



Statement by Ulrich Lehner, Chairman of the Management Board of Henkel KGaA, at the Annual General Meeting of April 16, 2007

- Check against delivery -

Ladies and Gentlemen, Esteemed Shareholders and Guests, Dear Friends of Henkel,

Welcome to our Annual General Meeting for fiscal 2006.

2006 – the 130th year in our company history – was another successful year for Henkel. We again achieved profitable growth and significantly expanded our market positions. Within a heterogeneous economic environment, our efforts on the innovation front led to significant organic sales growth, and our activities aligned to increasing efficiency enhanced our competitiveness on the cost side.

I would like at this point to direct our special thanks to our 52,000 employees around the globe. Their capabilities and their continued commitment are key to our success.

It is our employees who, throughout the world, develop, create and market our products and services, providing the vital components of our success in the marketplace. Through their engagement, they bring to life our vision of making people's lives easier, better and more beautiful with our brands and technologies.

Ladies and gentlemen, I would like in the following to detail the economic developments that have taken place in the **regions** and the markets of relevance

for us, and then to inform you of the performance of our **business sectors**.

I will then deal with our **expectations** for the current financial year.

Two factors had a significant influence on our markets in 2006:

First, economic revival, and second, further raw material price increases. It is against this background that the results of the year under review should be considered.

So how did things look generally for us in the markets and regions of relevance to our operations?

World economic output based on the total of the gross domestic product figures of the individual countries underwent a further rise. Europe registered tangible growth. In Western Europe, Spain, Scandinavia and the Benelux countries exhibited disproportionately high growth rates, while France and Italy remained behind

the European average. In Germany, too, there was a revival in economic development. In Eastern Europe, economic output again increased significantly. Most countries in Asia continued to exhibit considerable economic robustness, with China and India showing particularly strong growth. At a lower level, Japan's economy also expanded further. Latin America likewise experienced strong growth, while in the USA business activity eased slightly during the second half of the year.

These developments were mirrored in the associated consumer spending data: After years of consumer reticence, consumption in Germany once again slightly increased. Consumers in Scandinavia and Spain were significantly more free-spending. Only in the Netherlands did consumption levels decline. In the countries of Eastern Europe, too, consumer spending underwent a significant increase, especially in Russia.

Major increases in private consumption were likewise registered in most of the countries of Latin America.

By contrast, the rate of increase in consumer spending eased somewhat in the USA. In Asia, growth in consumer spending remained slightly behind the high rate of overall economic growth.

Looking at our customer industries, automobile production in the USA declined while business activity in the Asian and Eastern European automotive sectors remained healthy. The remainder of the transportation sector developed very well, especially the aircraft industry.

The electronics industry underwent highly positive development, with chip production for example registering an increase in the low double-digit percentage range. The dynamism of the global economy also generated strong growth momentum in both the packaging and the metalworking industries.

Development in the construction sector was very mixed in regional terms. While the US housing industry underwent a decline, construction in Germany showed an appreciable increase for the first time in some years. Construction in Eastern Europe and in many countries of Asia – particularly China – registered further strong growth.

So how did Henkel perform within this economic environment? The shortest answer would be to say: Very well!

Consolidated sales were increased by 6.4 percent to almost 13 billion euros, driven primarily by very good organic sales growth of 6.0 percent. This figure represents the highest organic growth rate achieved in the last nine years. With regard to their effect on sales, acquisitions and divestments almost canceled each other out and contributed 0.5 percentage points to the rise in sales. Overall, foreign exchange had a slightly negative effect of –0.1 percentage points.

These figures, ladies and gentlemen, prove that we exceeded the guidance figure we originally expected for our organic growth at the beginning of 2006. It is particularly gratifying to note that all our business sectors and all regions contributed to this development.

Allow me now to deal briefly with our performance in the individual regions:

Sales of the **Europe/Africa/Middle East region** grew significantly by 7.4 percent to around 8 billion euros, with all our business sectors contributing.

We were able to achieve disproportionately high growth rates in Eastern Europe and Africa/Middle East. We also posted an encouraging rise in Western Europe including Germany. The share of sales accounted for by the region as a whole increased slightly to 63 percent. In **North America**, sales rose by 0.4 percent to 2.7 billion euros – despite the sale of the Dial foods business. At 22 percent, the region's share of sales remained roughly at the level of the previous year. The **Latin America** region registered an increase in sales of 16.1 percent to 663 million euros, leaving its share of sales unchanged at 5 percent. Our businesses in **Asia-Pacific** developed similarly well with a plus of 11.7 percent to 1 billion euros. The share of sales of this region likewise remained unchanged at 8 percent.

During fiscal 2006, we increased our involvement in the growth regions of Eastern Europe, the Middle East, Africa, Asia-Pacific and Latin America. This heightened focus was rewarded with a successful double-digit percentage growth in sales.

In the past financial year, we achieved already 31 percent of our sales in these regions, thus already exceeding our target originally envisaged for 2008. Since 2003, we have been achieving excellent double-digit increases in sales – equating to around 16 percent on average – in our growth regions.

At 30 percent, the average annual growth rate of our operating profit during this period of time has also been particularly encouraging. As a result, return on sales for the regions mentioned increased to a good 10 percent in 2006.

We will therefore continue endeavoring to drive the further development of our businesses in these growth regions, without in any way neglecting Western Europe and our home market of Germany.

So how did we perform in fiscal 2006 in terms of our key financials?

Despite higher market investments, we increased **operating profit** – EBIT – by 136 million euros to 1,298 million euros, a rise of 11.7 percent. And again, all our business sectors contributed to this improvement.

Net earnings increased from 770 to 871 million euros. After deducting minority interests, net earnings amounted to 855 million euros.

Return on sales rose by 0.5 percentage points to 10.2 percent.

We increased **return on capital employed** – ROCE – by 1.2 percentage points to 14.5 percent.

Earnings per preferred share increased from 5 euros 31 to 5 euros 98.

Given this encouraging performance, we propose to the Annual General Meeting to increase the **dividend** by 14 eurocents per share.

This means a payout of 1 euro 50 cents per preferred share and 1 euro 44 cents per ordinary share.

With this, ladies and gentlemen, we sustain the continuity of our dividends policy.

Both our stable payout ratio and the fact that, since going public in 1985, we have almost always increased – and have never needed to decrease – our year-on-year dividend payout, are clear indications of our resolve in this regard.

In this way, we ensure that our shareholders receive an appropriate share of the profits generated in each financial year, while also increasing the value of our company by strengthening our investment capability.

The market capitalization of our ordinary and preferred shares increased during the year under review from 11.8 billion euros to 15.1 billion euros.

Since first becoming listed in 1985, the Henkel preferred share has given an average annual yield – subject to the dividend being reinvested each time – of 11.8 percent. For the same period, DAX tracking would have provided an annual yield of 8.6 percent.

Henkel shares again performed very well in 2006. After a very positive 2005 with a price increase of 32.8 percent, the preferred share again rose by 31.2 percent in 2006, reaching a closing price for the year of 111.48 euros.

In fiscal 2006, we put further effort into increasing the attractiveness of our portfolio and expanding our presence in the major growth regions of the world. Through the acquisition of leading deodorant brands from Gillette, we have additionally strengthened our position in the North American market. Meanwhile, we sold our Dial foods business as we continue to increase our focus on our core activities. You can find details of the acquisitions and divestments under that heading on page 37 in the 2006 Annual Report.

The already mentioned strong organic growth we achieved in 2006 was very encouraging, and we intend to remain focused on sustaining organic growth in 2007. At the same time, we will be endeavoring to identify further potential for **margin improvement**.

In 2006, return on sales increased by 0.5 percentage points to 10.2 percent.

This takes us an important step closer to our 2008 target of 12 percent return on sales. And we intend to implement the further measures necessary to achieve this ambitious target.

We have identified three factors for success in this regard:

- sustained organic growth,
- an improvement in gross margin, and
- further efficiency enhancements.

I would now like to deal in more detail with the developments undergone by our individual business sectors, beginning with Laundry & Home Care.

The world market for **laundry and home care** products underwent further expansion in 2006, with the segments of relevance for us growing by more than 3 percent. Market growth was more price-driven than in previous years because – unlike in 2005 – it became possible to pass on material cost increases by raising product prices. In Western Europe, our largest market, there was a reversal in the declining trends of previous years with gratifying growth ensuing in 2006. In North America, too, there was a tangible price-driven upswing in the market dynamics. Of the other major markets, Russia recorded the highest growth rate. The Laundry & Home Care business sector continues to occupy leading global positions within this environment.

Organic sales growth amounted to a very encouraging 4.6 percent. Despite the sale of the Dial foods business, total **sales** was 4,117 million euros, 0.7 percent above the level of the previous year.

Operating profit rose by 3.7 percent to 449 million euros.

Return on sales improved by 0.3 percentage points to 10.9 percent.

We significantly increased **return on capital employed**, namely by 1.6 percentage points to 15.2 percent.

This year, our most well-known and strongest brand of the Laundry & Home Care business sector celebrates its 100th anniversary. Persil, the world's first self-acting

detergent, was launched in 1907 and is sold today in approximately 60 countries around the world.

The growth of the **world cosmetics market** of relevance for us was around 2 percent in fiscal 2006. Development of the highly competitive Western European branded consumer goods market remained sluggish. Nevertheless, we succeeded in achieving above-average growth in this region, expanding our market positions and gaining market share.

Eastern Europe, Asia and Latin America exhibited stronger market growth, and we were able to successfully participate in this expansion. There were positive developments in the international hair salon market, and as a globally aligned, innovative specialist in the hair salon business, we were able to take an above-average share of the ensuing growth. The Cosmetics/Toiletries business sector holds a leading position in its markets worldwide.

Sales in the year under review improved by 8.9 percent to 2,864 million euros, with significant **organic growth** of 4.1 percent.

At 359 million euros, **operating profit** was 11.7 percent above the comparable prior-year figure, with particularly our optimization measures in production and administration having a positive effect.

Return on sales rose by 0.3 percentage points to 12.5 percent.

Return on capital employed improved by 0.7 percentage points to 15.4 percent.

The dynamics of the markets served by the **Consumer and Craftsmen Adhesives** business sector remained largely unchanged in 2006. Although world market growth averaged 3 percent, substantial regional differences again occurred.

Continuing stagnation in our traditional European core markets contrasted with strong growth in Eastern Europe and Asia. The highest growth rates occurred in the construction-related market segments. The main regional driver of our

business growth was once again Eastern Europe, although our businesses in Latin America, Asia and the Middle East also performed well above average.

With **organic growth** of a very good 7.8 percent, the business sector was able to strengthen and expand its world-leading position and once again grew substantially stronger than the market.

Sales in the year under review increased by 13.5 percent to 1,977 million euros.

Operating profit likewise showed a double-digit improvement, coming in at 209 million euros, 13.0 percent above the prior-year figure.

At 10.6 percent, **return on sales** was on the level of the previous year.

Return on capital employed improved to 16.9 percent.

The segments of relevance for **Henkel Technologies** involving adhesives, sealants and surface treatment products and services for industrial applications once again developed positively in 2006, with the market growing by around 3 percent. Thanks to ongoing improvements in the performance of bonding and sealing technologies, more and more mechanical fixing and conventional joining techniques are being replaced by such systems. As in the previous year, growth in the electrical engineering and electronics industries was above average. The paper and packaging industries likewise underwent significant expansion. There was also a further increase in global automobile production, while the metals industry slightly improved.

Henkel Technologies is a world leader in its selected markets and was able to further extend its advantage by generating **organic growth** of 8.9 percent, a figure that once again lies well above the market average.

With **sales** of 3,533 million euros, the business sector exceeded the prior-year figure by 8.2 percent.

Operating profit rose above the comparable level for the preceding year by 7.2 percent to 370 million euros.

Due to an increase in the cost of raw materials, **return on sales** remained at 10.5 percent, the level of the previous year. By contrast, return on capital employed improved by 0.7 percentage points to 15.4 percent.

In order to be even better equipped for the future, we have decided to merge Consumer and Craftsmen Adhesives and Henkel Technologies to form a **new business sector** under the name **Adhesives Technologies**. This will enable us to cover our markets even more consistently and effectively.

The joint competences of these two business sectors in relation to technology, marketing and distribution offer outstanding opportunities for generating significant and profitable growth in our markets in all regions of the world. The merger has resulted in an unprecedented global competence center. We are by far the most diversified supplier in this field. In future, there will be no way of getting around Henkel when it comes to adhesives, sealants and surface treatment.

Our future viability, that is to say our ability to adapt proactively to a constantly changing world, is vital for the further expansion of our market positions. A continuous stream of innovations in our brands, technologies and processes constitutes the most important prerequisite for ensuring that we maintain this capability.

Our “Year of Innovation” initiative, launched last spring, also made a significant contribution to the successes of fiscal 2006. The results achieved so far demonstrate the extent to which our employees have become aware of the importance of this issue. The commitment of our people to innovation has already provided us with significant competitive advantage that we also intend to utilize this year. We will therefore further leverage this potential by making not only 2007 but also 2008 “Years of Innovation”. So the appeal to our 52,000 employees continues to read: “Let’s innovate”.

I should emphasize here that our search for innovations is not limited to increasing the number of new product developments. It also encompasses process innovations, because innovative processes create effective and efficient organizations.

In the quest for ideas and their further development, we rely not only on our own know-how but also on external cooperations.

Therefore, our innovations offensive is also being supported by collaborations with numerous research institutions, universities and other external partners.

We have taken a significant step closer to our target of increasing to 30 percent the share of sales attributable to products that have been in the marketplace for less than three years.

We want to further increase our efforts in this area as we pursue our goal to be regarded as an “innovation leader” in our markets. Consequently, last year we invested 340 million euros in research and development.

Of this figure, 41 million euros went into corporate research and 299 million euros was spent on product and process development activities of the business sectors.

Top achievements in fundamental research are recognized with our annual “Research/Technology Invention Award”.

Each of the recently recognized projects provides us with new potential for business development or cost optimization:

- a chrome-free primer for a resource-conserving and environmentally compatible metal pretreatment system for aircraft construction;
- the **H**enkel **L**ine **O**ptimization planning cockpit – HELIOZ for short –, an innovative diagnostic and planning tool for optimizing packaging lines in production; and
- a novel biochip for quality control in the production of enzymes for laundry

and home care products. These enzymes are produced by micro-organisms in a so-called fermentation process. The biochip enables both quality control of this fermentation process and duly intervention in the process, if necessary.

For the last 25 years, we have also recognized with the “Fritz Henkel Award for Innovation” successful, market-proven innovations from the product development field.

The winners this year were as follows:

- Vernel and Silan Aromatherapy, a fabric softener which, through the addition of essential fragrance oils, gives the laundry especially pleasant wearability;
- Gliss Kur Total Repair – a special product development for the repair of both the internal and external structure of damaged hair;
- Thomsit XXL – a product for craftsmen that, without the need for any additional work, creates mirror-smooth surfaces for the installation of floor coverings in the construction and renovation segment;
- P3 Disperse – a specialty industrial cleaner for the production of LCD flatscreens; this innovative cleaning system reduces manufacturing costs and improves picture quality.

You will find a comprehensive overview of our innovations from 2006 in the Annual Report.

Ladies and gentlemen, I would especially like to draw your attention to our **corporate governance report** in the current Annual Report.

For us, good corporate governance means responsible management and control of the company aligned to the long-term increase in shareholder value and accompanied by a proactive and open information policy.

In our report, we provide a detailed description of our management and control structure, explaining the special features as compared to a stock corporation that

arise from our legal form as a KGaA – a partnership limited by shares – and our Articles of Association.

For us, this report means significantly more than a simple exercise in meeting statutory requirements. Rather, we wish through it to provide you with an overview of, in particular, our capital structure including the rights and obligations that attach to our shares, the possibilities available with respect to the issuance and repurchase of shares, and also the tasks and duties of our corporate bodies.

This information together with further explanations with respect to our corporate governance policy and system are, as ever, also available to you on our website.

One issue that is particularly important for us is that of **sustainability**.

Sustainability and corporate social responsibility – abbreviated to CSR – have for some time now become increasingly prominent as areas of intensive public discussion. This is due both to ongoing business globalization and to worries with respect to the consequences of this process. Complex issues such as climate change, the associated discussion of carbon dioxide emissions or the availability of resources, are in the minds of everyone nowadays. This is why we intensively deal with these subjects in all our business sectors.

And we have also noticed that, increasingly, not just customers and consumers but also financial market participants want to know whether and to what extent we are committed to sustainability and corporate social responsibility.

Our answer has, for many years, been clearly defined. For us, value-based management – and therefore corporate social responsibility – is the essential fundament for value creation.

For Henkel, social responsibility is not measured by how much money is spent on social causes. What is decisive is how we earn our money in the marketplace and whether our activities in this endeavor are regarded as responsible.

Our common values form the basis for a series of behavioral rules which we have specified for all our employees in a number of codes, as for example the Code of Conduct or the Code of Corporate Sustainability.

As a visible sign of our commitment to sustainability and corporate social responsibility, Henkel declared its participation in the United Nation's Global Compact already in 2003.

Naturally, we are delighted when our contribution is also recognized as such by external bodies – as has recently been the case with the second position garnered by Henkel in the “Good Company Rankings” for corporate social responsibility, and the top position that we took in the Eco-Rankings of the German business weekly “Wirtschaftswoche”.

Ladies and gentlemen, I would now like to draw your attention to the **agenda** for this year's Annual General Meeting, and briefly indicate the points that go beyond the usual formalities.

Point 7 relates to the annual renewal of our authorization to purchase the company's own shares.

Under point 8 of the agenda, we propose to you that a share split be implemented.

The listed price of the Henkel preferred share is now constantly above the 100 euro mark, while the price of most of the other DAX 30 stocks is significantly below that figure.

Under these circumstances, we would like to carry out a 1:3 share split, particularly to maintain and further increase the attractiveness of Henkel shares to private investors.

Technically, the proposed split will take place in two stages:

The first step will be to increase our capital by around 64 million euros. This will be

achieved by converting revenue reserves into capital stock, so there will be no issuance of new shares.

This will increase the proportion of the capital stock attributable to each share from a current 2.56 euros to 3 euros. The second step will then be to split the shares in the ratio of 1:3 so that the number of shares is tripled, and each share accounts for one euro of capital stock.

Because of the tripling of the number of shares and the associated change in the dividends payable per share, the provisions governing the dividend-related bonus payments to the Supervisory Board and the Shareholders' Committee also need to be modified.

The suggested changes are purely "arithmetic" in nature and will not lead to any alteration in remuneration.

The Articles of Association also need to be modified with respect to the preferred dividend. Compared to an ordinary share, each preferred share has, up to now, qualified for a "bonus" of 6 eurocents.

The modification proposed is that, in future – after the 1:3 split – each preferred share should qualify for a preferred dividend of 2 eurocents. This modification too is neutral in terms of its economic effect.

For details, I would refer you to the Invitation to the Annual General Meeting and the proposals for resolution contained therein, and also the detailed reports provided by the Management Board.

Ladies and gentlemen, I already detailed our expectations and targets for fiscal 2007 at our press conference in February: We want to continue to generate profitable growth in the future by pursuing our long-term ambitious targets.

Allow me to summarize:

2006 was an outstanding year for Henkel, with the launch of numerous innovative

products and focused market investments among the major contributory factors. We have also made our portfolio more attractive and expanded our presence in the important growth regions of the world.

We are therefore optimistic as we look to the future.

Finally, I would like to make particular mention of the following.

In December 2006, we announced that Kasper Rorsted would take over as Chairman of the Management Board in 2008.

With their early decision to designate Kasper Rorsted as the future Chairman of the Management Board, the Shareholders' Committee has continued the good tradition of providing early planning reliability to our employees, our customers and business partners as well as to the capital markets. This decision provides everyone involved with a high degree of continuity in the areas of corporate culture, people management and sustainable business development. These are all areas in which Henkel has excelled over the years and will continue to excel into the future.

I very much welcome this decision. As an internationally experienced manager, Kasper Rorsted has achieved a great deal and, within a short time, come to be regarded with the highest respect by employees and Management Board colleagues alike.

To you, our esteemed shareholders, we would like to express our gratitude for the confidence that you have shown in our company. I am sure that we will continue meeting your expectations in Henkel as we move forward into the future.

This information contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel KGaA. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate", and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and 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.