

**Statement by Prof. Dr. Ulrich Lehner, President and CEO of the Henkel Group,
on the occasion of the Annual General Meeting 2004 held on April 19, 2004
at Düsseldorf CCD
- Check against delivery -**

Dear shareholders, friends of the Henkel Group, ladies and gentlemen,

Welcome to Düsseldorf and to our fiscal 2003 Annual General Meeting.

I would first like to provide you with an overview of the performance of the Henkel Group with a summary of the main facts and figures characterizing fiscal 2003. I will then deal in brief with the individual business sectors and our strategy. I would also like to inform you about the regional priorities governing our current market activities and, with the aid of a few examples, talk about our successful research and innovation. Finally, I will then present to you our targets and expectations for this current fiscal year.

Ladies and gentlemen, Henkel is able once again to look back on a successful year. In view of the difficult environment we can be satisfied with the result of our efforts. With our quality products and services, we have succeeded in countering the economic difficulties that have prevailed.

Due to foreign exchange effects, we experienced a decrease in sales of 2.3 percent to 9.4 billion euros in 2003. Let me say a few words about the foreign exchange risk: Fiscal 2003 was characterized by the persistent weakness of the dollar against the euro – over the year, the euro appreciated by around 20 percent. This particularly impacts on results as determined by currency translation when preparing the annual financial statements. For example: Sales in dollars generated by the Henkel Corporation are disclosed in our consolidated income statement in euros.

Roughly speaking, you can say that if the dollar falls by one US cent, this results in a drop in sales for us in the region of 20 million euros. We are, however, also affected with regard to exports from the euro region to the non-euro region. And even where our products are manufactured locally and sold in the local currency, we are still affected. Because the foreign exchange rate influences the behavior of our competitors who disclose their results in dollars. After adjusting for foreign exchange effects, however, sales grew by 4.2 percent.

The forecasts that we submitted to you at last year's Annual General Meeting have been borne out, and in some cases exceeded.

Operating profit (EBIT) improved by 6 percent to 706 million euros, and after adjusting for foreign exchange effects by 11.7 percent.

We also succeeded in increasing the return on capital employed (ROCE) to 16.2 percent following the 15.7 percent of the previous year. What is particularly pleasing here is that all our business sectors contributed to this new record high.

The exceptional gain from the sale of our stake in Wella and the cost of our extended restructuring program virtually offset each other, as we have already reported.

The financial items line improved to 62 million euros, due primarily to higher net income from participations. The tax rate fell from 35.1 percent to 31.0 percent.

With net earnings for the year of 530 million euros – an increase of 23 percent – we succeeded in exceeding the forecasts published in our quarterly reports. Earnings per preferred share (EPS), at 3.65 euros, are also up 19.3 percent on the previous year and thus exceeded our expectations. This figure contains the gain from the share buy-back program of Clorox of which you have also been informed. If we exclude this gain, the EPS rise is 12.4 percent to 3.44 euros.

In keeping with our principle of aligning our dividend payout to profits generated, we propose – and you will find this proposal under item 2 of the agenda – a dividend of 1.20 euros per preferred share and 1.14 euros per ordinary share. With a total payout of around 167 million euros or 30 percent of net earnings, we are thus ensuring that you have a share in our increased corporate success.

In the course of fiscal 2003, we informed you regularly of our business development through our quarterly reports and press releases. The Annual Report for the full year with a detailed segment report and extensive detailed information has been available to you since February. Consequently, I would like to restrict my comments on developments at the business sectors to the most important points.

The markets of the Laundry & Home Care business sector exhibit similar features throughout the world. Due to cyclical developments, demand for lower-priced offerings and no-name and private-label products is increasing while the price war within the premium segment has heightened.

Nevertheless, we have been able to maintain our market positions internationally, and have actually expanded them in some cases. We lead this segment in Continental Europe, and in the world market we share third place.

Although we registered a fall in sales in euros of 1.8 percent to 3.074 billion euros, after adjusting for foreign exchange effects, we achieved a growth in sales of 3.1 percent.

Our earnings performance was likewise encouraging. Operating profit (EBIT) rose by 7.3 percent to 287 million euros, and after adjusting for the already mentioned foreign exchange effects, the increase was 9.1 percent. The return on capital employed (ROCE) improved once again from the already high value of 31.2 percent to 33.1 percent.

In the Cosmetics/Toiletries business sector Henkel was likewise able to maintain and in some cases expand its market positions in a difficult environment. Here, again, there was a decline in sales in euros of 1.4 percent to 2.086 billion euros. After adjusting for foreign exchange effects, however, sales increased by 3.3 percent.

In the Cosmetics business, too, we succeeded in improving our earnings and return figures: Operating profit (EBIT) rose by 5.4 percent to 194 million euros, and after adjusting for foreign exchange effects the improvement was 9.2 percent. The return on capital employed (ROCE) also increased – to 22.6 percent.

The Consumer and Craftsmen Adhesives business sector was likewise impacted by the cyclical difficulties encountered by its customers, particularly in the construction-related product groups. Through innovative products and exploitation of the competencies that we are able to generate from our leading international position, we succeeded in maintaining our market position. Despite the difficult underlying conditions, sales fell only slightly – by 0.3 percent to 1.313 billion euros. The increase after adjusting for foreign exchange effects was 7.9 percent. Operating profit (EBIT) increased by 14.6 percent to 141 million euros, which corresponds to a rise after adjusting for foreign exchange effects of 24.1 percent. The return on capital employed (ROCE) improved to 20.7 percent.

In the case of the Henkel Technologies business sector, the developments observed in the relevant customer industries were mixed. While Surface Technologies struggled in some Western European countries, developments in Eastern Europe and Asia were very promising. These regions with their growing telecommunications industries and new technologies also provided a positive boost for our Industrial Adhesives businesses. As a globally active and leading provider of system solutions, Henkel Technologies has created for itself a good foundation for successfully accommodating the accelerating consolidation and concentration processes observed amongst its customers and suppliers.

Although sales in euros at this business sector fell by 3.5 percent to 2.666 billion euros – and here too there was an increase of 5.9 percent after adjusting for foreign exchange effects – operating profit (EBIT) in euros increased by 4.9 percent to 194 million euros. After adjusting for foreign exchange effects, the improvement was a notable 19.2 percent. The return on capital employed (ROCE) improved to 11.3 percent.

In analyzing the markets, we see once again that we have been successful with our strategy. In the competition with no-name/private-label products and newly launched low-price brands, we succeeded in maintaining or expanding our market position. Even where we operate as suppliers and partners to customer industries and are thus reliant on their business growth, for example the automotive or electronics industries, we maintained our positions or even gained market shares despite increased competition.

Henkel is market leader in laundry and home care in Continental Europe and from this solid base specifically pursues the further internationalization of its businesses – both through organic growth and the acquisition of established companies. An example of the latter course was the acquisition of Dial on March 29 this year.

Standing here last year, I reported to you on our 6.86 percent participating interest in the capital stock of Wella AG and our deliberations in this regard. In so doing, I emphasized that, of the options open to us, one that we would not be pursuing would be to enter into a bidding war to win at any price. I also informed you that the submission of the tender offer by P&G heralded a highly complex process comprising various timing aspects and phases accompanied by extremely complicated legal and valuation questions. On expiry of the tender offer timetable, we decided to submit our shares for purchase. This resulted in a capital gain for us of 81 million euros.

We are of the firm conviction that – as confirmed by the development in profits over the last few years – we have a strong and expandable cosmetics business. Having acquired Dial and ARL, we have now taken a further important step toward establishing ourselves in one of the world's most important markets.

Our business sectors Consumer and Craftsmen Adhesives and Henkel Technologies are both clear market leaders – with different focuses in terms of target regions for further growth.

While the Consumer Adhesives business, which is largely involved in fragmented competition structures with many small and just a few large international competitors, is being geared to better exploiting the attractive market potentials available in Asia and North America, Henkel Technologies as the market leader in Europe and the USA is endeavoring to further extend its role as technological leader in Asia, Eastern Europe and many of the emerging economies.

For all our business sectors, whatever their regional weightings, however, the same factors for success apply in their business development. And these are:

- quality,
- innovations,
- globalization,
- continuous restructuring, and
- value-based business management.

I would like, ladies and gentlemen, to explain these factors for success in more detail so that you can also better understand our strategies.

Manufacturing quality that can be effectively perceived by the consumer has been one of the main driving forces for Henkel for more than 125 years now. You will be able to see this for yourselves from the presentations in the adjacent rooms.

Inseparably linked to our quality pledge is our commitment to continuous innovation with the intention of making people's lives – as we say in our Vision – truly better, easier and more beautiful.

Allow me, ladies and gentlemen, to demonstrate to you the bandwidth of our research and innovation on the basis of a few examples.

We are endeavoring, for instance, to provide Henkel products with additional properties that enable them to counter, for example, infectious, odor-forming or material-destroying micro-organisms in the home, in cosmetics and engineering applications.

We are working on products that simulate the biologically active portion of the hair; on innovative corrosion inhibitors for steel and aluminum; and also on high-performance composite systems for the electronics and transport sectors.

For more than ten years now, we have been honoring examples of excellent research and development with our internal "Fritz-Henkel Award for Innovation". In 2003, we conferred this award for

- a hair care product with liquid silk to give more shine and suppleness;
- a water-soluble detergent ingredient that protects fabrics and boosts detergency;
- the first multi-purpose glue in stick form; and
- the first thread locking, thread sealing and anti-seize product in solid form.

Around 3,000 employees in Germany, France, Ireland and the USA contribute to our research and development effort. Our R&D expenditure for fiscal 2003 amounted to 257 million euros or 2.7 percent of sales.

Important as the absolute figures naturally are, we regard what we call "research efficiency" to carry even more weight. This term covers our approach of effectively cooperating with universities and external research institutes. Such arrangements provide us with new impetus and accelerate the process of idea interchange, bringing us more quickly to the point where we can develop useful and marketable products. Time to market – ensuring rapid commercialization and being the first to launch innovative products on to the market – is a critical factor for success in the international competitive environment.

Henkel regards itself as an international company headquartered in Germany. I say this quite deliberately, not least against the background of the current political discussion (here in Germany). But I also want to say quite clearly that we actively embrace the opportunities offered to us by the process of globalization – albeit without neglecting our regional and local strengths.

We are far from dogmatic in our approach. Globalization for us is neither an end in itself nor is it a matter of chance or opportunism. Globalization is a way of securing our future. And in the case of Henkel it is the result of strategic business analyses. Ultimately, globalization is pursued in order to increase the value of the company as a whole and to improve our competitiveness. This applies to the cost side and, more especially, to the market side.

Our globalization strategy falls under the heading of "transnational market development" or, as our marketing people say: standardizing our products while at the same time developing local differentiation. In all cases, we weigh the advantages of global standardization – for example, cost-efficient production, reduced complexity, fast roll-out of product concepts – against the advantages of local differentiation: that is, focusing on specific consumer needs, ensuring a flexible, fast response to change, and achieving deep market penetration.

As I have already mentioned, we want to grow organically on the basis of our own inherent strengths. As in the past, however, we will support this organic growth by making selective acquisitions.

The largest acquisition in our corporate history, namely the purchase of the Dial Corporation of Arizona, USA, has now been completed following approval both of the authorities concerned and of the Dial shareholders. Dial holds leading market positions on the American continent in the segments: laundry detergents (its best known brand is Purex), air fresheners, personal care and food.

Following the vote of the Dial shareholders on March 24, 2004, to accept the transfer of the Dial shares to Henkel, the transaction was completed on March 29, 2004. This involved Henkel purchasing the Dial shares still outstanding at a price of 28.75 US dollars per share. As already reported, this represented a premium of 11.1% compared with the closing price of the Dial share on December 12, 2003, and lay

22.2% above the average price quoted over the preceding 60 days. The total outlay amounted to 2.9 billion dollars.

The transaction will result in an immediate increase in operating profit at Henkel. As reported on conclusion of the merger agreement, we financed the purchase of the shares from existing liquid funds and an increase in our commercial paper program. We also informed you that, ultimately, the transaction was to be financed by selling a significant portion of our minority holding in The Clorox Company, Oakland, California, USA, or of our stake in Ecolab Inc., St. Paul, Minnesota, USA, or a combination of both. We are currently at the analysis stage in this complex decision-making process and are thus having to consider a wide range of factors and parameters. Despite the implemented expansion of our commercial paper program, the rating agencies have confirmed our A rating. We have always emphasized that, in addition to the strategic fit, the economics of an acquisition also have to be right. On the basis of the underlying business plan, the ratios applicable to this acquisition lie within the values encountered in respect of similar transactions.

Another major step was the acquisition of Advanced Research Laboratories (ARL) in California. ARL, with its leading market positions in the styling segment in the USA, Canada and Mexico, provides an outstanding fit with our existing hair cosmetics business in those regions.

Dial and ARL will provide us for the first time with a significant presence in the large and high-margin North American markets for detergents and cleaners, and also cosmetics. Both companies possess strong brands, motivated employees and an excellent marketing capability. And they will make a positive contribution to our operating profit right from the start.

With Dial having generated sales of 1.2 billion euros in fiscal 2003, the structure of the Henkel Group is bound to undergo significant changes both in terms of its product portfolio and its regional weighting.

We have no doubts as to the successful integration of the two US American companies, their employees and their know-how. We have already acquired sufficient experience with Schwarzkopf in Europe and Loctite in the USA and through these have proven that Henkel is capable of utilizing the synergies arising from the acquisition of major corporations and of successfully integrating acquired companies with the Henkel Group.

In the period under review, we acquired a 60-percent stake in Guatemala's third-largest detergents manufacturer, La Luz, thus strengthening our market position in Latin America.

In Mexico, we took over the entire adhesives and building auxiliaries business of the DESC Group, and in Finland we acquired the Makroflex sealants and insulating materials business from YIT Construction Ltd. In this product segment, we have thus become the market leader in North, Central and Eastern Europe. A further acquisition in the sealing compounds segment, that of the South Korean Lucky Silicone company, is of strategic importance against the background of our growth plans for the Asia-Pacific region.

And I would also like to tell you of our very latest acquisition: Henkel has just taken over the liquid detergents business, managed under the brand MAS, from the company Master Products, thus acquiring the leading product line in liquid detergents to complement our powder detergents, laundry soaps and fabric softeners.

Ladies and gentlemen, I now come to a further factor for success that we should not underestimate – the willingness of employees and companies to regularly review their processes, structures and organizations. This is the logical consequence of the internationalization of our businesses.

On the one hand, we need to maintain our international competitiveness – also in terms of our cost structure. On the other hand, a changing Henkel environment also means that we are having to modify our business processes and adapt our structures in line with the need for effective, unified management and control of our businesses.

Under the heading "Shared Services", for example, we are developing an internal organization with significantly simplified information technology, administration and reporting processes, and with centralized service provision.

The objective is to give the operating units more time and freedom to develop their markets while also generating cost advantages. Another example is the regular review of our production sites and production mix to determine whether the status quo continues to correspond to the changing priorities of the markets – and here I am referring specifically to Eastern Europe and Asia.

Last year, we already informed you about our restructuring program "Strong for the Future". We had already implemented significant portions of the program comprising 134 projects in 2002, realizing savings against income of 65 million euros. We completed the remaining activities in 2003, generating further savings of 44 million euros.

But there is more: In the course of the "Strong for the Future" program, we discovered further optimization potential which we are now developing and from which we expect savings of 40 million euros this year.

Now to the maxims governing our corporate management.

Firstly: At Henkel we resolutely pursue a strict value management approach. This means that our primary financial objectives are profitable growth and a sustained increase in shareholder value.

Secondly: We are committed to an ethically based corporate management concept, to the acceptance of social responsibility and to ensuring effective and reliable checks and controls under the heading of Corporate Governance. You will find information on this in the Annual Report.

That which today is understood to be Corporate Governance has, to a large extent, long been an integral part of our Corporate Philosophy and the Henkel self-image which also encompasses the internal Henkel Code of Conduct.

Just a few weeks ago we joined the UN Global Compact initiative. The Global Compact requires enterprises to uphold human rights and basic employee rights, and to promote environmental protection – principles that are identical with those contained in our own Code of Conduct.

I would like at this juncture to offer a few remarks relating to the current discussion surrounding Corporate Governance. Good Corporate Governance cannot be reduced to the question as to whether the compensation paid to the Management Board is disclosed on an individual-member basis or not.

As stated in our Annual Report and as also indicated in the latest Declaration of Compliance, we disclose the remuneration of the members of the corporate bodies as a total amount, but with a breakdown according to fixed salary, performance-related components and option rights. We are of the opinion that this provides the transparency demanded by the Code in terms of the performance-related aspects and allows evaluation of the appropriateness of the remuneration.

Ladies and gentlemen, I would now like to provide you with a few details relating to the other items on the agenda for this AGM. I have already mentioned Item 2.

Items 3 to 5 relate to approving the actions of the corporate bodies.

Under Item 6, the Supervisory Board proposes the re-appointment of KPMG as our auditors. In accordance with the rules, a change in the audit manager dealing with our annual financial statements has been implemented. In KPMG we have an auditor that is both familiar with the specifics and structure of our businesses and offers a single-source capability covering our global auditing needs.

As Mr. Woeste has already stated, we have under Item 7 the rotational election of the members of the Shareholders' Committee. The proposal is to re-elect the existing members.

Item 8 relates to the annually renewable authorization to acquire our own shares.

Under Item 9 we ask you to approve the changes to our Articles of Association. With the advent of the German Corporate Governance Code, the Articles of Association need to be adapted to the corporate governance principles of the Company. At the same time, the provisions under the headings 'Object of the Corporation', 'Announcements' and 'Creation of Reserves and Use of Profits' need to be restated and updated.

And finally under Item 10 we request your approval to conclude a control and profit transfer agreement with a wholly-owned subsidiary. This relates to a standard agreement that serves to ensure the continuation of a single-entity fiscal relationship with the subsidiary in question.

For further details, I would refer you to the Agenda on the Invitation to the Annual General Meeting and the corresponding documents.

Ladies and gentlemen, I would now like once again to turn the page back and talk about the identity of the company and the principles of its corporate management. For a long time now, Henkel has enjoyed the reputation of being an ecologically highly responsible company. We will continue to do everything we can in the future in order to maintain this reputation. In all our actions, we feel ourselves obliged to uphold the principles of sustainability.

Since 1992, we have published an annual Environment Report, and since 2001 a Sustainability Report. Here again, I would refer you to the details that you will find in our latest Annual Report and the 2003 Sustainability Report that we have put out on display here.

We encourage and promote the voluntary work carried out by our employees and pensioners. In the year under review, Henkel supported a total of 555 non-profit-making projects in more than 50 countries under its worldwide MIT initiative (MIT = Make an Impact on Tomorrow). Of this figure, 174 were MIT children's projects.

Since 2001, Henkel has been able to help more than 30,000 children around the world. And in November 2003, Henkel was recognized for this work by the Deutsches Kinderhilfswerk – the German Children's Charity. Everyone at Henkel is proud of this award.

Ladies and gentlemen, what are our objectives and expectations for fiscal 2004?

As regards the Western European markets we do not anticipate any major change in the macro-economic or cyclical business situation. However, we are currently seeing a sharp rise in raw material prices due to ongoing strong demand. At the moment, the raw material prices are being cushioned by the strength of the euro.

As in the previous year, therefore, we will endeavor to exhaust the growth potential available in the Eastern European and non-European markets. Our ability to succeed in this endeavor will be boosted through the addition to our portfolio of innovative products and by the stronger market positions we expect to enjoy as compared with the previous year thanks, for example, to the integration of Dial and ARL in the USA. In the laundry and home care segment, for example, we are now the clear number three in the world market.

We expect this business sector to achieve an increase in operating profit – after adjusting for foreign exchange effects – in the high single-digit percentage range. In the case of all our other business sectors, we anticipate an improvement in operating profit – again after adjusting for foreign exchange effects – in the double-digit percentage range.

Provided that political, business and social interests remain steadfast in their will to persevere with the comprehensive and jointly supported reforms, we will have an environment in which entrepreneurial courage is both promoted and rewarded.

We have a high level of productivity in Germany based on the good training that exists within our system, and we should make the most of it. There is a need here for more flexibility. This also concerns new laws and regulations emanating from Brussels and Berlin, which have for years increased production costs in Germany.

Politicians must take due account of the tough competition for production sites that exists throughout the world. With the increase in cost competition that inevitably accompanies the process of globalization, the attractiveness of outsourcing and "job exports" is bound to burgeon. The current economic situation requires a new, stronger alignment of the political will toward the objective of "economic growth" in order to arrest the downward trend. This will require enormous efforts to be made in the areas of training and education, particularly in the sciences. And we also need a commitment toward encouraging performance and success in business, because without a sound and successful economy, our social and ecological objectives will remain unfulfilled dreams.

Henkel is "a Brand like a Friend" – and we at the Company are delighted that we can count you, ladies and gentlemen, amongst our friends. We thank you, therefore, for the confidence that you have shown in the Henkel Group.

This information contains forward-looking statements based on the current beliefs and estimates of Henkel's management. They are not guarantees of future performance. These forward-looking statements are subject to certain risks and uncertainties that could cause the Company's actual results or performance to be materially different from those expressed or implied by such statements. Many of these risks and uncertainties relate to factors that are beyond Henkel's ability to control or estimate precisely, such as future market and economic conditions and the behavior of other market participants. Henkel does not intend nor assume any obligation to update these forward-looking statements.