successful integration of the Right Guard brands portfolio. Operating profit improved by 3.8 percent to 372 million euros, and by 6.6 percent after adjusting for foreign exchange. The *Hair Cosmetics* business posted a substantial increase in sales with market share expanding to new record levels. This performance was driven by our top brands in our strategic business units Colorants, Hair Care and Styling which attracted further market interest with numerous new product launches. Among the newcomers were the Brilliance Fashion Collection in the colorants business, the extension of the Palette line by Golden Gloss Browns, and Men Perfect, the first men's colorant from Schwarzkopf. The *Body Care* business likewise continued to perform well, supported in particular by the ongoing success of the innovation offensive driving the two major brands Fa and Dial. Right Guard also made significant inroads into the US deodorant market. The *Skin Care* business profited

from the success of its most important brand, Diadermine, with its anti-age innovations and the new premium line Diadermine Age ExCellium, enabling it to expand its market positions across Europe. In the *Oral Care* segment, the focus was on the new freshness variants of Theramed 2in1 and the international launch of Theramed Titan Fresh. In the *Hair Salon* business, which holds the number 3 position worldwide, the emphasis was on the care series Bonacure, the relaunch of the exclusive hair care brand SEAH, and the introduction of BlondMe, the first fully comprehensive concept comprising coloration, care and styling components for the individual blonde.

Sales of the **Adhesives Technologies** business sector increased by 3.6 percent to 5,711 million euros. Organic sales rose by 6.5 percent with the result that 2007 again saw us grow faster than the market. Major revenue increases were posted in Eastern Europe, Africa/Middle East, Latin America and Asia-Pacific. While good growth was also achieved in Western Europe, sales in North America were below the level of the previous year due to prevailing market conditions. Operating profit rose to 621 million euros, 7.3 percent above the level of the previous year, while profit growth after adjusting for foreign exchange amounted to 10.4 percent. Sales of the *Craftsmen and Consumer* business again slightly increased with the power and assembly adhesives of the international Pattex brand as the primary growth drivers. Loctite instant adhesives continued to perform very well. The *Building Adhesives* segment realized the strongest growth, with Eastern Europe once again generating much of the momentum. With newly established production facilities, the company succeeded in meeting the rapidly growing demand for its products. Aside from the tile adhesives and waterproofing products of the Ceresit brand, product systems for the thermal insulation of buildings also exhibited dynamic growth. The *Industry* business segment likewise continued to grow successfully, supported in particular by market developments in Asia-Pacific, Eastern Europe and Latin America. The highest growth rates were achieved in the electronics sector, which benefited from the boom in memory modules and the trend toward inexpensive mobile phones, and in the industrial maintenance, repair and overhaul business under the Loctite brand. Despite the weakness of the US automotive market, the associated Henkel business underwent worldwide expansion thanks in major part to its innovative adhesives and sealants marketed under the Teroson brand, designed to increase crash safety while

reducing noise and weight.

Regional Performance

In the regional breakdown, **Europe/Africa/Middle East** showed a significant increase in sales of 5.4 percent to 8,480 million euros, with all the business sectors contributing. After adjusting for foreign exchange, the increase was 6.0 percent. The growth posted by Eastern Europe and Africa/Middle East was above average, and sales in Western Europe including Germany were also increased. Organic sales growth amounted to 7.4 percent. Overall, the region's share of total sales increased from 63 to 65 percent. Due to adverse foreign exchange rate movements, sales in the **North America** region fell by 6.8 percent to 2,557 million euros. After adjusting for foreign exchange, sales increased by 1.4 percent, while organic growth amounted to 0.7 percent, the main contribution coming from the Cosmetics/Toiletries business sector. The region's share of total sales was 20 percent. The **Latin America** region recorded an increase in sales of 4.3 percent to 691 million euros. Adjusted for foreign exchange, the region's sales rose by 9.4 percent with organic growth at 7.7 percent, with all the business sectors contributing to the improvement. The region's share of total sales remained unchanged at 5 percent. Business results in the **Asia-Pacific** region were similarly positive with sales rising by 6.0 percent to 1,103 million euros, and by 9.7 percent after adjusting for foreign exchange. Organic sales growth amounted to 7.7 percent. The Adhesives Technologies business sector in particular was able to benefit from the strong growth dynamics of the region, which again accounted for 8 percent of total sales.

Henkel's performance in the **growth regions** of Eastern Europe, Africa, Middle East, Latin America and Asia (excluding Japan) was again good with an above-average increase in sales of 12.4 percent to a total of 4,388 million euros, to which all the business sectors again contributed. After adjusting for foreign exchange, total sales growth amounted to 15.3 percent and organic sales rose by 15.1 percent.

Fourth quarter 2007

Sales for the fourth quarter amounted to 3,186 million euros. Organic sales growth was 3.8 percent. At 323 million euros, operating profit maintained the high level of the previous year. After adjusting for exceptional gains and restructuring charges, EBIT came in at 325 million euros, 2.2 percent above the prior-year. Net earnings for the quarter were increased by 11.8 percent to 247 million euros; earnings per preferred share rose by 6 eurocents to 0.57 euros (+11.8 percent).

Major Participation

Ecolab Inc., St. Paul, Minnesota, USA, in which Henkel holds a 29.5 percent stake, reported sales of 5,470 million US dollars for fiscal 2007, an increase of 11.7 percent compared to the previous year. Net earnings for the year rose by 15.9 percent to 427 million US dollars. The market value of this participation as of December 31, 2007 was 2,529 million euros (previous year: 2,495 million euros).

Outlook

Henkel intends once again to grow stronger than its markets and expects to achieve organic sales growth (i.e. after adjusting for foreign exchange and acquisitions/divestments) of 3 to 4 percent in 2008.

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 outlook does not take into account the effects of the planned acquisition of the Adhesives and Electronic Materials businesses of National Starch.

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 Q4/2007 and 1-12/2007

in million euros	Sales		EBIT	
	Q4	1-12	Q4	1-12
Laundry & Home Care				
2007	1,002	4,148	105	459
2006	1,032	4,117	102	449
change versus previous year	-2.8%	0.8%	2.4%	2.1%
after adjusting for foreign exchange	0.0%	3.1%	5.5%	4.5%
organic	2.6%	5.5%		
Cosmetics/Toiletries				
2007	731	2,972	97	372
2006	734	2,864	101	359
change versus previous year	-0.5%	3.7%	-3.0%	3.8%
after adjusting for foreign exchange	2.7%	6.1%	0.8%	6.6%
organic	5.4%	5.8%		
Adhesives Technologies				
2007	1,391	5,711	146	621
2006	1,370	5,510	119	579
change versus previous year	1.5%	3.6%	23.1%	7.3%
after adjusting for foreign exchange	5.7%	6.9%	27.5%	10.4%
organic	5.6%	6.5%		
Corporate				
2007	62	243	-25	-108
2006	66	249	1	-89
Henkel				
2007	3,186	13,074	323	1,344
2006	3,202	12,740	323	1,298
change versus previous year	-0.5%	2.6%	0.0%	3.5%
after adjusting for foreign exchange	2.9%	5.3%	2.8%	5.8%
organic	3.8%	5.8%		

Henkel	Q4/2006	Q4/2007	Change	1-12/ 2006	1-12/ 2007	Change
Return on sales (EBIT) in %	10.1	10.1	0 bps	10.2	10.3	10 bps
Net earnings in million euros	221	247	11.8%	871	941	8.0%
Earnings after minority interests in million euros	220	244	10.9%	855	921	7.7%
Earnings per preferred share in euros*	0.51	0.57	11.8%	1.99	2.14	7.5%
ROCE in %	14.6	15.2	60 bps	14.5	15.4	90 bps

	Q4/2006	Q4/2007	Change	1-12/ 2006	1-12/ 2007	Change
EBIT in million euros	323	323	0.0%	1,298	1,344	3.5%
- Exceptional gains in million euros	43	0	-	100	8	-
+ Exceptional charges in million euros	-	-	-	-	-	-
+ Restructuring charges in million euros	38	2	-	68	34	-
= Adjusted EBIT in million euros	318	325	2.1%	1,266	1,370	8.2%
Adjusted EBIT margin in %	9.9	10.2	30 bps	9.9	10.5	60 bps
Adjusted EPS per preferred share in euros*	0.50	0.57	14.0%	1.93	2.21	14.5%

Changes on the basis of figures in thousand euros

bps = basis points

* basis: share split (1:3) implemented June 18, 2007