

Condensed Consolidated Statements of Earnings (Unaudited)

Dollars in millions, except per-share amounts

	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Net sales	\$1,064	\$1,000	\$2,168	\$2,048
Cost of products sold	628	569	1,266	1,160
Gross profit	436	431	902	888
Selling and administrative expenses	161	134	305	264
Advertising costs	99	92	212	197
Research and development costs	25	21	48	42
Restructuring and asset impairment costs	-	2	1	32
Interest expense	32	17	62	25
Other income:				
Equity earnings and gain on exchange of Henkel Iberica, S.A.	-	(22)	-	(25)
Other, net	(1)	(7)	-	(8)
Earnings from continuing operations before income taxes	120	194	274	361
Income taxes on continuing operations	37	60	83	118
Reversal of deferred taxes from equity investment in Henkel Iberica, S.A.	-	(2)	-	(2)
Earnings from continuing operations	83	136	191	245
Discontinued operations:				
Gain on exchange	-	550	-	550
Earnings from exchanged businesses	-	11	1	33
Reversal of deferred taxes from exchanged businesses	-	6	-	6
Income tax (expense) benefit on discontinued operations	-	(4)	-	(12)
Earnings from discontinued operations	-	563	1	577
Net earnings	\$ 83	\$ 699	\$ 192	\$ 822
Earnings per common share:				
Basic				
Continuing operations	\$ 0.56	\$ 0.73	\$ 1.27	\$ 1.22
Discontinued operations	-	3.00	0.01	2.89
Basic net earnings per common share	\$ 0.56	\$ 3.73	\$ 1.28	\$ 4.11
Diluted				
Continuing operations	\$ 0.55	\$ 0.72	\$ 1.25	\$ 1.21
Discontinued operations	-	2.96	0.01	2.85
Diluted net earnings per common share	\$ 0.55	\$ 3.68	\$ 1.26	\$ 4.06
Weighted average common shares outstanding (in thousands)				
Basic	150,080	187,310	150,457	200,107
Diluted	152,264	189,806	152,780	202,555

Segment Information (Unaudited)

Dollars in millions

Second Quarter

	Net Sales			Earnings/(Losses) from Continuing Operations Before Income Taxes		
	Three Months Ended			Three Months Ended		
	12/31/2005	12/31/2004	% Change ⁽¹⁾	12/31/2005	12/31/2004	% Change ⁽¹⁾
Household Group - North America	\$ 495	\$ 465	6%	\$161	\$154	5%
Specialty Group	405	381	6%	82	92	-11%
International	164	154	6%	33	39	-15%
Corporate	-	-	-	(156)	(91)	-71%
Total Company	\$1,064	\$1,000	6%	\$120	\$194	-38%

Year To Date

	Net Sales			Earnings/(Losses) from Continuing Operations Before Income Taxes		
	Six Months Ended			Six Months Ended		
	12/31/2005	12/31/2004	% Change ⁽¹⁾	12/31/2005	12/31/2004	% Change ⁽¹⁾
Household Group - North America	\$1,019	\$ 973	5%	\$331	\$321	3%
Specialty Group	830	793	5%	171	165	4%
International	319	282	13%	68	67	1%
Corporate	-	-	-	(296)	(192)	-54%
Total Company	\$2,168	\$2,048	6%	\$274	\$361	-24%

⁽¹⁾ Percentages based on rounded numbers.

Condensed Consolidated Balance Sheets (Unaudited)

Dollars in millions

	12/31/2005	6/30/2005
Assets		
Current assets		
Cash and cash equivalents	\$ 273	\$ 293
Receivables, net	377	411
Inventories	359	323
Other current assets	58	63
Total current assets	1,067	1,090
Property, plant and equipment, net	993	999
Goodwill, net	747	743
Trademarks and other intangible assets, net	595	599
Other assets, net	165	186
Total assets	\$ 3,567	\$ 3,617
Liabilities and Stockholders' Deficit		
Current liabilities		
Notes and loans payable	\$ 521	\$ 359
Current maturities of long-term debt	3	2
Accounts payable	274	347
Accrued liabilities	450	614
Income taxes payable	24	26
Total current liabilities	1,272	1,348
Long-term debt	2,119	2,122
Other liabilities	631	618
Deferred income taxes	73	82
Total liabilities	4,095	4,170
Stockholders' deficit		
Common stock	250	250
Additional paid-in capital	342	328
Retained earnings	3,781	3,684
Treasury shares, at cost: 99,717,120 and 98,143,620 shares at December 31, 2005, and June 30, 2005, respectively	(4,570)	(4,463)
Accumulated other comprehensive net losses	(331)	(336)
Unearned compensation	-	(16)
Stockholders' deficit	(528)	(553)
Total liabilities and stockholders' deficit	\$ 3,567	\$ 3,617