



## Investor Relations News

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Strategic priorities & financial targets 2012: improvement to 14 percent EBIT margin

# Henkel with significant sales growth in third quarter

- Strong sales growth of 12.0 percent
- Growth regions: sales plus 24.1 percent
- Organic sales growth: 3.5 percent
- Adjusted operating profit (EBIT): plus 6.3 percent
- Adjusted earnings per preferred share: plus 3.5 percent

“Despite continuing challenging market conditions we again generated good organic sales growth in the third quarter,” said Henkel CEO Kasper Rorsted. “All our business sectors contributed to this growth, each outperforming its relevant markets. Once again, it was particularly our businesses in the growth regions that supported this positive development. The integration of the National Starch businesses, which were major contributors to the substantial rise in total sales, continues on schedule.” Regarding Henkel’s financial targets for 2012 Rorsted emphasized: “We are committed to further accelerating profitable growth. By focusing even stronger on our strategic priorities in the future, we have set a clear course to achieving our medium-term targets.”

In the third quarter of 2008, Henkel increased total **sales** by 12.0 percent to 3,760



million euros. This considerable rise is attributable to good organic growth and the acquisition of the National Starch businesses. After adjusting for foreign exchange, sales even rose by 15.8 percent. In **organic** terms, or adjusted for foreign exchange and acquisitions/divestments, sales increased by 3.5 percent, with all business sectors contributing. The organic improvement in sales in the growth regions was again in the double-digit percentage range while performance in the mature markets was sluggish.

**Operating profit (EBIT)** was primarily impacted once again in the quarter under review by restructuring charges. These totaled 181 million euros compared to 9 million euros in the same quarter of the previous year, and are particularly attributable to the global efficiency enhancement program and the integration of the National Starch businesses. As a result, EBIT declined to 191 million euros. Conversely operating profit, adjusted for restructuring costs and one-time gains and charges (“adjusted EBIT”), rose from 368 million euros to 391 million euros (+6.3 percent).

**EBIT margin** was 5.1 percent, while the adjusted EBIT margin decreased from 11.0 percent to 10.4 percent. This is due primarily to the heavy impact of raw material price increases on the Laundry & Home Care and Adhesive Technologies business sectors. Investment result, mainly attributable to Henkel’s stake in Ecolab, rose by 2 million euros to 24 million euros while net interest expense increased by 28 million euros from -44 million euros to -72 million euros. This is largely the result of higher net debt arising from payment of the purchase price for the National Starch businesses. The **financial result** consequently decreased from -22 million euros to -48 million euros. The tax rate amounted to 25.2 percent.

Due to lower EBIT and the increase in the negative financial result, **net earnings for the quarter** decreased to 107 million euros. After minority interests totaling 6 million euros, net earnings for the quarter amounted to 101 million euros. At 251 million euros, adjusted quarterly net earnings after minority interests were 2.4 percent above the prior-year level. **Earnings per preferred share** decreased to 0.23 euros while the adjusted figure increased by 3.5 percent to 0.59 euros.

## Business Sector Performance

Organic sales generated by the **Laundry & Home Care** business sector increased by a good 3.4 percent. At 1,068 million euros, sales overall were 1.4 percent above the level for the previous year. The foreign exchange impact amounted to a negative 2.1 percent. Although operating profit fell from 126 million euros to 117 million euros, this was nevertheless the highest quarterly total this year. Again in this quarter, the operating profit reflects the increase in raw material prices that led to a substantial rise in input costs. These were partially offset by price increases and countermeasures introduced to reduce costs and increase efficiency. Included for the first time in Laundry & Home Care's operating profit is 3 million euros in expenses previously attributable to the former Corporate Research function. In the *Laundry* segment, the company achieved the highest increases in organic sales in its growth regions. Here the biggest brand, Persil, was the main growth driver, benefiting from innovations such as Persil Gold Plus launched in a number of countries in Central and Eastern Europe. Sales generated in North America by Purex, Henkel's second largest global detergent brand, again registered an increase. The improvement in the organic sales of the *Home Care* business was also due primarily to performance in the growth regions, especially Eastern Europe. By contrast the Western European market remained difficult, despite the successful launch of a number of new products such as the WC rim block product WC Frisch 3-Aktiv.

With organic sales growth of 3.4 percent versus a strong prior-year quarter, the **Cosmetics/Toiletries** business sector was able to maintain the positive trend of the last few quarters within a substantially more difficult market environment. In addition to another highly positive performance in North America, the businesses in Eastern Europe, Asia and Latin America also posted strong growth. At 770 million euros, nominal sales were slightly higher than in the prior-year quarter, with growth after adjusting for foreign exchange coming in at 3.3 percent. Operating profit rose to 96 million euros. After adjusting for foreign exchange it rose by 4.1 percent, despite further increases in input costs. In addition, operating profit this quarter also includes for the first time expenses of 2 million euros previously attributable to the former Corporate Research function. Without the latter item, operating profit increased by 6.3 per-

cent. The *Hair Cosmetics* segment continued to perform well with further expansion in its market positions in all its categories – Colorants, Care and Styling. Major contributing factors in this regard were the international relaunch of the Gliss brand and the introduction of the Taft line Power with Cashmere Touch. In the Colorants category, the focus was on the relaunch of Brilliance and the introduction of the new ten-minute coloration product Coloriste. The *Body Care* business continued to develop positively, particularly in the US where the innovations under the brands Dial and Dial for Men were among the most successful new products launched in 2008. In Europe, Fa Deodorants in particular continued their positive growth trend. The *Skin Care* business further expanded its market position thanks to the good performance of the Diadermine brand, with the focus this time on the launch of the Age ExCellium Gold line. The emphasis in *Oral Care* was on the relaunch of the international brand Theramed, supported by – among others – the launch of the innovative Theramed 2in1 OxyWhite. The *Hair Salon* business continued to post very good growth, supported in particular by product innovations under the OSiS brand, Bonacure Time Restore, and the further expansion of the IGORA brand.

Sales of the **Adhesive Technologies** business sector rose by 31.8 percent after adjusting for foreign exchange. This is primarily due to the acquisition of the Adhesives and Electronic Materials businesses of National Starch. Nominal sales growth was 26.2 percent rising to 1,860 million euros, with organic growth coming in at 3.6 percent. Operating profit rose to 169 million euros. After adjusting for foreign exchange the increase was 8.1 percent. Earnings were impacted by 19 million euros in charges incurred through the integration of the National Starch businesses, and by expenses of 2 million euros reassigned from the former Corporate Research function. Moreover, raw material prices continued to rise. The capacity underutilization that arose from a decline in volumes in Europe and North America could not be fully replenished. The *Craftsmen and Consumer* segment was adversely affected by the difficult conditions prevailing in North America and Western Europe. However, there were further successful developments in Eastern Europe and Latin America. The *Building Adhesives* business continued to exhibit strong growth supported by, in particular, its good performance in Eastern Europe and the Middle East. The *Industry* segment benefited significantly from the acquisition of the National Starch businesses while organic sales remained roughly at the prior-year level. In the declining markets of

Western Europe and North America, the business was unable to reach the sales figures of the prior-year quarter and has been negatively impacted by the current difficulties in the automotive industry. The products for industrial maintenance, repair and overhaul under the Loctite brand again posted positive results. Within the metals segment, the business particularly expanded its market shares in Eastern Europe and Asia. The performance of the National Starch businesses eased slightly overall in the face of a market-related slowdown.

## Regional Performance

Organic sales in the **Europe/Africa/Middle East** region increased by 3.7 percent, with all business sectors contributing. After adjusting for foreign exchange, sales rose by 7.9 percent. At 2,319 million euros, sales overall were 6.8 percent above the level of the previous year. Double-digit organic growth rates were again achieved in Eastern Europe and Africa/Middle East, while development in Western Europe including Germany underwent a slight decline. Overall, the share of total sales accounted for by the region amounted to 62 percent. Organic sales of the **North America** region increased by 0.3 percent. As a result of the difficult prevailing market environment in this region, organic sales both of the Adhesive Technologies business sector and Laundry & Home Care underwent a slight decline. The Cosmetics/Toiletries business sector, on the other hand, performed well. The weakness of the US dollar produced a negative foreign exchange impact of 10.5 percent. After adjusting for foreign exchange, sales rose by 19.6 percent, with the acquired National Starch businesses making a major contribution. With sales of 727 million euros, the share of total sales accounted for by this region was 19 percent. Sales of the **Latin America** region increased by a highly respectable 12.4 percent, with all business sectors contributing. After adjusting for foreign exchange, growth was 24.8 percent. And this was again primarily due to the additional sales generated by the National Starch businesses. At 215 million euros, the share of total sales accounted for by this region was 6 percent. In the **Asia-Pacific** region, organic sales exceeded the prior-year quarter by 3.8 percent, and by 65.8 percent after adjusting for foreign exchange. Here again, all business sectors made a contribution. At 437 million euros, sales were 54.7 percent above the prior-year quarter. The rise is primarily due to the acquired National Starch

businesses. The share of sales accounted for by this region grew three percentage points to 11 percent.

In the **growth regions** of Eastern Europe, Africa, Middle East, Latin America and Asia (excluding Japan), sales increased by 24.1 percent to 1,448 million euros, corresponding to a share of consolidated sales of 39 percent. After adjusting for foreign exchange, sales rose by 27.6 percent while organic growth amounted to a highly respectable 13.5 percent, with all business sectors contributing.

### **Major Participation**

Henkel has a 29.3 percent stake in **Ecolab Inc.**, St. Paul, Minnesota, USA. In the third quarter of 2008, Ecolab Inc. generated sales of 1,626 million US dollars. This corresponds to a rise of 15.1 percent. Net earnings for the quarter increased by 10.7 percent to 126.2 million US dollars versus the previous year. The market value of this participation as of September 30, 2008, amounted to around 2.5 billion euros.

### **Updated Sales and Profit Forecast 2008**

Given the business developments of the first nine months 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”) by around 10 percent (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”) in the low 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. 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 tax effects relating to a possible Ecolab transaction, the acquisition and the restructuring charges.

### **Financial targets for 2012: Strategic priorities for profitable growth defined**

— Henkel’s financial targets for 2012 entail a further increase in organic sales accompanied by disproportionate increases in both operating profit and earnings per share. By focusing even stronger on its strategic priorities Henkel will further accelerate its profitable growth.

— Margin improvement is to be achieved primarily by an even greater focus on the company’s core business. Henkel has defined a number of measures in this regard, aligned to achieving a substantially higher level of utilization of its existing business potential. Within this context, portfolio and brand management, innovations and efficiency improvements play a major role. A significant contribution is also anticipated from the integration of the National Starch businesses and the implementation of the “Global Excellence” program announced in February of this year.

— Moreover, Henkel intends to further focus on its customers through establishing direct contacts and developing joint strategies. This will also involve expanding value-added services and leveraging Henkel’s capabilities to satisfy customer needs.

— A further major factor in Henkel's future success lies in the ongoing further development of its more than 55,000 employees around the world. Here, Henkel will be focusing on increasing its performance orientation and enhancing its approach to diversity as a strategic competitive advantage.

The financial targets 2012 in detail have been defined as follows:

- Average organic sales growth: 3 - 5 percent
- Adjusted return on sales (EBIT margin): 14 percent by 2012
- Average growth in adjusted earnings per preferred share: > 10 percent

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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Contact:

Oliver Luckenbach

☎ +49-2 11-7 97 16 31

Fax: +49-2 11-7 98 28 63

oliver.luckenbach@henkel.com

Tim Lange

☎ +49-2 11-7 97 15 10

Fax: +49-2 11-7 98 28 63

tim.lange@henkel.com

Dirk Feisel

☎ +49-2 11-7 97 36 09

Fax: +49-2 11-7 98 28 63

dirk.feisel@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 28 63

maria.dominguezparra@henkel.com

Ines Göldner

☎ +49-2 11-7 97 39 37

Fax: +49-2 11-7 98 28 63

ines.goeldner@henkel.com

## Key figures Q3/2008 and 1-9/2008

in million euros	
<b>Laundry &amp; Home Care</b>	
2008	
2007	
change versus previous year	
after adjusting for foreign exchange	
organic	
<b>Cosmetics/Toiletries</b>	
2008	
2007	
change versus previous year	
after adjusting for foreign exchange	
organic	
<b>Adhesive Technologies</b>	
2008	
2007	
change versus previous year	
after adjusting for foreign exchange	
organic	
<b>Corporate</b>	
2008	
2007	
<b>Henkel</b>	
2008	
2007	
change versus previous year	
after adjusting for foreign exchange	
organic	

Sales		EBIT	
Q3	1-9	Q3	1-9
1,068	3,111	117	309
1,053	3,146	126	354
1.4%	-1.1%	-6.4%	-12.8%
3.5%	2.2%	-4.5%	-9.7%
3.4%	3.4%		
770	2,257	96	281
768	2,241	95	275
0.3%	0.7%	0.7%	1.9%
3.3%	4.5%	4.1%	7.0%
3.4%	5.1%		
1,860	5,040	169	511
1,474	4,320	164	475
26.2%	16.7%	2.9%	7.8%
31.8%	23.0%	8.1%	13.6%
3.6%	4.7%		
62	182	-191	-477
63	181	-26	-83
3,760	10,590	191	624
3,358	9,888	359	1,021
12.0%	7.1%	-46.8%	-38.9%
15.8%	11.8%	-44.8%	-36.4%
3.5%	4.3%		

Henkel	Q3/2007	Q3/2008	Change	1-9/ 2007	1-9/ 2008	Change
Return on sales (EBIT) in %	10.7	5.1	-5.6 pp	10.3	5.9	-4.4 pp
Net earnings in million euros	245	107	-56.3%	694	372	-46.4%
Net earnings after minority interests in million euros	238	101	-57.6%	677	358	-47.1%
Earnings per preferred share in euros	0.55	0.23	-58.2%	1.57	0.83	-47.1%
ROCE in %	16.3	8.3	-8.0 pp	15.4	9.4	-6.0 pp

Henkel	Q3/2007	Q3/2008	Change	1-9/ 2007	1-9/ 2008	Change
in million euros						
EBIT (as reported)	359	191	-46.8%	1,021	624	-38.9%
- One-time gains	-	-	-	-8	-11	-
+ One-time charges	-	19	-	-	25	-
+ Restructuring charges	9	181*	-	32	443**	-
= Adjusted EBIT	368	391	6.3%	1,045	1,081	3.4%
Adjusted EBIT margin in %	11.0	10.4	-0.6 pp	10.6	10.2	-0.4 pp
Adjusted net earnings after minority interests	245	251	2.4%	694	696	0.3%
Adjusted EPS per preferred share in euros	0.57	0.59	3.5%	1.62	1.62	0.0%

Changes on the basis of figures in thousand euros

pp = percentage points

\* of which 168 million euros from "Global Excellence", 9 million euros from National Starch and 4 million euros from ordinary activities

\*\* of which 395 million euros from "Global Excellence", 32 million euros from National Starch and 16 million euros from ordinary activities