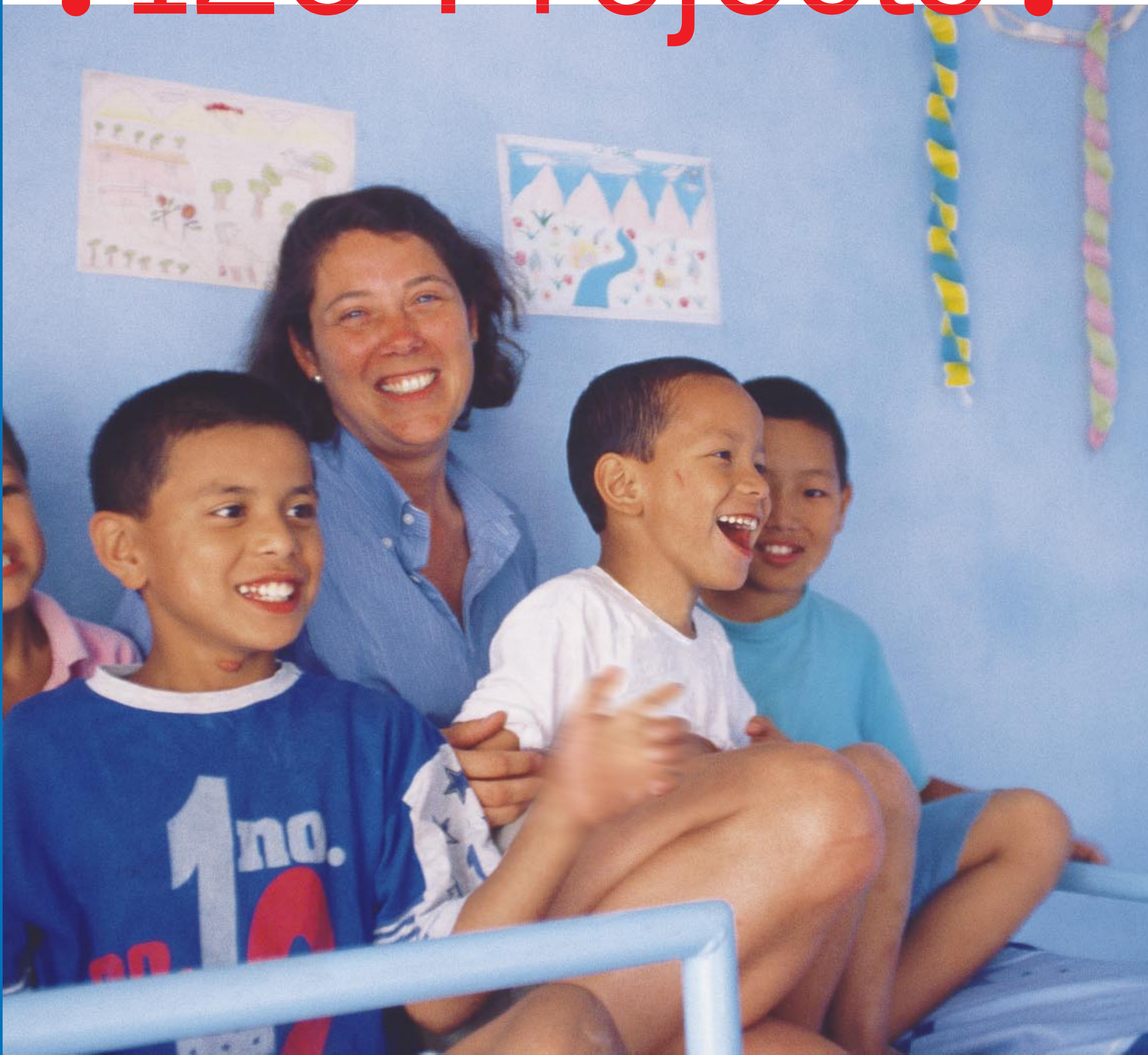
Information for Our Shareholders

on Business Performance January through June 2001

Henkel

125 years. focus:future. *On the occasion of its 125th anniversary Henkel is focusing on the future. On a successful future which we want to share with the children of the world.* Henkel is therefore sponsoring 125 children's projects worldwide. *All projects are supported on a voluntary basis by Henkel employees and retirees. Susanne Lücker (center), medical technologist at Henkel, recently took 870 kilograms of hygiene and sanitary products, surgical dressings and medical equipment to Kanti Children's Hospital in Katmandu, Nepal.*

:125 Projects.



Henkel holds course – despite the economic slowdown

Brand-name products register good profit growth

Industrial businesses affected by cyclical downturn in world markets – Cognis forges ahead

Earnings per share up 7.6 percent

Sales and Profits

From January through June 2001, the Henkel Group generated sales of EUR 6.7 billion. This represents an 8.1 percent increase over the previous year's figure. Organic growth accounted for 2.5 percent, foreign exchange factors contributed 1.1 percent to the rise in sales, and a net gain from acquisitions and divestments provided a plus of 4.5 percent.

At EUR 463 million, operating profit (EBIT) remained at last year's level despite a loss of EUR 28 million caused by the devaluation of the Turkish lira. The return on capital employed (ROCE) was 13.3 percent.

Net earnings for the half-year amounted to EUR 260 million. This represents a 6.1 percent increase with respect to last year.

Earnings per share rose 7.6 percent to EUR 1.69.

Regional developments

All business sectors contributed to the increase in European sales including Africa and the Middle East. Operating profit for the region improved despite the economic crisis in Turkey.

In the USA and Canada, sales showed a disproportionate increase due to the acquisitions of Dexter (Adhesives) and Atofina (Surface Technologies). The sales increase in Latin America resulted from the takeover of the heavy-duty detergents business of Colgate in Mexico. Sales growth achieved in Asia-Pacific was due to the acquisition of Dexter and good performance from Cosmetics.

The economic problems in the USA, Brazil, Japan and Australia had a negative effect on the operating profits of the business sectors.

Major event

In June 2001, Henkel announced a worldwide employee share program due to start in September. All employees of the Henkel Group will then be able to purchase Henkel preferred shares at favorable conditions. For every euro that an employee invests, Henkel will add another EUR 0.50. The shares must be held for a minimum of three years.

Development of Business Sectors

In **Adhesives**, acquisitions such as Dexter, netted against divestments, contributed 9.1 percent to sales growth. Foreign exchange influences added 1.8 percent. Sales from existing business activities remained virtually flat.

The decrease in operating profit in Adhesives has a number of causes, including the rather sluggish business situation in Germany, the crisis in Turkey, product forgeries in Brazil and the fall in demand in Japan. In addition, Adhesives profits also suffered from rising raw materials and packaging prices with respect to industrial and consumer adhesives. The global slump in the electronics industry and the decline in automobile production – particularly in the USA – burdened profits of engineering adhesives.

Sales of consumer and craftsmen adhesives remained at the prior year level. The main reasons for the sluggish growth lay in stagnant construction in Europe, a decline in demand for wallpaper pastes and household adhesives in Germany,

Henkel Group Key Data by Region

January – June 2001

Euro million	Europe/Africa/ Middle East	North America	Latin America	Asia/ Pacific	**Group**
Sales Jan.-June 2001	**4,619**	**1,162**	**337**	**567**	**6,685**
Sales Jan.-June 2000	4,367	1,051	254	512	6,184
Change in percent	5.8	10.6	32.7	10.7	8.1
EBIT Jan.-June 2001	**416**	**25**	**11**	**11**	**463**
EBIT Jan.-June 2000	395	36	14	17	462
Change in percent	5.3	– 30.6	– 21.4	– 35.3	0.2
Return on sales (EBIT) Jan.-June 2001 in percent	**9.0**	**2.2**	**3.3**	**1.9**	**6.9**
Return on sales (EBIT) Jan.-June 2000 in percent	9.0	3.4	5.5	3.3	7.5

and the economic crisis in Turkey. Pritt and the adhesive tapes business (Manco) in the USA performed well.

Sales of engineering adhesives rose 28.0 percent during the first half-year. This was primarily due to the acquisition of the specialty polymers business of Dexter. There was further organic growth in the existing businesses in Europe and Latin America. The downturn in industrial activity in North America and Asia had an adverse effect on business involving the automotive and electronics sectors in particular.

Industrial and packaging adhesives registered strong sales growth of 8.5 percent. Market share gains were achieved in North America and Asia with respect to the adhesives for the graphic arts industry and laminating adhesives.

During the first half-year, the **Cosmetics/Toiletries** business sector reported organic growth of 6.7 percent. This is due to market share gains in Germany, Benelux, Italy, Russia and Latin America. The Yamahatsu acquisition, in Japan, contributed 1.1 percent to the rise in sales. Foreign exchange factors had a negative effect of 0.4 percent. The rise in operating profit comes from very good performance of the businesses in Germany, Russia and Benelux. Profits were negatively influenced by the situation in Turkey.

The brand-name products business produced a 7.1 percent increase in sales for the first half-year. Sales of hair cosmetics rose by 16.3 percent. The main growth drivers were colorants, which performed particularly well in Japan and continued along their upward growth curve in Europe. The styling and hair care segments likewise showed good sales growth thanks to the launch of further product lines.

Sales in body care increased 3.0 percent. The Fa brand was additionally strengthened by the launch of the Wellness series. Sales in facial care products were slightly higher than last year. Diadermine and Aok performed well as a result of new product launches. Sales in oral care matched the level of the previous year. The innovative tube product Theramed Perfekt was successfully introduced in a number of European countries.

Hair salon sales (Schwarzkopf Professional) grew 8.3 percent. Business in Germany was adversely affected by a downturn in the market. Schwarzkopf Professional registered a rise in sales in the rest of Europe and in Latin America. The product portfolio was further enhanced by

Henkel Group (figures in euro million)

Segment Information by Business Sector January through June 2001

	Adhesives	Cosmetics/ Toiletries	Laundry & Home Care	Hygiene/ Surface Technologies	Chemical Products (Cognis)	Other	Group
Sales Jan.-June 2001	1,555	1,051	1,536	1,008	1,499	36	6,685
Change in percent	10.7	7.4	12.9	6.0	4.0	– 21.7	8.1
Share of Group sales	23.3	15.7	23.0	15.1	22.4	0.5	100.0
Sales Jan.-June 2000	1,405	979	1,361	951	1,442	46	6,184
EBITDA Jan.-June 2001	216	116	166	121	184	– 9	794
EBITDA Jan.-June 2000	221	112	149	124	179	– 18	767
Change in percent	– 2.3	3.6	11.4	– 2.4	2.8	–	3.5
Return on sales (EBITDA) in percent Jan.-June 2001	13.9	11.0	10.8	12.0	12.3	–	11.9
Return on sales (EBITDA) in percent Jan.-June 2000	15.7	11.4	10.9	13.0	12.4	–	12.4
EBITA Jan.-June 2001	162	92	111	83	119	– 10	557
EBITA Jan.-June 2000	173	86	99	87	115	– 20	540
Change in percent	– 6.4	7.0	12.1	– 4.6	3.5	–	3.1
Return on sales (EBITA) in percent Jan.-June 2001	10.4	8.8	7.2	8.2	7.9	–	8.3
Return on sales (EBITA) in percent Jan.-June 2000	12.3	8.8	7.3	9.1	8.0	–	8.7
EBIT Jan.-June 2001	109	68	105	75	116	– 10	463
EBIT Jan.-June 2000	130	64	96	80	112	– 20	462
Change in percent	– 16.2	6.3	9.4	– 6.3	3.6	–	0.2
Return on sales (EBIT) in percent Jan.-June 2001	7.0	6.5	6.8	7.4	7.7	–	6.9
Return on sales (EBIT) in percent Jan.-June 2000	9.2	6.5	7.1	8.4	7.8	–	7.5
ROCE in percent Jan.-June 2001	10.1	14.8	21.7	18.3	12.7	–	13.3
Capital employed Jan.-June 2001	3,197	1,245	1,022	904	1,872	139	8,379
Capital expenditures (excl. financial assets) Jan.-June 2001	58	24	56	110	64	1	313
Capital expenditures (excl. financial assets) Jan.-June 2000	134	100	37	36	77	1	385
Research & Development costs (R&D) Jan.-June 2001	48	18	35	26	38	13	178
R&D as % of sales	3.1	1.7	2.3	2.6	2.5	–	2.7
Research & Development costs (R&D) Jan.-June 2000	39	17	33	24	32	8	153
R&D as % of sales	2.8	1.7	2.4	2.5	2.2	–	2.5

the international launch of the hair styling series Osis and expansion of the Igora colorants range.

The **Laundry & Home** Care business sector reported organic growth of 4.6 percent for the first half-year. Acquisitions in Mexico and Algeria boosted sales by 7.7 percent, with foreign exchange factors adding another 0.6 percent.

The good operating profit figure is due in particular to business performance in Germany, Italy and the Middle East.

The difficult economic situation in Turkey and initial losses from the start-up of the joint venture in Algeria exerted a negative impact.

Sales growth (23.1 percent) was primarily driven by heavy-duty detergents. Aside from the acquisitions mentioned, the market initiative with gel products started last year was a major contributory factor. Henkel introduced its premium brand Persil in the markets of Scandinavia, Russia and the Middle East.

Sales in special detergents fell 1.7 percent with respect to last year. The downturn was due to business with Svit. This product category has not been sufficiently accepted by consumers. In contrast, Black Magic – the new specialty detergent for black and dark fabrics – attained a leading market position in Europe. In Eastern Europe, sales of the fabric conditioner brand Silan almost doubled compared with last year.

Household cleaners registered a sales increase of 3.1 percent and further expanded their European market leadership.

Of the 6.0 percent sales growth registered in **Industrial and Institutional Hygiene (IIH) / Surface Technologies**, 3.0 percent were contributed by the acquisitions Atofina and Vagnone & Boeri. Organic growth stood at 1.8 percent. Foreign exchange factors provided a plus of 1.2 percent.

The fall in operating profit was mainly due to price increases for raw materials (IIH) and the significant downturn in economic activity in North America (Surface Technologies). These negative influences were, however, partially offset by price increases and strict cost control in both divisions.

Sales of IIH increased by 4.3 percent. Business conducted through distributors was sluggish. The direct business operations, mainly Food & Beverage/P3-Hygiene, grew above average.

Sales of Surface Technologies were up 8.2 percent on the previous year, substantially aided by the successful integration of the metal treatment business of Atofina and the automotive activities of Vagnone & Boeri. The development of the Automotive business did not meet expectations. A good overall level of performance in Europe and China was offset by a decline in sales in the USA, Argentina and Asia-Pacific.

Despite the economic downturn in North America, Japan and Turkey, sales of the Industry (non-automotive) business of Surface Technologies remained at last year's level. New customers resulted in market share gains worldwide.

Despite an appreciable downturn in economic activity, particularly in the USA, the Chemical Products business sector, now an independent legal entity under the name **Cognis**, succeeded in increasing sales over the previous year. Organic growth amounted to 1.6 percent. Foreign exchange effects produced a plus of 1.8 percent, while acquisitions contributed another 0.6 percent to growth. The rise in operating profit, achieved despite the restructuring program implemented in the USA (EUR 15 million) and the negative effects of the Turkish crisis, is particularly gratifying. Initial benefits from this program have already surfaced.

Demand for oleochemicals remained at a good level. The margins achieved are satisfactory.

Care chemicals reported a significant expansion in sales during the first half of 2001. The skin care business performed particularly well, and specialty surfactants showed a gratifying upturn in the second quarter.

Organic specialties likewise improved sales. Sales in agrochemicals and mining chemicals developed especially well; sales growth in the coatings and inks business was satisfactory.

Major Participations

Ecolab Inc., St. Paul, Minnesota, USA, in which Henkel holds a participating interest of 25.3 percent, registered a growth in sales of 7.3 percent to US$ 1,177 million in the first half of the year. The main contributors to this increase were the company's pest control business, GCS (its kitchen equipment repair business) in the USA, and its wholly-owned international operations. Net earnings for the half-year rose 1.7 percent to US$ 93 million.

The Clorox Company, Oakland, California, USA, in which Henkel holds a participating interest of 26.6 percent, reported sales for its 2000/2001 fiscal year of US$ 3,903 million, 2.2 percent down on the previous year.

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Henkel Group (figures in euro million)

Consolidated Balance Sheet June 30, 2001

	December 31, 2000	June 30, 2001
Tangible and intangible assets	5,373	5,544
Financial assets	922	1,013
Fixed assets	**6,295**	**6,557**
Inventories	1,711	1,838
Trade accounts receivable	2,302	2,550
Other receivables and miscellaneous assets	622	616
Liquid funds/Marketable securities	155	178
Current assets	**4,790**	**5,182**
Deferred tax assets	**297**	**318**
Total assets	**11,382**	**12,057**
Equity excluding minority interests	**3,223**	**3,395**
Minority interests	277	281
Equity including minority interests	**3,500**	**3,676**
Provisions for pensions and similar obligations	1,984	2,057
Other provisions	1,076	1,063
Provisions for deferred tax liabilities	200	215
Provisions	**3,260**	**3,335**
Borrowings	2,963	3,214
Trade accounts payable	1,117	1,149
Other liabilities	542	683
Liabilities	**4,622**	**5,046**
Total equity and liabilities	**11,382**	**12,057**

Consolidated Statement of Income June 30, 2001

	January–June 2000	January–June 2001
Sales	**6,184**	**6,685**
Cost of sales	3,354	3,650
Gross profit	**2,830**	**3,035**
Marketing, selling and distribution costs	1,740	1,874
Research and development costs	153	178
Administrative expenses	358	388
Other operating income	37	78
Other operating charges	38	77
Amortization of goodwill	79	94
Restructuring costs	37	39
Operating profit (EBIT)	**462**	**463**
Net income from participations	86	111
Net interest expense	– 130	– 154
Financial items	**– 44**	**– 43**
Earnings before tax	**418**	**420**
Taxes on income	– 173	– 160
Net earnings	**245**	**260**
Earnings per share (Euro)	**1.57**	**1.69**

Henkel Group (figures in euro million)

Cash Flow Statement	January–June 2000	January–June 2001
Operating profit/EBIT	**462**	**463**
Income taxes paid	– 166	– 147
Depreciation of fixed assets (excl. financial assets)	304	331
Net gains from disposals of fixed assets (excl. financial assets)	– 5	– 33
Cash flow	**595**	**614**
Change in inventories	– 66	– 58
Change in receivables and miscellaneous assets	– 258	– 137
Change in liabilities and provisions	110	86
Net cash flow from operating activities	**381**	**505**
Net cash flow from investing activities [1]	**– 412**	**– 258**
Net cash flow from financing activities [2]	**17**	**– 231**
Change in cash and cash equivalents	**– 14**	**16**
Effect of exchange rate changes on cash and cash equivalents	3	7
Change in cash and cash equivalents due to first-time inclusion of companies	15	–
Change in liquid funds and marketable securities	**4**	**23**
Liquid funds/marketable securities on January 1	141	155
Liquid funds/marketable securities on June 30	145	178
[1] Capital expenditure on intangible assets	– 6	– 9
Capital expenditure on property, plant and equipment	– 191	– 219
Capital expenditure on financial assets	– 71	– 11
Acquisitions	– 173	– 99
Proceeds from disposals of fixed assets	29	80
Net cash flow from investing activities	**– 412**	**– 258**
[2] Henkel KGaA dividends	– 131	– 157
Subsidiary company dividends (to other shareholders)	– 11	– 9
Interest and dividends received	37	99
Interest paid	– 111	– 146
Change in borrowings	314	10
Repurchase of treasury shares	– 40	– 34
Other financing transactions	– 41	6
Net cash flow from financing activities	**17**	**– 231**

Notes to the Statement of Income, Balance Sheet and Cash Flow Statement

Financial items remained at the prior year level. Net income from participations increased by EUR 25 million. A major portion of this improvement comes from the sale of the 50 percent interest in the Japanese chemicals company San Nopco.
Net interest expense increased by EUR 24 million due to higher borrowings. Domestic (German) income tax rates have been reduced, resulting in a lower overall tax rate of 38.1 percent.
Compared with December 31, 2000, the balance sheet total as of June 30, 2001 increased by 5.9 percent. Of this increase, 4.5 percent is attributable to foreign exchange factors.
Fixed assets rose by 4.2 percent due essentially to the Atofina acquisition and the at equity participations.

The increase in inventories and accounts receivable is commensurate with the increase in sales.
The rise of EUR 251 million in borrowings is primarily the result of foreign exchange effects (EUR 241 million).
The cash flow figure is 3.2 percent up on prior year. This is predominantly due to lower income taxes paid.
The EUR 28 million increase in net gains from the disposal of fixed assets mainly relates to property sales.
The change in net working capital reflects a cash outflow of EUR 109 million compared with EUR 214 million in the previous year. This indicates that the programs introduced to reduce net working capital are showing initial positive results.

Restructuring programs geared towards optimizing the company's business processes and cost structures placed a US$ 98 million burden on operating profit. At US$ 323 million, net earnings dropped by 18 percent with respect to last year.

Employees

By June 30, 2001, the Henkel Group had close to 61,000 employees. The proportion of Henkel personnel working outside Germany was 74 percent.

Outlook

The deterioration of the economic environment and the volatile currency situation in certain emerging countries makes a forecast difficult. In view of the economic slowdown exhibited in virtually all regions, we expect the business situation for Adhesives and Hygiene/Surface Technologies to remain difficult in the second half of the year. We anticipate, however, an improvement in sales and profits in our branded consumer businesses.

We are confident of achieving a respectable increase in sales for fiscal 2001 as a whole. Operating profit, net earnings for the year and earnings per share should either reach or slightly exceed the level of the previous year.

Employees

(as of)	Dec. 31, 2000	June 30, 2001	Change in %
Germany	15,878	15,888	0.1
Abroad	45,025	45,041	0.0
Total	**60,903**	**60,929**	**0.0**

For further information concerning this quarterly report, please contact:

Corporate Communications
Phone: [+49] 2 11/7 97- 35 33
Fax: [+49] 2 11/7 98-24 84
E-Mail: ernst.primosch@henkel.com

Investor Relations
Phone: [+49] 2 11/7 97-39 37
Fax: [+49] 2 11/7 98-28 63
e-mail:
magdalena.moll@henkel.de
waltraud.mueller@henkel.de

Mailing address:
Henkel KGaA
D - 40191 Düsseldorf

Internet site:
http://www.henkel.com

Next important dates:
Fall Press and Analysts' Conference
Monday, November 12, 2001

Press Conference on Fiscal 2001 and Analysts' Meeting
Tuesday, March 5, 2002

Annual General Meeting of Henkel KGaA
Monday, May 6, 2002

Annual General Meeting of Henkel KGaA
Monday, April 14, 2003

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