



Press Release

Momentum in organic sales growth maintained

Henkel reports strong third quarter

The Henkel Group generated a double-digit percentage increase in both sales and operating profit (EBIT) in the third quarter of 2005. Net earnings for the quarter and earnings per share were also higher.

“I am delighted with our Q3 results and encouraged by the fact that all business sectors were able to turn in highly gratifying performances,” said Ulrich Lehner, Chairman of the Management Board of Henkel KGaA. “We succeeded in significantly accelerating organic growth through the introduction of a range of innovative new products and regional expansion in North America and in emerging markets. Due to this growth and the fact that it has been accompanied by a positive development in earnings in the first nine months, I can confirm our guidance for the full fiscal year.”

Düsseldorf – In the third quarter of 2005, the Henkel Group achieved an increase in **sales** of 13.2 percent to 3,140 million euros. Adjusted for foreign exchange, the rise was 12.0 percent. Organic sales growth, i.e. adjusted for foreign exchange and acquisitions/divestments, accelerated to 5.8 percent, following 1.5 percent in the first quarter and 3.3 percent in the second quarter.

The Henkel Group achieved an increase of 17.7 percent in **operating profit (EBIT)**, after adjusting for foreign exchange. At 300 million euros before adjustment, EBIT was 18.9 percent above the comparable prior-year level.



Return on sales (EBIT) increased by 0.4 percentage points to 9.5 percent. **Return on capital employed (ROCE)** also improved by 0.4 percentage points to 13.5 percent, with the substantial increase in operating profit more than offsetting the growth in capital employed arising from acquisitions. Due to the absence of earnings from the divested stake in Clorox, income from participations fell from 44 million euros to 26 million euros. Net interest expense for the period increased from -46 million euros to -59 million euros. Overall, **financial items** fell from -2 million euros to -33 million euros.

With a slightly reduced **tax rate** of 25.5 percent, **net earnings for the quarter** after minority interests were 195 million euros, 7.7 percent above the comparable prior-year figure. **Earnings per preferred share** rose by 7.1 percent to 1.36 euros.

Developments by Business Sector

Sales of the **Laundry & Home Care** business sector, after adjusting for foreign exchange, were 11.2 percent above the prior-year quarter. Before adjustment, they were 12.0 percent higher at 1,086 million euros. A highly respectable 5.7 percent increase in organic sales growth and the businesses acquired from Clorox were the primary contributing factors. Operating profit, adjusted for foreign exchange, rose by 15.6 percent versus the comparable figure for the previous year. Strong sales increases were registered in the *heavy-duty detergents* business, particularly in the USA. While the market position in relation to *special detergents* in Western Europe remained difficult, overall business in Eastern Europe, the USA and Mexico grew. *Household cleaners* remained the most important growth drivers. Due to the success of its “Power” household cleaners and dishwashing detergents, the Company was able to gain further market share in Europe.

Sales of the **Cosmetics/Toiletries** business sector increased by 4.1 percent, adjusted for foreign exchange. This was all organic growth. At 681 million euros, sales before adjustment were 4.9 percent higher than in the previous year. Operating profit, adjusted for foreign exchange, was 14.7 percent above the comparable prior-year level.

The *hair cosmetics* business performed very well, particularly in Europe. A series of product launches including the Schwarzkopf Natural & Easy range of colorants, combined with numerous marketing activities relating to the styling brand Taft, were among the major drivers of this development. The good growth achieved in the *body care* business was due in particular to the expansion of the company's body wash product range in North America. The *skin care* business was given an innovation-based boost through the introduction of Diadermine Novalift. The *oral care* business continued to profit from demand for dental whitening products in Europe. In the *hair salon* business, which experienced further growth particularly in Germany and Eastern Europe, the professional Bonacure brand was given a worldwide relaunch.

Sales of the **Consumer and Craftsmen Adhesives** business sector were 19.5 percent above the prior-year figure, after adjusting for foreign exchange. Before adjustment, sales rose by 21.6 percent to 481 million euros, with organic growth of 6.0 percent. Operating profit, adjusted for foreign exchange, rose by 6.8 percent versus the comparable prior-year figure. *Adhesives and adhesive tapes for home, school and office* enjoyed a slight improvement. The innovative adhesive tape product "Easy Start" was gradually introduced into the international markets, where it was very well received. The high sales growth rate achieved for *adhesives and sealants for DIY and craftsmen* came from countries outside Western Europe. The *building adhesives* business continued to develop very well, with the highest growth rates being recorded in Eastern Europe.

The **Henkel Technologies** business sector increased sales by 17.8 percent, after adjusting for foreign exchange. Before adjustment, sales rose by 19.6 percent to 832 million euros, with organic growth of 7.9 percent. Operating profit, adjusted for foreign exchange, exceeded the comparable prior-year by 23.6 percent. In the *aerospace industry*, Henkel experienced increasing demand for its composite adhesives. The *automotive business* benefited from the market launch of the PVC-free surface coatings and products for sound insulation applications. The *electronics business* also benefited from a significant increase in demand.

In the *steel industry*, Henkel enjoyed a successful new product launch aimed at major automobile suppliers. The Company's activities in the *durable goods* market (e.g. refrigeration equipment) resulted in substantial business growth. There was a revival in the sale of film laminating adhesives used in the manufacture of packagings for *consumer goods*. And in the *industrial maintenance, repair and overhaul* sector, Henkel successfully launched a range of adhesives based on epoxy resin.

Regional Performance

Sales in the **Europe/Africa/Middle East** region increased by 5.5 percent, after adjusting for foreign exchange, and before adjustment by 6.1 percent to 1,916 million euros. In Eastern Europe, sales once again increased double-digit, while in Western Europe they matched the prior-year figure. In Germany, too, sales were not far below the level achieved in the previous year. In **North America**, sales increased by 32.1 percent, after adjusting for foreign exchange, and before adjustment by 32.2 percent to 772 million euros. All business sectors reported a substantial expansion in business. The rise is primarily due to the acquisitions of Sovereign and the Clorox businesses. In **Latin America**, sales, adjusted for foreign exchange, rose by 12.0 percent, with all the business sectors achieving growth due to the high level of business activity in the region. Before adjustment, sales rose by 22.5 percent to 151 million euros. In the **Asia-Pacific** region, sales, after adjusting for foreign exchange, were 17.9 percent above the prior-year quarter. Before adjustment, the increase was 22.0 percent to 241 million euros. Henkel Technologies and the Laundry & Home Care business sector, which benefited from the South Korean insecticide business acquired from Clorox in the previous year, were the prime movers here.

Major Participation

Ecolab Inc. of St. Paul, Minnesota, USA, in which Henkel has a 28.4 percent stake, increased sales by 6.8 percent to 1,165 million US dollars in the third quarter 2005. Net earnings for the quarter rose 9.3 percent to 103.7 million US dollars. The market value of the participation as of September 30, 2005, amounted to 1.9 billion euros.

Outlook

Henkel confirms its sales and profit forecast for 2005. The company intends to grow more strongly than its respective markets and expects to achieve organic growth (sales adjusted for foreign exchange and acquisitions/divestments) of 3 to 4 percent in 2005.

Before exceptional items, Henkel expects operating profit (EBIT) to increase in the high teens percentage range, after adjusting for foreign exchange. It should be noted here that, from January 1, 2005, EBIT will generally increase due to the elimination of scheduled goodwill amortization. The comparable EBIT for 2004 is therefore 1,000 million euros.

Despite the absence of the income from the Group's former Clorox investment, Henkel expects earnings per preferred share (EPS) to remain at the high level of the previous year. The basis for this forecast is earnings per preferred share before goodwill amortization and exceptional items, i.e. a comparable EPS of 5.21 euros.

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This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel 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 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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You will find further details relating to Henkel Group performance in the third quarter 2005 in the Internet at:

<http://financialreports.henkel.com>