



2007 Financials

**Dr. Lothar Steinebach
Chief Financial Officer**

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Disclaimer



This information contains forward-looking statements which are based on 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.

Agenda



1. Q4/2007 at a Glance

2. 2007 Financials

3. Update on National Starch Acquisition

4. Global Excellence

5. Outlook 2008

Highlights Q4/2007



- **Organic sales growth: +3.8%**
 - All business sectors outgrowing relevant markets
 - Double-digit sales growth in emerging markets: +12.9%

- **EPS: +11.8%**

- **NWC: -180 bps to 11.5% of sales**

Sales Growth by Business Sector Q4/2007 vs. Q4/2006



in %	Total	Exchange rate adjusted	Organic
Laundry & Home Care	-2.8	0.0	2.6
Personal Care	-0.5	2.7	5.4
Adhesives Technologies	1.5	5.7	5.6
Total Henkel	-0.5	2.9	3.8

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Highlights FY 2007



- **Sustained organic sales growth: +5.8%**
 - Growth regions: 34%
 - Innovation rate: ~31%
 - Disposals of marginal businesses: ~175 mill. € sales
- **Gross margin: +110 bps to 46.4%**
- **Adjusted EBIT: +8.2%, margin 10.5% (+60 bps)**
- **Adjusted EPS: +14.5%**

Our Scorecard 2007



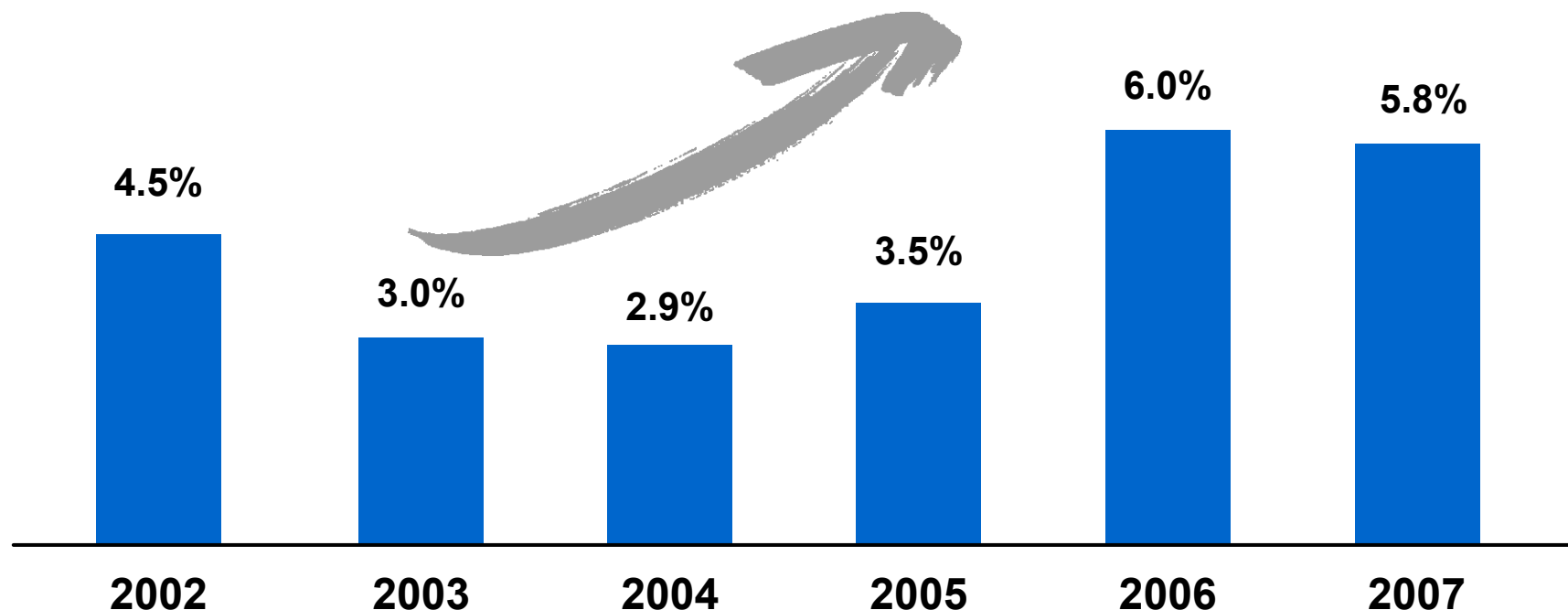
	Outlook (Q3/2007)	2007
Organic sales growth	5 - 6%	5.8%
EBIT* growth (adjusted for FX)	above organic sales growth	5.8%
EPS** growth (pref. shares)	above organic sales growth	7.5%

→ Targets achieved

Organic Sales Growth Acceleration



Organic sales growth (in %)



→ Improved organic growth profile

Sales Growth by Business Sector 2007 vs. 2006



in %	Total	Exchange rate adjusted	Organic
Laundry & Home Care	0.8	3.1	5.5
Personal Care	3.7	6.1	5.8
Adhesives Technologies	3.6	6.9	6.5
Total Henkel	2.6	5.3	5.8

Sales Growth by Business Sector 2007 vs. 2006



in %	Exchange			Organic
Laundry & Home Care	0.8	3.1	5.5	
Personal Care	3.7	6.1	5.8	
Adhesives Technologies	3.6	6.9	6.5	
Total Henkel	2.6	5.3	5.8	

▪ Both laundry and home care
 ▪ Strong development in Europe

Sales Growth by Business Sector 2007 vs. 2006



in %	Total	Exchange rate adjusted	Organic
Laundry & Home Care	3.7	6.1	5.5
Personal Care	3.7	6.1	5.8
Adhesives Technologies	3.6	6.9	6.5
Total Henkel	2.6	5.3	5.8

▪ Market share gains in hair and body
 ▪ Strong in emerging markets

Sales Growth by Business Sector 2007 vs. 2006



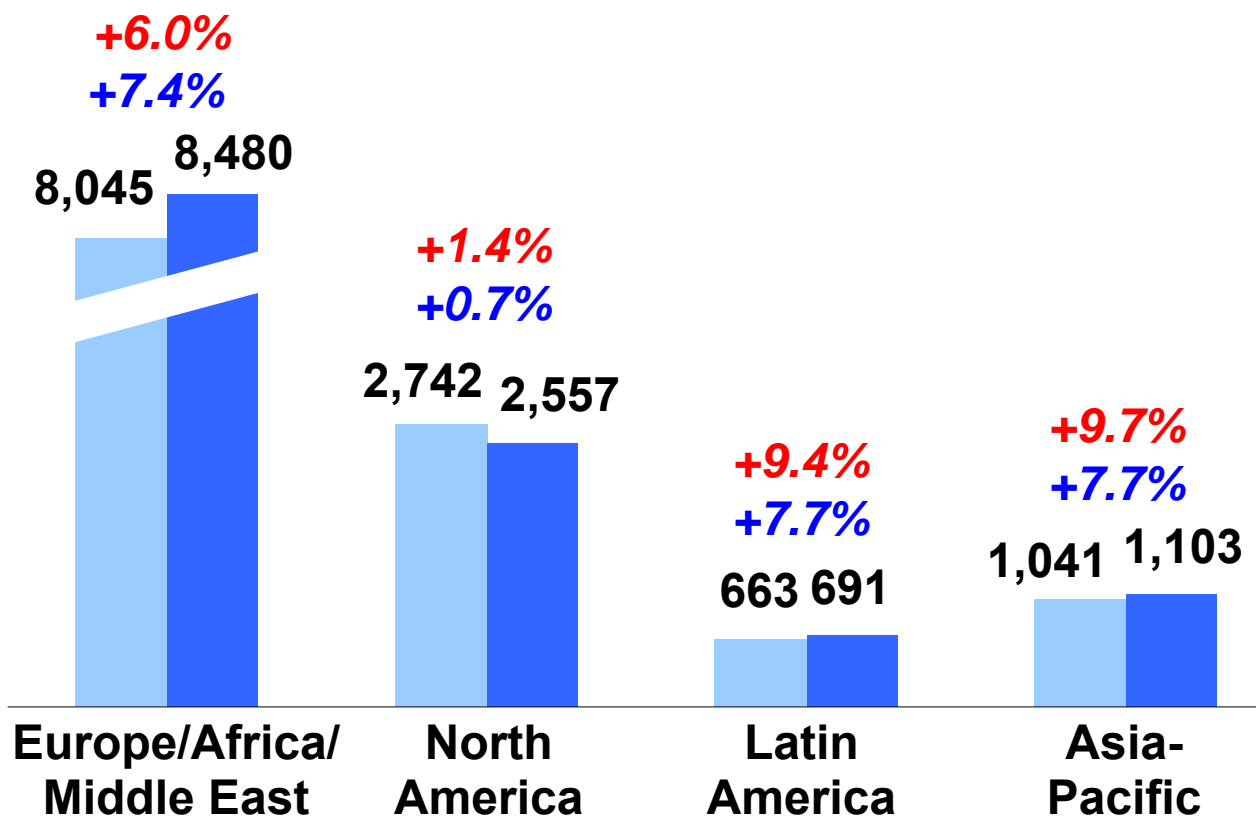
in %	Total	Exchange rate adjusted	Organic
Laundry & H			5.5
Personal Care			5.8
Adhesives Technologies	3.6	6.9	6.5
Total Henkel	2.6	5.3	5.8

▪ All business segments contributing
 ▪ Strong in emerging markets
 ▪ Weaker in USA

Sales Growth by Region 2007 vs. 2006*



in mill. €



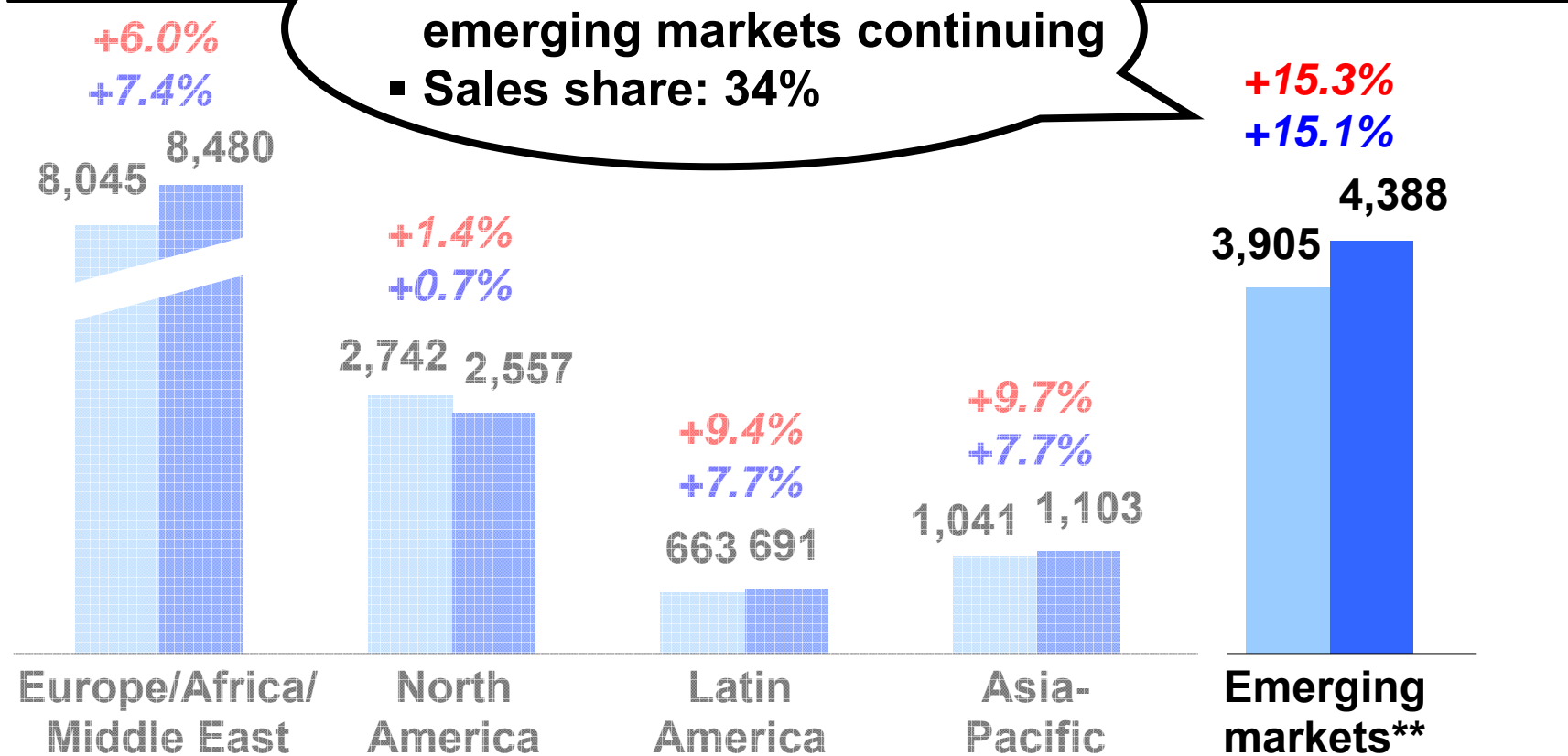
* *adj. for foreign exchange / organic*

Sales Growth by Region 2007 vs. 2006*



in mill. €

■ Double-digit growth in emerging markets continuing
 ■ Sales share: 34%



* adj. for foreign exchange / organic

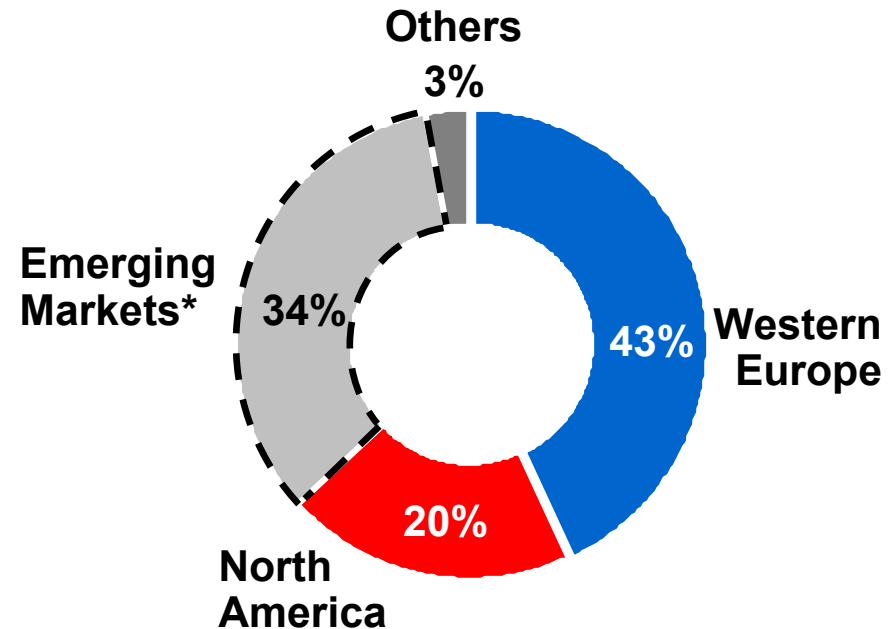
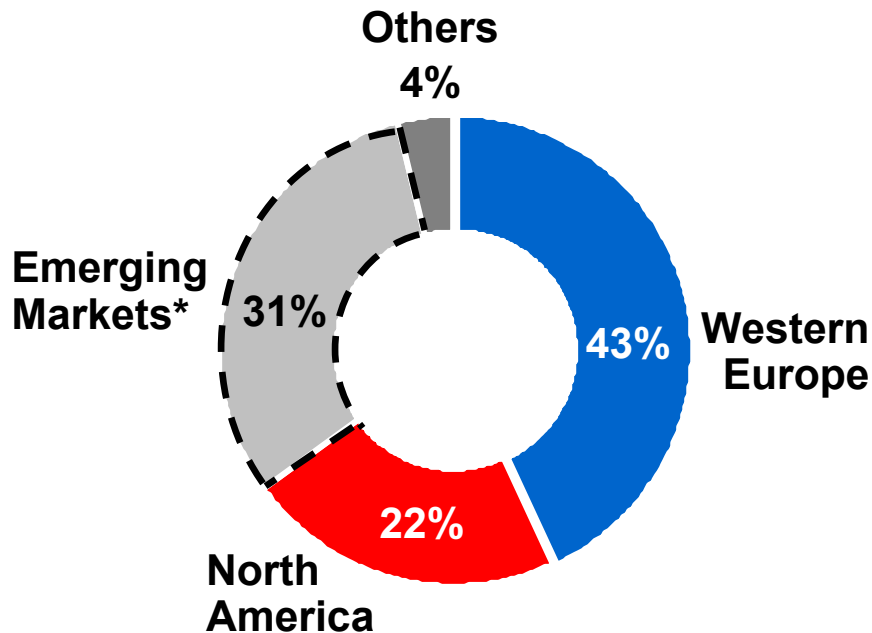
** Eastern Europe, Middle East/Africa, Latin America, Asia excl. Japan

Sales by Region



2006

2007



* Eastern Europe, Middle East/Africa, Latin America, Asia excl. Japan

Innovation Rate Development



Innovation Rate*	2007	Target
<u>Laundry & Home Care</u>	<u>~35%</u>	<u>35-40%</u>
<u>Personal Care</u>	<u>~40%</u>	<u>35-40%</u>
<u>Adhesives Technologies</u>	<u>~23%</u>	<u>20-25%</u>
Total Businesses	~31%	~30%

* percentage of sales from new products launched over past three years / five years (Adhesives Technologies)

→ Years of Innovation paying off

Portfolio of Disposals



Sales 2006

Closing

➤ 2007:

- Oils and fats, Turkey 38 mill. € Q1
- Fine fragrances, Italy 50 mill. € Q1
- Non-core activities/Laundry & Home Care, Luxembourg and UK 85 mill. € Q2

➤ 2008:

- Industrial water treatment, Europe 52 mill. € Q1
- Consumer adhesives brands Duck, Painter's Mate Green and Easy Liner, North America Expected in Q1

EBIT Growth by Business Sector 2007 vs. 2006



	EBIT		EBIT margin	
	in mill. €	Change in %	in %	Change in bps
Laundry & Home Care	459	2.1	11.1	20
Personal Care	372	3.8	12.5	0
Adhesives Technologies	621	7.3	10.9	40
Total Henkel	1.344	3.5	10.3	10

EBIT Growth by Business Sector 2007 vs. 2006



	EBIT		EBIT margin	
	2007	2006	2007	Change
				bps
Strong European business				
Laundry & Home Care	459	2.1	11.1	20
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On high level of previous year despite strong marketing activities

EBIT Growth by Business Sector 2007 vs. 2006



	EBIT		EBIT margin	
	in mill. €	Change in %	in %	Change in bps
Laundry & Home Care	1.141	11.1	14.1	20
Personal Care	521	7.3	10.9	0
Adhesives Technologies	621	7.3	10.9	40
Total Henkel	1.344	3.5	10.3	10

▪ Strong sales growth
 ▪ Strict cost management
 ▪ Lower restructuring charges

Income Statement Sales to Gross Profit



in mill. €	2006	2007	Change in %
Sales	12,740	13,074	2.6
Cost of sales	-6,963	-7,013	0.7
Gross profit	5,777	6,061	4.9
Gross margin (in %)	45.3	46.4	110 bps

Income Statement Sales to Gross Profit



in mill. €	2006	2007	Change in %
Sales	12,740	13,074	2.6
Cost of sales			0.7
Gross profit		1,061	4.9
Gross margin (in %)	45.3	46.4	110 bps

Positive price/volume overcompensates raw material price increase

Income Statement EBIT to Net Earnings



in mill. €	2006	2007	Change in %
EBIT	1,298	1,344	3.5
Financial items	-122	-94	-23.0
Earnings before tax	1,176	1,250	6.3
Taxes on income	-305	-309	1.3
<i>Tax rate (in %)</i>	<i>25.9</i>	<i>24.7</i>	<i>-120 bps</i>
Net earnings after minority interests	855	921	7.7
EPS pref. (in €)	1.99	2.14	7.5
Adjusted EPS (in €)	1.93	2.21	14.5

Income Statement EBIT to Net Earnings

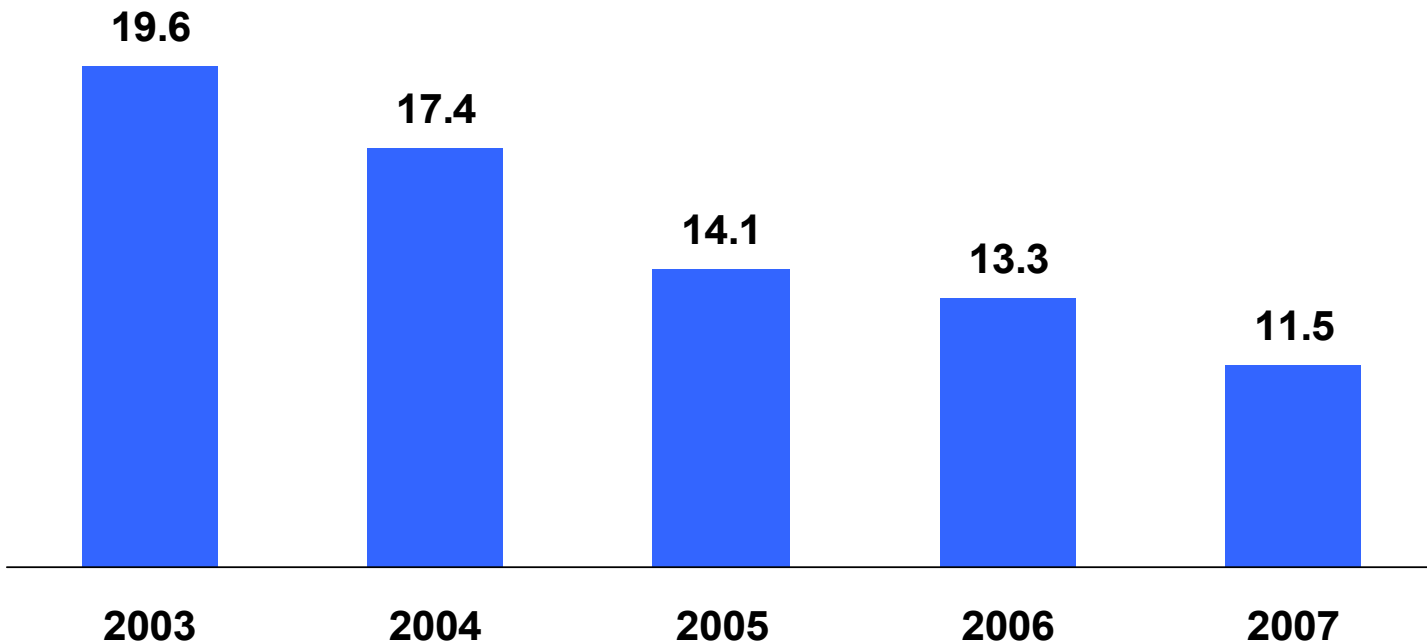


in mill. €	2006	2007	Change in %
Financial items	-122	-94	-23.0
Net income from participations	54	84	55.6
Net interest	2006: Impairment Charge Lion participation		1.1

Net Working Capital Development



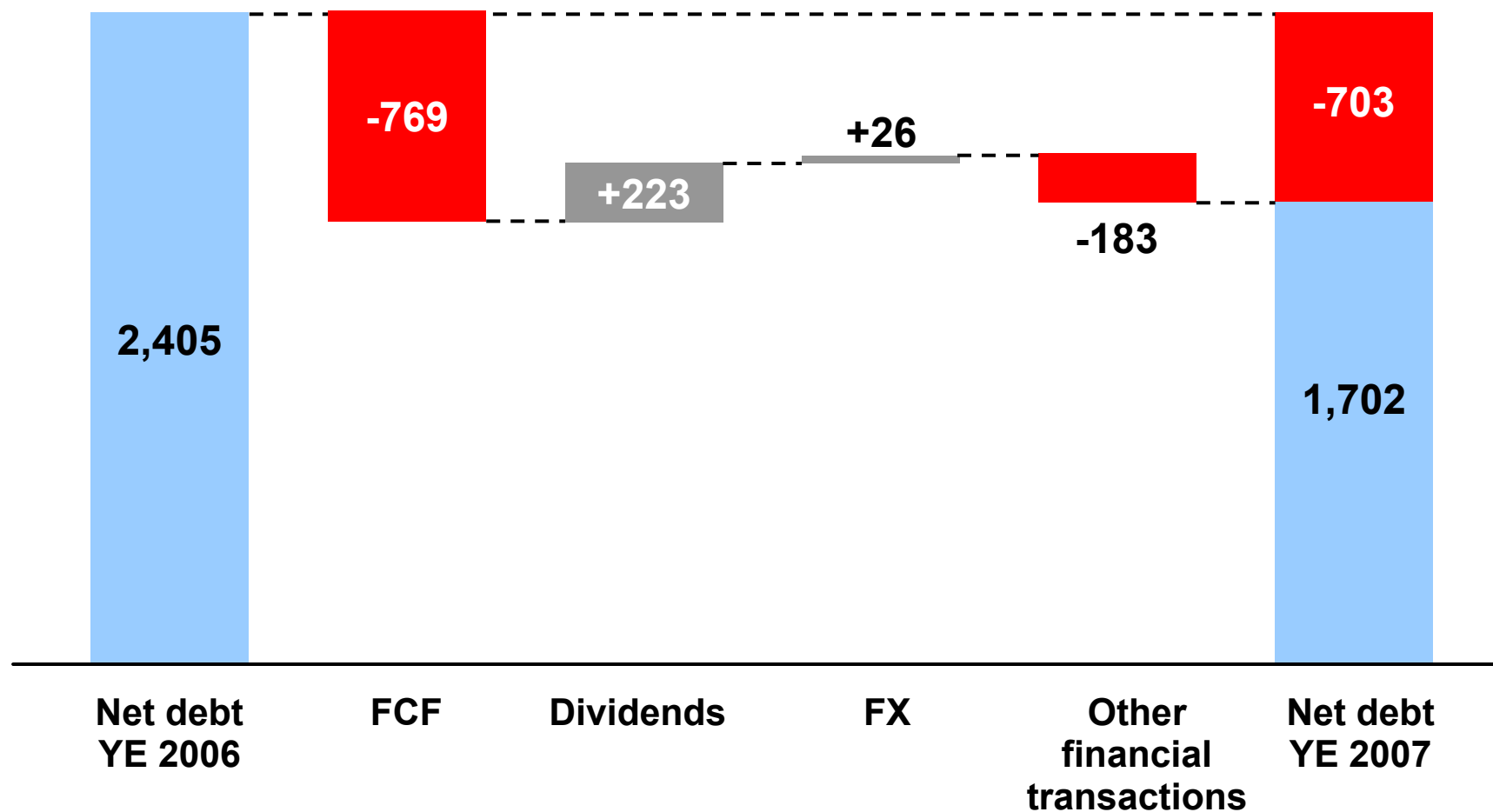
NWC/sales ratio in %



➔ Outstanding NWC improvement

Changes in Net Debt

in mill. €



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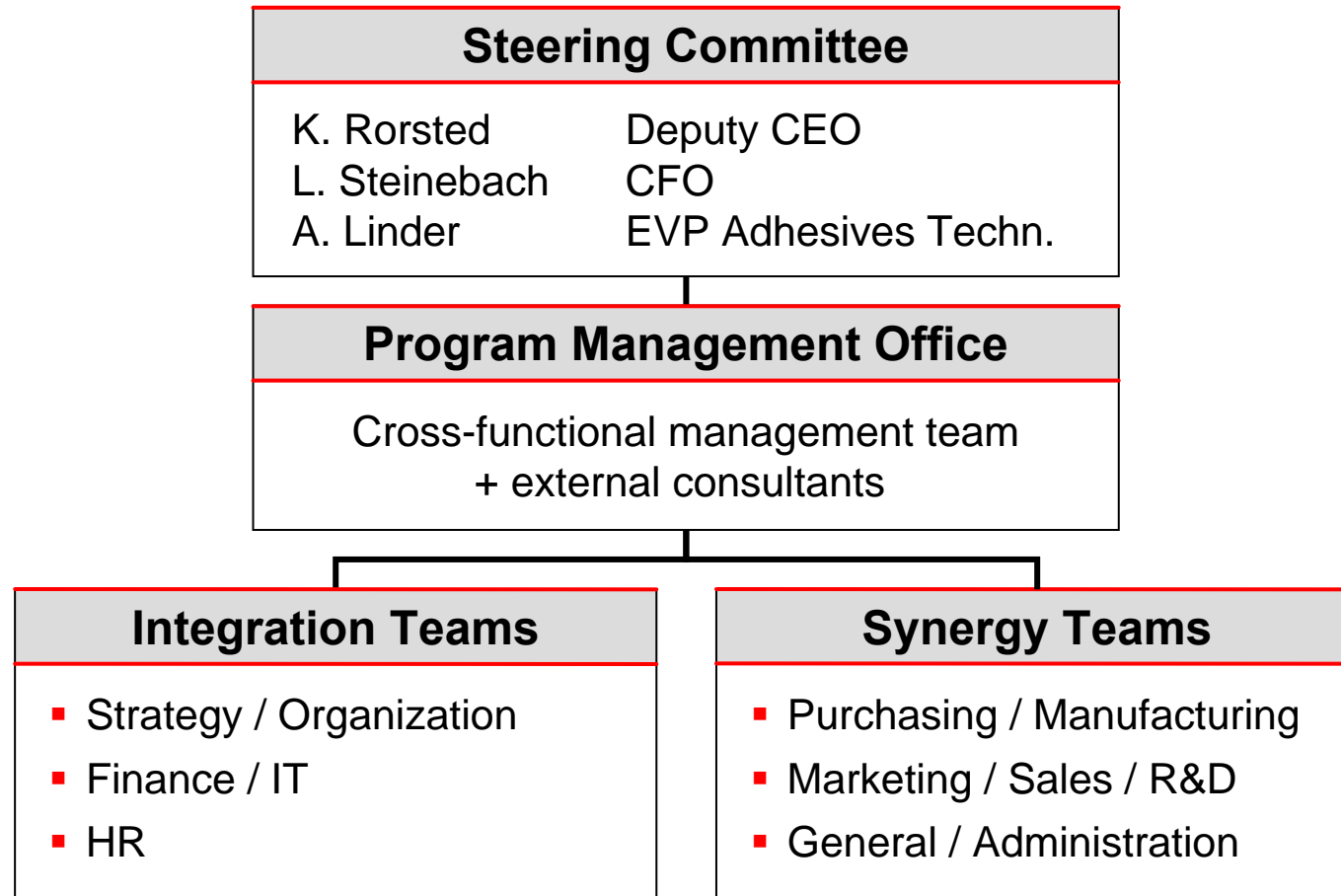
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Integration Management: Project Organization



Program Management Office Tasks



➤ **Until closing:**

- Carve-out of A&E businesses
- Keep teams focused on the customers
- Prepare for Day 1
- Antitrust clearance

➤ **After closing:**

- Ensure smooth combination of A&E businesses and Henkel
- Safeguard continuity of the combined ongoing businesses
- Capture first synergies from the combined businesses

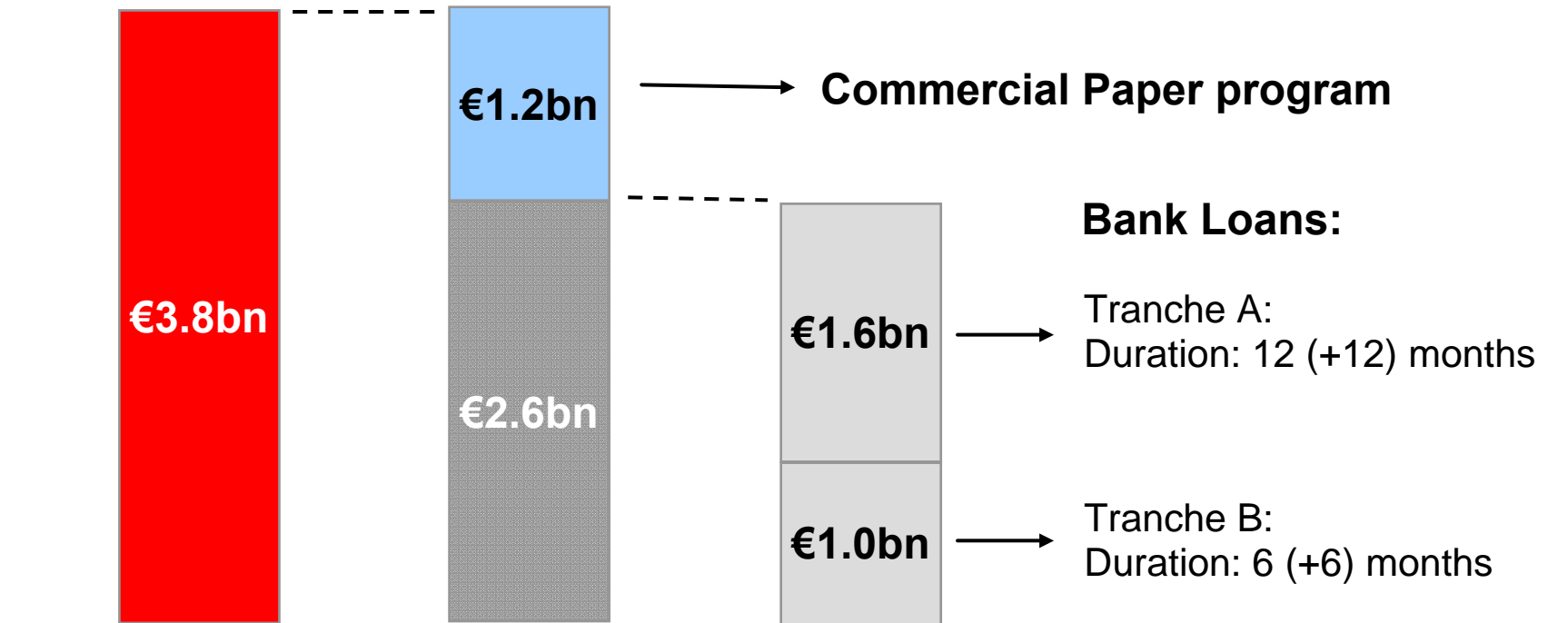
➤ **Supported by external consultants**

Cost & Revenue Synergies



- **~240-260 mill. € confirmed**
- **Bottom-up planning by experienced management team**
- **Validation by industry experts**
- **Integration team incentivized**
- **Part of yearly targets of all Adhesives Technologies managers**

Bridge Financing Accomplished



→ High flexibility in financing

Re-Financing Defined



Purchase Price: £2.7bn (~€3.8bn*)

- Divestment of non-core assets
- Net debt up to 2.5 bn. €
- Intention to divest some or all of Ecolab stake

➔ Based on commitment to maintain single-A rating

* Current value

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Global Excellence



➤ **Goals:**

- Anticipate more sluggish trading conditions
- Offset significant raw material cost increase
- Strengthen competitiveness
- Improve processes and structures

➤ **Measures: Sustainable cost reduction in**

- Manufacturing / Supply Chain
- Marketing / Sales / R&D
- General / Administration
- Many projects across all regions / business sectors / functions

➤ **Volume: ~500 mill. €**

Global Excellence



Restructuring volume (in 2008)	mill. €	%
Cash-out	~300	~60
Depreciation	~200	~40
Total	~500	100

→ **Savings: ~150 mill. € over three years**

→ **Update on May 7, 2008**

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Trading Conditions 2008



➤ **Industrial output**

- General industry, packaging: continuing expansion
- Automotive: moderate increase
- Electronics: encouraging growth
- Construction: US weak, growth regions dynamic

➤ **Private consumption**

- Western Europe: moderate increase
- USA: lower expansion
- Emerging markets: further strong growth

➤ **Raw material costs significantly increasing**

Outlook 2008



Outlook 2008

Organic sales growth

3 - 4%

EBIT growth (adjusted for FX)

above organic sales growth

EPS growth (pref. shares)

above organic sales growth

Financial Target Assessment 2008



	2006	2007	Targets 2008
Organic sales growth (p.a.)	6.0%	5.8%	3 - 4%
EBIT margin	10.2%	10.3%	12%
ROCE	14.5%	15.4%	16%
EPS growth (p.a.)	12.6%	7.5%	≥ 10%

Priorities 2008



- Integrating National Starch businesses
- Offsetting raw material price increases
- Global Excellence
- Disposals of non-core assets

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that make people's lives
easier, better and more beautiful.**

Henkel

A Brand like a friend