

**EANS-News: Henkel AG & Co. KGaA / Henkel reports solid start to fiscal 2011**

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Henkel expects stronger organic sales growth

Henkel reports solid start to fiscal 2011

- Sales increase of 8.9 percent to 3,823 million euros (organic: +7.2%)
- Adjusted\* operating profit: plus 12.1 percent to 473 million euros
- Adjusted\* EBIT margin: plus 0.4 percentage points to 12.4 percent
- Adjusted\* earnings per preferred share (EPS): plus 21.7 percent to 0.73 euros
- Growth regions continue to post above-average increases (+14.8 percent)
- Market environment characterized by rising raw material prices and intense competition

Düsseldorf, Germany - "Despite the challenging market environment, Henkel reports a solid start to the financial year. We achieved very good organic sales growth, once again outperforming our relevant markets," said Henkel CEO Kasper Rorsted. "All our business sectors contributed to this success and with continued double-digit growth rates we were able to further expand our position in the emerging markets. We are fully committed to our strategic priorities and remain confident of being able to achieve our 2012 targets."

For the fiscal year 2011, Rorsted provided the following guidance: "With intense competition and rising raw material costs, the economic environment will remain challenging. We will need to continue reviewing our structures to ensure our long-term international competitiveness." Henkel has slightly raised its expectations for organic sales growth: "We are confident that we will again outperform our relevant markets in 2011 and now expect an increase in organic sales at the upper end of the 3 to 5 percent range. We expect - in line with our previous guidance - increasing our adjusted EBIT margin to around 13 percent and improving adjusted earnings per preferred share by about 10 percent," Rorsted added.

Henkel's sales in the first quarter of 2011 came in at 3,823 million euros, an increase of 8.9 percent compared to the figure for the prior-year quarter. After adjusting for foreign exchange, sales improved by 6.8 percent. At 7.2 percent, organic sales - that is to say sales adjusted for foreign exchange and acquisitions/divestments - again increased significantly. This positive development was supported by all Henkel business sectors. Due in particular to strong volume increases, Laundry & Home Care generated growth of 1.6 percent. With organic sales growth of 5.7 percent, the Cosmetics/Toiletries business sector outstripped a very strong prior-year quarter and again significantly exceeded growth in the relevant markets. With both price and volume driven organic growth of 11.5 percent, Adhesive Technologies significantly outstripped an already strong prior-year quarter. As a result, Henkel further expanded its global market shares in all three business sectors.

After allowing for one-time gains, one-time charges and restructuring charges, adjusted operating profit improved by 12.1 percent, from 421 million euros to 473 million euros. Operating profit (EBIT) increased by 1.9 percent, from 422 million euros to 430 million euros.

Adjusted return on sales (EBIT margin) grew by 0.4 percentage points, from 12.0 percent to 12.4 percent. Return on sales came in at 11.2 percent following 12.0 percent in the prior-year period.

Financial result improved from -54 million euros to -37 million euros due to lower net debt and an increased balance arising from currency hedging activities. The tax rate was 26.2 percent (prior-year quarter: 27.7 percent).

Net income for the quarter rose by 9.0 percent, from 266 million euros to 290 million euros. After deducting non-controlling interests totaling 7 million euros, net income for the quarter came in at 285 million euros (prior-year quarter: 259 million euros). Adjusted net income for the quarter after non-controlling interests increased by an appreciable 20.4 percent, from 265 million euros to 319 million euros. Earnings per preferred share (EPS) rose from 0.60 euros to 0.66 euros. The adjusted figure was 0.73 euros compared to 0.60 euros in the prior-year quarter.

Once again, good progress was also made in the management of net working capital. Compared to the prior-year period, the ratio of net working capital to sales improved by 0.6 percentage points to 7.9 percent. Net debt was reduced to 2.1 billion euros.

Business sector performance

Despite the continuing intensity of the competitive environment, the Laundry & Home Care business sector increased nominal sales by 2.2 percent to 1,072 million euros. Organically, sales rose by 1.6 percent, supported primarily by strong volume growth of 4.8 percent against a downturn in pricing levels.

Regional development was very mixed. Eastern Europe posted high organic growth, as did Latin America, the latter due in particular to the launch of Persil in Mexico. Growth rates in the Africa/Middle East region were lower than in past periods as a result of political unrest in some of the countries of importance to Henkel. However, the situation improved substantially toward the end of the quarter. In North America, sales decreased due to declining markets and persistently strong competitive pressures. By contrast, Western Europe registered a significant improvement in sales, driven in particular by strong growth in Germany and France. This resulted in a further increase in market share in Western Europe.

Operating profit totaled 100 million euros, compared to 151 million euros in the prior-year quarter, with the restructuring charges incurred for further production site optimization having a particular impact. Due to increased material costs and a decline in selling price levels, adjusted operating profit at 133 million euros and adjusted return on sales at 12.4 percent also remained slightly below the levels of the first quarter 2010.

Cosmetics/Toiletries started with a very strong quarter to fiscal 2011. Sales exceeded the already strong prior-year period by 7.7 percent and reached 821 million euros. In organic terms, sales increased by 5.7 percent and was once more well above that of the relevant markets. This successful development was due to the consistent pursuance of the business sector's innovation offensive with numerous new product launches.

All regions and businesses contributed to this growth. Eastern Europe, Latin America and Asia's emerging markets achieved again double-digit growth rates. Western Europe and North America likewise made a very good start to the year. Due to successful innovations sales in both regions were significantly increased and market shares expanded.

Operating profit rose by 12.6 percent to 112 million euros. Adjusted operating profit increased by even 15.1 percent to 113 million euros. Adjusted return on sales improved by 0.9 percentage points, reaching a new high for a first quarter of 13.8 percent.

The Adhesive Technologies business sector continued to drive dynamic growth through the first quarter of 2011, posting a substantial increase in sales of

14.1 percent to a total of 1,884 million euros. Organic growth, achieved through appreciable volume increases accompanied by a rise in selling prices, reached 11.5 percent, significantly exceeding market development.

All regions and businesses contributed to this positive performance. Once again, the emerging markets added particular momentum, with Eastern Europe, Africa/Middle East and Asia registering the highest rates of increase. However, substantial sales growth was also achieved in the mature markets.

Although the rising raw material and packaging prices had a significant negative impact, operating profit rose versus the prior-year quarter by 31.6 percent to 244 million euros, with efficiency enhancement measures and selling price rises more than offsetting cost increases. Adjusted operating profit also underwent a disproportionate rise of 22.6 percent to 247 million euros. Adjusted return on sales improved by 0.9 percentage points to 13.1 percent.

#### Regional performance

In the Western Europe region, sales grew by 6.0 percent to 1,433 million euros, while the organic improvement was 5.1 percent. This growth was supported by all the business sectors. Sales in the Eastern Europe region increased substantially, by 14.3 percent to 656 million euros. Organic growth here came in at 13.2 percent, with double-digit percentage increases being posted by the Cosmetics/Toiletries and Adhesive Technologies business sectors. The Africa/Middle East region realized sales growth of 4.6 percent to 222 million euros. Organically, sales rose by 4.9 percent, supported in particular by Adhesive Technologies and Cosmetics/Toiletries. Business performance in the region was impacted by the political unrest in some of its countries, which had a negative effect of around 20 million euros on sales. Sales in the North America region rose by 4.7 percent to 676 million euros. Organic sales growth amounted to 3.6 percent thanks to the results achieved by Adhesive Technologies and Cosmetics/Toiletries, while sales of the Laundry & Home Care business sector decreased compared to the prior-year quarter. The Latin America region continued to perform very well, recording a sales increase of 17.1 percent to 253 million euros. Organic sales growth came in at 10.1 percent, with all the business sectors contributing. The Asia-Pacific region registered strong sales growth of 16.2 percent to 536 million euros. In organic terms, sales rose by 10.8 percent, supported in particular by developments at the Adhesive Technologies business sector.

In the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan), sales rose by 14.8 percent to 1,537 million euros. Organic growth amounted to 12.4 percent, keeping it in the double-digit percentage range. The increase was especially supported by higher sales

generated by Adhesive Technologies and Cosmetics/Toiletries. The share of sales attributable to the growth regions increased from 38 percent in the prior-year quarter to 40 percent this time.

#### Sales and profits forecast 2011

Following a solid first quarter, Henkel is confident of again outperforming its relevant markets in terms of organic sales growth. Henkel now expects an increase in organic sales at the upper end of (previously: "within") the range of 3 to 5 percent. Henkel confirms its forecast for an adjusted return on sales (EBIT) of around 13 percent (2010: 12.3 percent) and an increase in adjusted earnings per preferred share of around 10 percent. Henkel bases this guidance on anticipated increases of its selling prices and the ongoing adaptation of its structures to the constantly changing market conditions. Through these activities and the maintenance of its strict cost discipline, Henkel intends to more than offset the effects of further rising raw material costs on its earnings.

This document 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 and similar formulations. 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 forward-looking statements.

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Henkel AG & Co. KGaA

The report for the first quarter of 2011 and other information with download material and the link to the teleconference broadcast can be found in our press folder on the internet at: <http://www.henkel.com/press/publication-report-q1-2011-32284.htm>

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