



## Investor Relations News

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National Starch acquisition and efficiency enhancement program characterize Q2

# Henkel reports good organic growth

- Strong sales growth of 11.4 percent
- Organic sales growth: plus 6.1 percent
- Adjusted operating profit (EBIT): plus 7.8 percent
- Sales in growth regions: plus 19.5 percent

“We achieved highly encouraging second quarter organic sales growth, despite a difficult economic environment still characterized by significantly increasing raw material costs and a weak US dollar,” said Henkel CEO Kasper Rorsted. “Our organic growth was supported by all our business sectors. The improvements were primarily from our growth regions, while development in Western Europe was restrained. We were able to further increase adjusted operating profit. The integration of the National Starch businesses, which brought us a significant boost in sales, and the implementation of our efficiency enhancement program aligned to achieving a sustainable improvement in our competitiveness, continue on track with good progress being achieved. Despite the challenging environment, we are confident regarding the development in the further course of the year.”

In its second quarter of 2008, Henkel increased **sales** by 11.4 percent to 3,668 million euros. This strong rise is due to good organic sales growth and the first-time consolidation of the newly acquired National Starch businesses. After adjusting for



foreign exchange, sales rose by a substantial 17.7 percent. **Organic sales**, or those adjusted for foreign exchange and acquisitions/divestments, increased by 6.1 percent, with all business sectors contributing.

**Operating profit (EBIT)** was heavily impacted by restructuring charges amounting to 256 million euros for the quarter under review. This corresponds to around one third of the restructuring charges previously announced for the year as a whole, with the total expected to be about 770 to 780 million euros. The charges relate primarily to a global program for efficiency enhancement and the integration of the National Starch businesses. As a consequence, EBIT decreased to 113 million euros. Conversely, operating profit, adjusted for restructuring charges and one-time gains and charges (“adjusted EBIT”), rose by 7.8 percent to 372 million euros.

**EBIT margin** amounted to 3.1 percent, while adjusted EBIT margin decreased from 10.5 percent to 10.1 percent. This decline is primarily attributable to the heavy impact of raw material price increases on the Laundry & Home Care and the Adhesive Technologies business sectors. Investment result, mainly attributable to Henkel’s participation in Ecolab, remained constant at 24 million euros, despite the weaker US dollar. Net interest expense increased by 47 million euros, from -37 million to -84 million euros, due primarily to the higher net debt arising from payment of the purchase price for the National Starch businesses but also to higher interest rates. There was a corresponding increase in the negative **financial result** from -13 million euros to -60 million euros. The **tax rate** fell from 26.7 percent to 20.8 percent.

Due to lower EBIT and the increase in the negative financial result, **net earnings for the quarter** decreased to 42 million euros. After minority interests totaling 4 million euros, net earnings for the quarter were 38 million euros. At 227 million euros, adjusted quarterly net earnings after minority interests were 4.6 percent below the prior-year level. **Earnings per preferred share** decreased to 0.09 euros. The adjusted figure declined by 5.5 percent to 0.52 euros.

## Business Sector Performance

Organic sales for the **Laundry & Home Care** business sector increased by a good 3.9 percent. At 1,012 million euros, sales overall were 1.1 percent below the previous year. Foreign exchange had a negative impact of 4.7 percent. Operating profit decreased from 111 million euros to 96 million euros, reflecting in particular the ongoing increase in raw material prices that lead to a substantial rise in input costs. Despite the price increases implemented by Henkel and measures taken to reduce costs and improve efficiency, the company was not yet able to completely offset these additional expenses. Organic growth in the *Laundry* segment was primarily due to results in Eastern Europe. Here, both the company's heavy-duty detergents and its fabric softeners posted a positive sales performance. The good sales growth in North America was due to the high level of market acceptance of the change-over to ultra concentrates, and to the successful launch of Purex Natural Elements. This innovation with mainly natural ingredients is in line with consumers' growing environmental awareness. Organic sales of the *Home Care* segment underwent a substantial increase with the greatest impetus again coming from Eastern Europe. The main contributors to this sales improvement were Henkel's dishwashing detergents and WC cleaning and hygiene products. There was also an increase in air freshener sales in North America, once again contributing to an overall positive performance.

With strong organic sales growth of 5.9 percent, the **Cosmetics/Toiletries** business sector was able to maintain the highly positive trend of the last few quarters, with all regions contributing. In addition to an extremely positive development in North America, the businesses in Eastern Europe and Latin America also generated particularly strong growth. Compared to the prior-year quarter, nominal sales rose by 1.2 percent to 779 million euros, with growth after adjusting for foreign exchange rising to 5.8 percent. Despite rising material costs, operating profit increased by 8.3 percent after adjusting for foreign exchange, outstripping the rise in sales. Hence, the EBIT margin also improved to 12.8 percent. The *Hair Cosmetics* segment continued to post strong growth, further extending its market positions in all its categories – Colorants, Care and Styling. Major contributions to this improvement came from the international relaunch of the Schauma brand, the debut of the Taft Power Gels Waterproof series and the rollout of Diadem Care Gloss. The *Body Care* segment also continued to per-

form well. Developments in the deodorants business were particularly encouraging with the launch of the Fa Rice Dry innovation, the first Fa deodorant with natural rice extract. The *Skin Care* segment was able to further expand its market position thanks to the high level of performance turned in by its most important international brand, Diadermine, with the focus this time on the launch of an innovative line of anti-oxidant treatments. The *Oral Care* segment was also able to make further market share gains thanks in particular to the launch of Theramed Titan Fresh and Pro Natur. The *Hair Salon* segment continued to post very good organic growth. The innovative strength of this business was again apparent with the launch of the new OSiS Design Mix line and of Igora Royal Absolutes, the first anti-aging coloration series.

Organic growth in the **Adhesive Technologies** business sector amounted to a highly encouraging 7.9 percent. Nominal sales rose by 26.1 percent to 1,816 million euros, and by 34,6 percent after adjusting for foreign exchange, due primarily to the acquisition of the Adhesives and Electronic Materials businesses of National Starch. Operating profit increased by 21.1 percent to 195 million euros, and by 29.3 percent after adjusting for foreign exchange. In the *Craftsmen and Consumer* segment, business was affected by the tough conditions prevailing in North America and Western Europe. Major craftsmen markets in Western Europe showed a decline, and the severe real estate downturn in the USA continued unabated. By contrast, the Eastern European region continued to develop successfully. There was again strong growth in the *Building Adhesives* segment, supported in particular by very good results in Eastern Europe and the North Africa/Middle East region. The *Industry* segment benefited significantly from the acquisition of the National Starch businesses while also performing well in organic terms. There was a further increase in sales in Western Europe despite a difficult business environment. The products for industrial maintenance, repair and overhaul under the Loctite brand again generated positive results. Activities in the automotive and durable goods segments were stepped up with the launch of TecTalis, an innovative metal pre-treatment product. The performance of the National Starch businesses eased slightly in the face of a slowdown in the semiconductor and electronic products markets.

## Regional Performance

Organic sales in the **Europe/Africa/Middle East** region increased by an encouraging 6.2 percent, with all business sectors contributing. After adjusting for foreign exchange, sales rose by 10.4 percent. At 2,283 million euros, total sales were 8.2 percent above the level of the previous year. Significant double-digit organic growth rates were achieved in Eastern Europe and Africa/Middle East, while development in Western Europe including Germany underwent a slight decline. Overall, the share of sales accounted for by the region amounted to 62 percent. Organic sales for the **North America** region increased by a good 3.8 percent. Here, the performance of the Cosmetics/Toiletries business sector was encouraging as was that of Laundry & Home Care following a relatively slow start to the year. The weakness of the US dollar led to a negative foreign exchange impact amounting to 16.3 percent. Sales adjusted for foreign exchange rose by 23.0 percent, with the acquired National Starch businesses making a significant contribution. With sales of 690 million euros, this region contributed 19 percent to total sales. The **Latin America** region reported an increase in organic sales of 13.3 percent, with all business sectors contributing. After adjusting for foreign exchange, sales growth amounted to 21.0 percent. With sales of 202 million euros, the region's share of the total remained at 5 percent. The businesses in the **Asia-Pacific** region likewise performed well. Sales increased by 44.9 percent to 432 million euros, due primarily to the businesses acquired from National Starch. Organic growth, also supported by all business sectors, was 6.6 percent. The share of total sales accounted for by the region grew by 3 percentage points to 12 percent.

In the **growth regions** of Eastern Europe, Africa, Middle East, Latin America and Asia (excluding Japan), sales increased by 19.5 percent to 1,336 million euros, corresponding to a share of consolidated sales of 36 percent. After adjusting for foreign exchange, sales rose by 27.0 percent while organic growth amounted to 15.7 percent, with all business sectors contributing.

## Major Participation

Henkel has a 29.4 percent stake in **Ecolab Inc.**, St. Paul, Minnesota, USA. In the second quarter of 2008, Ecolab Inc. generated sales of 1,570 million US dollars. This corresponds to a rise of 15.2 percent. Net earnings for the second quarter increased versus the prior year quarter by 26.0 percent to 139.0 million US dollars. The market value of this participation as of June 30, 2008, amounted to around 2.0 billion euros.

## Updated Sales and Profit Forecast 2008

Given the business developments of the first half of 2008 and taking into account the National Starch businesses acquired as of April 3, Henkel has specified its sales and profit forecast for full fiscal 2008 as follows:

Henkel expects to achieve organic sales growth (after adjusting for foreign exchange and acquisitions/divestments) of 3 to 5 percent.

Henkel expects to increase operating profit adjusted for restructuring charges and one-time gains and charges ("adjusted EBIT") at the lower end of the mid-teens percentage range (2007 base: 1,370 million euros).

Henkel expects to increase earnings per preferred share adjusted for restructuring charges and one-time gains and charges ("adjusted EPS") at the lower end of the mid single-digit percentage range (2007 base: 2.19 euros).

Included in this forecast are initial savings arising from the "Global Excellence" efficiency enhancement program and the integration of the National Starch businesses. We also anticipate that the currently weak US dollar will recover in the course of the second half of the year.

Not included in this forecast are any influences arising from the sale in part or in whole of our stake in Ecolab, the purchase price allocation for the acquired National Starch businesses that still has to be carried out, and the fiscal effects relating to a possible Ecolab transaction, the acquisition and the restructuring charges.

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 Q2/2008 and 1-6/2008

in million euros	Sales		EBIT	
	Q2	1-6	Q2	1-6
<b>Laundry &amp; Home Care</b>				
2008	1,012	2,043	96	200
2007	1,024	2,093	111	228
change versus previous year	-1.1%	-2.4%	-14.3%	-12.7%
after adjusting for foreign exchange	3.6%	1.5%	-9.4%	-8.9%
organic	3.9%	3.3%		
<b>Cosmetics/Toiletries</b>				
2008	779	1,487	99	188
2007	769	1,473	98	180
change versus previous year	1.2%	0.9%	2.0%	4.8%
after adjusting for foreign exchange	5.8%	5.2%	8.3%	10.6%
organic	5.9%	6.0%		
<b>Adhesives Technologies</b>				
2008	1,816	3,180	195	348
2007	1,440	2,846	162	311
change versus previous year	26.1%	11.7%	21.1%	12.1%
after adjusting for foreign exchange	34.6%	18.4%	29.3%	18.3%
organic	7.9%	5.2%		
<b>Corporate</b>				
2008	61	120	-277	-303
2007	60	118	-32	-57
<b>Henkel</b>				
2008	3,668	6,830	113	433
2007	3,293	6,530	339	662
change versus previous year	11.4%	4.6%	-66.5%	-34.6%
after adjusting for foreign exchange	17.7%	9.8%	-64.4%	-31.8%
organic	6.1%	4.8%		

Henkel	Q2/2007	Q2/2008	Change	1-6/ 2007	1-6/ 2008	Change
Return on sales (EBIT) in %	10.3	3.1	-7.2 pp	10.1	6.3	-3.8 pp
Net earnings in million euros	239	42	-82.4%	449	265	-41.0%
Net earnings after minority interests in million euros	234	38	-83.8%	439	257	-41.5%
Earnings per preferred share in euros	0.54	0.09	-83.3%	1.02	0.60	-41.2%
ROCE in %	15.4	5.0	-10.4 pp	15.0	9.9	-5.1 pp

in million euros	Q2/2007	Q2/2008	Change	1-6/ 2007	1-6/ 2008	Change
<b>EBIT (as reported)</b>	339	113	-66.5%	662	433	-34.6%
- One-time gains	-8	-3	-	-8	-11	-
+ One-time charges	-	6	-	-	6	-
+ Restructuring charges	14	256	-	23	262	-
<b>= Adjusted EBIT</b>	345	372	7.8%	677	690	1.9%
<b>Adjusted EBIT margin in %</b>	10.5	10.1	-0.4 pp	10.4	10.1	-0.3 pp
<b>Adjusted net earnings after minority interests</b>	238	227	-4.6%	449	445	-0.9%
<b>Adjusted EPS per preferred share in euros</b>	0.55	0.52	-5.5%	1.05	1.03	-1.9%

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