Information for Our Shareholders

Q2

April – June 2002

Theramed Perfect provides for comprehensive oral hygiene. Its active ingredients ensure efficient, lasting protection against tooth decay, tartar formation, paro-dontosis, discoloration and halitosis. Available as Multi Protect, Extra Fresh and Extra White.

Henkel

A Brand like a Friend

Clear plus in sales and profits in difficult times

- Growth in Henkel Group sales
- All business sectors report increase in profit versus prior-year figures
- Forecast for the year remains positive

Sales and Profits

In a still difficult market environment, the Henkel Group increased sales by 2.7 percent to 2.5 billion euros in the second quarter 2002. This relates to the continuing operations in comparison with the same quarter of the previous year.

There was a clear plus in operating profit (EBIT), which rose 11.5 percent versus the prior-year quarter to 168 million euros. The return on capital employed (ROCE) amounted to 15.5 percent. This exceeds the previous year's figure by 3.2 percentage points. It is particular pleasing to note that all our business sectors contributed to this improvement in returns.

At 4.9 billion euros, sales for the first half of fiscal 2002 were 3.3 percent higher than in the same period last year. Operating profit rose by 7.2 percent to 330 million euros, with profit growth accelerating in the second quarter. The prime contributors to this positive performance were the business sectors Laundry & Home Care and Cosmetics/Toiletries, both of which also reported very good results in the first quarter.

Net earnings for the half year were at 207 million euros. The operating profits missing due to the divestment of the Cognis and Henkel-Ecolab businesses were only partially offset by significantly improved financial items. The net earnings figure for the first half of 2001 contained a one-time gain of 24 million euros arising from the sale of our stake in the Japanese company San Nopco. Without this exceptional item and without the restructuring and asset impairment costs at Clorox in the first half of 2002 of 18 million euros, the decline compared with the prior-year figure would be 4.7 percent, and thus within our expectations.

After minority interests, net earnings for the half year stood at 208 million euros, representing a 14.8 percent drop compared with the year-ago figure. Excluding the gain in the prior year and the Clorox effect in the first half of this year, net earnings after minority interests would be slightly above the prior-year figure.

Earnings per share fell from 1.69 euros in the first half of 2001 to 1.45 euros in the first half of 2002. Without the gain included in the prior-year figure and the Clorox effect during the first half of this year, earnings per share would be slightly above the prior-year figure.

Owing to the divested businesses, earnings per share in the second quarter of 2002 fell to 0.79 euros, 15 cents lower than in the same quarter last year.

Sales[1]		
in million euros	Q 2	1 – 6
2001	**2,422**	**4,742**
2002	**2,487**	**4,898**
Change from previous year	2.7 %	3.3 %

[1] Change from previous year on the basis of figures in thousand euros

Change in sales	3.3 %
	1 – 6
from	
Existing business	4.6 %
Acquisitions/Divestments	– 0.8 %
Effect of exchange rate fluctuations	– 0.5 %

EBIT[1]		
in million euros	Q 2	1 – 6
2001	**151**	**308**
2002	**168**	**330**
Change from previous year	11.5 %	7.2 %

[1] Change from previous year on the basis of figures in thousand euros

Return on sales (EBIT)		
	Q 2	1 – 6
2001	**6.2 %**	**6.5 %**
2002	**6.7 %**	**6.7 %**
Change from previous year	0.5 pp	0.2 pp

pp = percentage points

Earnings per share		
in euros	Q 2	1 – 6
2001[1]	**0.94**	**1.69**
2002	**0.79**	**1.45**
Change from previous year	–16.0 %	–14.2 %

[1] includes the divested Cognis and Henkel-Ecolab businesses

Regional Developments

In **Europe** (including Africa and the Middle East), sales in the second quarter rose by 2.5 percent compared with the previous year. Sluggish consumer spending and the ongoing recession in the construction industry in Germany dampened growth in Europe. Operating profit fell below the prior-year figure, although Germany improved significantly compared with the first quarter of 2002 and, in the second quarter, reached again the figure of the previous year. The main causes for the drop in profitability in Europe lay in the generally difficult market environment for branded product manufacturers and the weakness of the European automotive industry.

Sales in **North America** declined 3.8 percent compared with the previous year due to the continuing weakness of demand in the electronics industry. Operating profit improved significantly, however. This was driven by a reasonably high level of activity in the automotive sector, restructuring measures at the Henkel Technologies business sector and a good business performance by Consumer and Craftsmen Adhesives.

Henkel Group

Henkel Group Key Data by Region[1], Second Quarter 2002						
in million euros	Europe/ Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	**Group**
Sales April – June 2002	**1,750**	**358**	**112**	**182**	**85**	**2,487**
Sales April – June 2001	1,707	371	126	187	31	2,422
Change in percent	2.5	– 3.8	– 11.6	– 1.8	–	2.7
EBIT April – June 2002	**170**	**31**	**3**	**– 4**	**– 32**	**168**
EBIT April – June 2001	182	16	– 3	– 8	– 36	151
Change in percent	– 7.1	88.4	–	–	–	11.5

[1] Change from previous year on the basis of figures in thousand euros

Henkel Group Key Data by Region[1], January through June 2002						
in million euros	Europe/ Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	**Group**
Sales January – June 2002	**3,459**	**695**	**219**	**359**	**166**	**4,898**
Sales January – June 2001	3,370	703	241	369	59	4,742
Change in percent	2.6	– 1.2	– 9.3	– 2.5	–	3.3
EBIT January – June 2002	**364**	**31**	**0**	**– 10**	**– 55**	**330**
EBIT January – June 2001	353	22	– 4	– 18	– 45	308
Change in percent	2.8	44.0	–	–	–	7.2

[1] Change from previous year on the basis of figures in thousand euros

In order to determine the operating profit by region, the costs arising at the company's headquarters for international research and development and for divisional overheads are allocated on the basis of specific formulae. The procedure applied has changed as compared with the first quarter of 2002. We have adjusted the figures relating to the previous quarter and the previous year accordingly.

The difficult economic situation in **Latin America** with currency devaluations in Argentina and Venezuela led to a decline in sales of 11.6 percent compared with the prior-year quarter. Operating profit improved due to good second-quarter figures in the business sectors Cosmetics/Toiletries and Consumer and Craftsmen Adhesives.

In **Asia-Pacific**, sales were just below the level of the previous year (1.8 percent shortfall) due mainly to the weak economic situation in Japan and sluggish demand in the automotive industry. Operating profit showed an improvement but remains negative owing to the slow rate of improvement in our branded goods businesses in China.

Major Events

The new free-float weighting rules governing the composition of the German Stock Index (DAX) have been in force since June 24, 2002. Now, only the preferred shares are regarded as pertinent for the market capitalization of Henkel. As a result, Henkel fell from 18th to 22nd in the DAX ranking. Its membership in the DAX index is not in jeopardy.

The joint venture Henkel ENAD Algérie took over a further – and thus the third – detergent production site in Algeria to further consolidate its position as national market leader. To date, the company has achieved sales in excess of 100 million euros per year and this year has moved into the profit zone.

Employees

As of June 30, 2002, the number of employees at the Henkel Group was 46,818. The proportion of Henkel personnel working outside Germany was 76 percent.

Major Participations

Ecolab Inc., St. Paul, Minnesota, USA, in which Henkel holds a participating interest of 28.2 percent, reported sales of US$839.2 million for the second quarter of 2002. This corresponds to a rise of 43 percent compared with the prior-year period. The significant increase in sales resulted from the takeover of the Henkel-Ecolab joint venture. Organically, the business grew by 2 percent. Thanks to strict cost control and savings emanating from the restructuring program, operating profit increased by 22.9 percent to US$98.6 million. Operating profit was again adversely affected by expenditures for restructuring and cost reduction measures amounting to US$14 million.

At US$51.7 million, earnings for the quarter were 7.2 percent above the prior-year figure.

The Clorox Company, Oakland, California, USA, in which Henkel holds a 27.3 percent participating interest, reported sales of US$4.1 billion for its 2001/2002 financial year. This represents a rise of 4.0 percent compared with the previous year. The growth in sales was also due to new product launches in North America. Earnings before tax increased by 4.5 percent to US$509 million despite restructuring and asset impairment costs in the second half of the Clorox fiscal year 2001/2002. These exceptional write-downs amounted to US$135 million and relate mainly to Latin America. Gains from divested businesses amounting to US$33 million during the same period had a partially offsetting effect.

Net earnings for the year amounted to US$322 million. Higher tax charges kept them at the level of the previous year.

Outlook

We anticipate that fiscal 2002 will close with the Henkel Group reporting sales of almost 10 billion euros and a double-digit percentage increase in operating profit. The special restructuring program “Strong for the Future” is being implemented to plan and results in the expected savings in all business sectors.

Laundry & Home Care

Sales[1]		
in million euros	Q 2	1 – 6
2001	**777**	**1,536**
2002	**787**	**1,575**
Change from previous year	1.3 %	2.5 %

[1] Change from previous year on the basis of figures in thousand euros

Change in sales	2.5 %
	1 – 6
from	
Existing business	3.0 %
Acquisitions/Divestments	0.3 %
Effect of exchange rate fluctuations	– 0.8 %

EBIT[1]		
in million euros	Q 2	1 – 6
2001	**67**	**118**
2002	**69**	**135**
Change from previous year	3.6 %	14.7 %

[1] Change from previous year on the basis of figures in thousand euros

Return on sales (EBIT)		
	Q 2	1 – 6
2001	**8.5 %**	**7.7 %**
2002	**8.7 %**	**8.6 %**
Change from previous year	0.2 pp	0.9 pp

pp = percentage points

During the second quarter, the **Laundry & Home Care** business sector increased sales over the prior-year quarterly figure in spite of unfavorable market conditions. Operating profit (EBIT) rose in the second quarter by 3.6 percent. It was adversely affected in an amount of 4 million euros due to further devaluations in Turkey. The EBIT return hit a new record high of 8.7 percent.

In Continental Europe, the market environment for branded products remained difficult. We have noticed that the already strong brands are gaining further market shares, while minor brands with a lower level of consumer loyalty are losing market shares to the private labels.

In Eastern Europe, sales markedly increased and we recorded further market share gains. Outside Europe, Egypt, Lebanon and Saudi Arabia showed high growth rates.

Sales in heavy-duty detergents and special detergents remained roughly at the level of the prior-year quarter. Particularly successful were Vernel-Bügelwasser (ironing water) and our Black Magic brand, the latter assuming pan-European leadership in the segment of special detergents for dark laundry. Household cleaners, the third business unit, reported an increase in sales. The main growth driver here was the automatic dishwashing detergent Somat 3in1, which regained market leadership in Germany.

As part of the special restructuring program, detergent production in Herent, Belgium, was discontinued as of the end of the second quarter. Due to the associated improvement in capacity utilization in Germany and France, considerable savings are realized immediately.

Outlook

In order to consolidate our market leadership in Continental Europe, we are strengthening our brands with a comprehensive range of advertising activities. In the case of our heavy-duty detergents, we expect sales to be boosted by the relaunch of our Persil, Wipp and Le Chat brands which show improved performance particularly at low temperatures.

We anticipate fiscal 2002 to end with a 3 to 4 percent growth in sales and an increase in operating profit in the high single-digit percentage range.

Cosmetics/Toiletries

Sales[1)]		
in million euros	Q 2	1 – 6
2001	**553**	**1,051**
2002	**565**	**1,074**
Change from previous year	2.2 %	2.2 %

[1)] Change from previous year on the basis of figures in thousand euros

Change in sales	2.2 %
	1 – 6
from	
Existing business	3.6 %
Acquisitions/Divestments	– 0.8 %
Effect of exchange rate fluctuations	– 0.6 %

EBIT[1)]		
in million euros	Q 2	1 – 6
2001	**45**	**76**
2002	**51**	**93**
Change from previous year	14.1 %	22.8 %

[1)] Change from previous year on the basis of figures in thousand euros

Return on sales (EBIT)		
	Q 2	1 – 6
2001	**8.1 %**	**7.2 %**
2002	**9.1 %**	**8.7 %**
Change from previous year	1.0 pp	1.5 pp

pp = percentage points

The **Cosmetics/Toiletries** business sector had a good second quarter exceeding the strong figures of the previous year. The plus in sales resulted from organic growth, particularly in the Europe/Africa/Middle East region. The German cosmetics market, however, suffered from a downturn in sales in the retail sector. The cosmetics business in Latin America was adversely affected by the crises in Venezuela, Colombia and Peru. The regions of North America and Asia-Pacific remained at the levels of the previous year. Operating profit developed especially well, rising 14.1 percent compared with the same quarter last year. Remarkable are the strong increases in profitability in Russia and France, and also the successful implementation of the special restructuring program in China and the USA.

The hair cosmetics business continued to perform well. Our colorants were a significant growth factor. The Brillance brand regained market leadership in the German colorants market. Since its launch at the beginning of the year, the Vision brand has achieved high market share gains in the Netherlands, Austria and Switzerland.

The body care segment did not meet expectations in the second quarter. Our Fa shower gels did not perform satisfactorily. In Germany, consumers have been turning increasingly to private label products and the situation has been further exacerbated by increased competition in Eastern Europe.

Sales in the skin care business were driven predominantly by the Diadermine brand. The Diadermine Lift+ line with its range of new products introduced at the end of last year performed well.

Sales at oral care remained at the level of the previous year. Activities in the second quarter concentrated on the introduction of Theramed Perfect in Germany and Austria.

The salon business increased sales compared with the prior-year figure. The formulation of the colorant brand Igora Royal was revamped and the relaunch of the haircare brand Bonacure produced promising results in all European countries.

Outlook

In the coming months, we intend to further strengthen our market positions with innovative products and an expansion of our product range. We will be concentrating on our major brands. After the difficult market conditions that have prevailed so far, we expect the second half of the year to bring a recovery in the European cosmetics market. We anticipate the fiscal year to close with an increase in sales of 3 to 5 percent and double-digit percentage growth in operating profit. The projected savings from the special restructuring program have been achieved.

Consumer and Craftsmen Adhesives

Sales[1]		
in million euros	Q 2	1 – 6
2001	**313**	**630**
2002	**326**	**658**
Change from previous year	4.0 %	4.5 %

[1] Change from previous year on the basis of figures in thousand euros

Change in sales	4.5 %
	1 – 6
from	
Existing business	4.1 %
Acquisitions/Divestments	0.7 %
Effect of exchange rate fluctuations	– 0.3 %

EBIT[1]		
in million euros	Q 2	1 – 6
2001	**24**	**58**
2002	**25**	**59**
Change from previous year	4.1 %	0.9 %

[1] Change from previous year on the basis of figures in thousand euros

Return on sales (EBIT)		
	Q 2	1 – 6
2001	**7.7 %**	**9.2 %**
2002	**7.4 %**	**8.9 %**
Change from previous year	– 0.3 pp	– 0.3 pp

pp = percentage points

At the **Consumer and Craftsmen Adhesives** business sector, sales continued to develop well in the second quarter of 2002 as compared with the same quarter last year.

Operating profit was slightly up on the prior-year figure, but fell significantly compared with the first quarter of 2002. The reasons for this lay primarily in a disappointing second quarter in Germany and a seasonal downturn in business in the UK and France. On the other hand, the first quarter of 2002 benefitted from a one-time gain arising from the sale of the brand rights for Bostik in Italy.

Our activities in Germany were characterized by the continuing recession in the construction industry compounded by a reduction in customer frequency and in the propensity to purchase among major customers in the do-it-yourself sector. The important product group of wallpaper pastes suffered from a downturn in demand, which we intend to counter through a series of product innovations.

The adhesive tapes business in North America underwent rapid growth. Our superglues also performed well. The situation in Brazil, where there were still significant problems in 2001 arising from product forgeries, improved significantly.

Sales in roller products for correcting, gluing and marking remained below our expectations. Customers are showing a significantly higher level of price sensitivity.

In the building adhesives segment, the CM 18 tile adhesives product family has been rolled out to a number of additional countries. The Ukraine, Romania and South Africa all reported particularly positive sales and profit performance. In Germany, building adhesives continued to suffer from the weakness of the construction sector and the poor financial position of a number of important customers.

Outlook

We expect business to pick up in the second half of 2002. This will be supported through innovative expansions to our product range in respect of adhesive tapes and wallpaper pastes, and also new products in the assembly adhesives and two-part structural adhesive putty compound segments.

We anticipate the fiscal year to close with a sales increase of 4 percent and a double-digit percentage rise in operating profit. Lower manufacturing costs, a decrease in raw material and packaging prices and the savings from the special restructuring program will contribute to the increase in profitability.

Henkel Technologies

Sales[1]		
in million euros	Q 2	1 – 6
2001	**748**	**1,466**
2002	**724**	**1,425**
Change from previous year	– 3.3 %	– 2.8 %

[1] Change from previous year on the basis of figures in thousand euros

Change in sales	– 2.8 %
	1 – 6
from	
Existing business	0.0 %
Acquisitions/Divestments	– 2.6 %
Effect of exchange rate fluctuations	– 0.2 %

EBIT[1]		
in million euros	Q 2	1 – 6
2001	**51**	**101**
2002	**55**	**98**
Change from previous year	7.0 %	– 3.5 %

[1] Change from previous year on the basis of figures in thousand euros

Return on sales (EBIT)		
	Q 2	1 – 6
2001	**6.9 %**	**6.9 %**
2002	**7.6 %**	**6.9 %**
Change from previous year	0.7 pp	0.0 pp

pp = percentage points

The **Henkel Technologies** business sector reported a decline in sales in the second quarter compared with the same quarter last year. The reasons for this lay in the low level of activity in the European automotive industry and weak demand in the worldwide electronics industry. Compared with the first quarter of this year, sales grew by 3.3 percent. We also expect this trend to continue in relation to the weak second half of 2001.

Operating profit for the second quarter improved compared with the prior-year figure and was up on the profit figure for the first quarter of 2002. All our product groups significantly increased their earnings power. The contributory factors were a more favorable raw materials situation, an improved cost structure and the special restructuring program.

Industrial and packaging adhesives reported further growth compared with the prior-year quarter. The increase in sales has been driven particularly by the laminating industry and the paper processing sector.

The engineering adhesives business reported a downturn in the second quarter compared with the previous year, due to the weakness of the electronics industry. Sales in Asia-Pacific increased.

The Surface Technologies business suffered a downturn in the second quarter owing to the slump in European automobile production. In Asia-Pacific, sales rose mainly due to higher car production levels in China and market share gains achieved on the General Industry side of the business.

Outlook

We expect the fiscal year to bring an increase in sales of around 3 percent compared with the previous year and also a double-digit percentage growth in operating profit. We remain concerned about the low level of activity in certain important European markets. However, we anticipate a stable development in North America and a recovery in business in Asia-Pacific. It is currently difficult to predict how the electronics industry is going to develop.

Segment Reporting by Business Sector[1], Second Quarter 2002 (continuing operations)						
in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhe- sives	Henkel Tech- nologies	Corpo- rate	Group
Sales April – June 2002	787	565	326	724	85	2,487
Change from previous year	1.3 %	2.2 %	4.0 %	– 3.3 %	–	2.7 %
Share of Group sales	32 %	23 %	13 %	29 %	3 %	100 %
Sales April – June 2001	777	553	313	748	31	2,422
EBITDA April – June 2002	97	74	38	113	– 24	298
EBITDA April – June 2001	100	71	42	100	– 35	278
Change from previous year	– 2.9 %	4.5 %	– 8.3 %	13.2 %	–	7.1 %
Return on sales (EBITDA) April – June 2002	12.3 %	13.1 %	11.5 %	15.6 %	–	12.0 %
Return on sales (EBITDA) April – June 2001	12.9 %	12.8 %	13.2 %	13.4 %	–	11.5 %
Depreciation of patents/licenses/property, plant and equipment April – June 2002	26	14	9	40	8	97
Depreciation of patents/licenses/property, plant and equipment April – June 2001	31	13	11	25	1	81
EBITA April – June 2002	71	60	29	73	– 32	201
EBITA April – June 2001	69	58	31	75	– 36	197
Change from previous year	2.6 %	3.3 %	– 3.9 %	– 2.2 %	–	2.5 %
Return on sales (EBITA) April – June 2002	9.0 %	10.6 %	8.7 %	10.1 %	–	8.1 %
Return on sales (EBITA) April – June 2001	8.9 %	10.5 %	9.8 %	10.0 %	–	8.1 %
Amortization of goodwill April – June 2002	2	9	4	18	0	33
Amortization of goodwill April – June 2001	2	13	7	24	0	46
EBIT April – June 2002	69	51	25	55	– 32	168
EBIT April – June 2001	67	45	24	51	– 36	151
Change from previous year	3.6 %	14.1 %	4.1 %	7.0 %	–	11.5 %
Return on sales (EBIT) April – June 2002	8.7 %	9.1 %	7.7 %	7.6 %	–	6.7 %
Return on sales (EBIT) April – June 2001	8.5 %	8.1 %	7.7 %	6.9 %	–	6.2 %
ROCE April – June 2002	30.4 %	23.7 %	15.3 %	11.8 %	–	15.5 %
ROCE April – June 2001	26.9 %	18.4 %	14.1 %	10.1 %	–	12.3 %
Capital employed April – June 2002[2]	933	1,015	742	2,476	31	5,197
Capital employed April – June 2001[2]	1,028	1,264	870	2,945	270	6,377
Change from previous year	– 9.3 %	– 19.7 %	– 14.7 %	– 16.0 %	–	– 18.5 %
Capital expenditures (excluding financial assets) April – June 2002	44	11	8	31	5	99
Capital expenditures (excluding financial assets) April – June 2001	37	15	10	90	1	153
Operating assets April – June 2002	1,696	1,343	921	2,821	444	7,225
Operating liabilities April – June 2002	784	534	273	641	411	2,643
Net operating assets April – June 2002[3]	912	809	648	2,180	33	4,582
Operating assets April – June 2001	1,700	1,551	1,013	3,213	346	7,823
Operating liabilities April – June 2001	690	507	256	625	75	2,153
Net operating assets April – June 2001[3]	1,010	1,044	757	2,588	271	5,670
Research and development costs (R&D) April – June 2002	17	9	4	28	9	68
R&D as % of sales	2.1 %	1.6 %	1.3 %	3.9 %	–	2.7 %
Research and development costs (R&D) April – June 2001	15	8	4	28	11	66
R&D as % of sales	2.0 %	1.4 %	1.2 %	3.7 %	–	2.7 %

[1] Change from previous year on the basis of figures in thousand euros [2] Including goodwill at cost [3] Including goodwill at book value

Segment Reporting by Business Sector[1], January through June 2002 (continuing operations)						
in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesives	Henkel Technologies	Corporate	Group
Sales January – June 2002	1,575	1,074	658	1,425	166	4,898
Change from previous year	2.5 %	2.2 %	4.5 %	– 2.8 %	–	3.3 %
Share of Group sales	32 %	22 %	14 %	29 %	3 %	100 %
Sales January – June 2001	1,536	1,051	630	1,466	59	4,742
EBITDA January – June 2002	187	136	84	195	– 34	568
EBITDA January – June 2001	178	124	92	198	– 39	553
Change from previous year	5.0%	9.9 %	– 7.1 %	– 1.8 %	–	2.7 %
Return on sales (EBITDA) January – June 2002	11.9 %	12.7 %	12.8 %	13.7 %	–	11.6 %
Return on sales (EBITDA) January – June 2001	11.6 %	11.8 %	14.5 %	13.5 %	–	11.6 %
Depreciation of patents/licenses/property, plant and equipment January – June 2002	48	25	17	59	21	170
Depreciation of patents/licenses/property, plant and equipment January – June 2001	55	24	21	50	6	156
EBITA January – June 2002	139	111	67	136	– 55	398
EBITA January – June 2001	123	100	71	148	– 45	397
Change from previous year	13.3 %	10.6 %	– 4.6 %	– 8.3 %	–	2.5 %
Return on sales (EBITA) January – June 2002	8.8 %	10.3 %	10.2 %	9.6 %	–	8.1 %
Return on sales (EBITA) January – June 2001	8.0 %	9.6 %	11.2 %	10.1 %	–	8.4 %
Amortization of goodwill January – June 2002	4	18	8	38	0	68
Amortization of goodwill January – June 2001	5	24	13	47	0	89
EBIT January – June 2002	135	93	59	98	– 55	330
EBIT January – June 2001	118	76	58	101	– 45	308
Change from previous year	14.7 %	22.8 %	0.9 %	– 3.5 %	–	7.2 %
Return on sales (EBIT) January – June 2002	8.6 %	8.7 %	8.9 %	6.9 %	–	6.7 %
Return on sales (EBIT) January – June 2001	7.7 %	7.2 %	9.2 %	6.9 %	–	6.5 %
ROCE January – June 2002	29.9 %	21.9 %	17.9 %	10.9 %	–	15.0 %
ROCE January – June 2001	24.1 %	16.1 %	16.2 %	10.3 %	–	12.6 %
Capital employed January – June 2002[2]	932	1,016	750	2,501	132	5,331
Capital employed January – June 2001[2]	1,022	1,244	871	2,871	275	6,283
Change from previous year	– 8.8 %	– 18.4 %	– 13.9 %	– 12.9 %	–	– 15.1 %
Capital expenditures (excluding financial assets) January – June 2002	68	20	16	54	8	166
Capital expenditures (excluding financial assets) January – June 2001	56	24	20	127	7	234
Operating assets January – June 2002	1,673	1,330	927	2,848	416	7,194
Operating liabilities January – June 2002	761	515	269	651	282	2,478
Net operating assets January – June 2002[3]	912	815	658	2,197	134	4,716
Operating assets January – June 2001	1,665	1,529	1,011	3,149	351	7,705
Operating liabilities January – June 2001	664	499	249	629	76	2,117
Net operating assets January – June 2001[3]	1,001	1,030	762	2,520	275	5,588
Research and development costs (R&D) January – June 2002	34	18	8	56	19	135
R&D as % of sales	2.2 %	1.6 %	1.3 %	4.0 %	–	2.8 %
Research and development costs (R&D) January – June 2001	31	16	7	56	21	131
R&D as % of sales	2.0 %	1.5 %	1.1 %	3.8 %	–	2.8 %

[1] Change from previous year on the basis of figures in thousand euros [2] Including goodwill at cost [3] Including goodwill at book value

Consolidated Statement of Income

in million euros	Jan. – June 2001 published	Jan.– June 2001 comparable	Jan. – June 2002	Change in % from PY[1]	Change in % from PY comp.[1]
Sales	**6,685**	**4,742**	**4,898**	**– 26.7**	**3.3**
Cost of sales	3,650	2,440	2,603	28.7	– 6.7
Gross profit	**3,035**	**2,302**	**2,295**	**– 24.4**	**– 0.3**
Marketing, selling and distribution costs	1,874	1,478	1,499	20.0	– 1.4
Research and development costs	178	131	135	24.2	– 3.1
Administrative expenses	388	268	266	31.4	0.7
Other operating income	78	65	51	– 34.6	– 21.5
Other operating charges	77	74	34	55.8	54.1
Amortization of goodwill	94	89	68	27.7	23.6
Restructuring costs	39	19	14	64.1	26.3
Operating profit (EBIT)	**463**	**308**	**330**	**– 28.7**	**7.2**
Net income from participations	111	–	70	– 36.9	–
Net interest expense	– 154	–	– 74	51.9	–
Financial items	**– 43**	**–**	**– 4**	**90.7**	**–**
Earnings before tax	**420**	**–**	**326**	**– 22.4**	**–**
Taxes on income	– 160	–	– 119	25.6	–
Net earnings	**260**	**–**	**207**	**– 20.4**	**–**
Net earnings excluding minority interests	244	–	208	– 14.8	–
Earnings per share (euros)	1.69	–	1.45	– 14.2	–

[1] PY = previous year; +/- signs relate to effect on profit

Consolidated Balance Sheet

in million euros	Dec. 31, 2001	%	June 30, 2002	%
Tangible and intangible assets	3,868		3,574	
Financial assets	1,622		1,554	
Fixed assets	**5,490**	**58.6**	**5,128**	**57.8**
Inventories	1,081		1,053	
Trade accounts receivable	1,591		1,661	
Other receivables and miscellaneous assets	467		445	
Liquid funds/Marketable securities	421		308	
Current assets	**3,560**	**38.0**	**3,467**	**39.1**
Deferred tax assets	**315**	**3.4**	**276**	**3.1**
Total assets	**9,365**	**100.0**	**8,871**	**100.0**
Equity excluding minority interests	**3,518**		**3,214**	
Minority interests	86		76	
Equity including minority interests	**3,604**	**38.5**	**3,290**	**37.1**
Provisions for pensions and similar obligations	1,641		1,644	
Other provisions	1,274		1,235	
Provisions for deferred tax liabilities	202		194	
Provisions	**3,117**	**33.3**	**3,073**	**34.6**
Borrowings	1,210		1,124	
Trade accounts payable	937		853	
Other liabilities	497		531	
Liabilities	**2,644**	**28.2**	**2,508**	**28.3**
Total equity and liabilities	**9,365**	**100.0**	**8,871**	**100.0**

Cash Flow Statement		
in million euros	Jan. – June 2001	**Jan. – June 2002**
Operating profit/EBIT	**463**	**330**
Income taxes paid	– 147	– 98
Depreciation of fixed assets (excluding financial assets)	331	238
Net gains from disposals of fixed assets (excluding financial assets)	– 33	– 11
Change in inventories	– 58	– 9
Change in receivables and miscellaneous assets	– 137	– 142
Change in liabilities and provisions	86	56
Cash flow from operating activities	**505**	**364**
Cash flow from investing activities/acquisitions[1]	**– 258**	**– 172**
Cash flow from financing activities[2]	**– 231**	**– 298**
Change in cash and cash equivalents	**16**	**–106**
Effect of exchange rate changes on cash and cash equivalents	7	– 7
Change in liquid funds and marketable securities	**23**	**– 113**
Liquid funds/Marketable securities on January 1	155	421
Liquid funds/Marketable securities on June 30	178	308
[1] Capital expenditure on intangible assets	– 9	– 12
Capital expenditure on property, plant and equipment	– 219	– 138
Capital expenditure on financial assets/acquisitions	– 110	– 49
Proceeds from disposals of fixed assets	80	27
Cash flow from investing activities/acquisitions	**– 258**	**– 172**
[2] Henkel KGaA dividends	– 157	– 156
Subsidiary company dividends (to other shareholders)	– 9	– 5
Interest and dividends received	99	76
Interest paid	– 146	– 94
Net dividends and interest	**– 213**	**– 179**
Change in borrowings	10	– 65
Buy-back of stock	– 34	– 51
Other financing transactions	6	– 3
Cash flow from financing activities	**– 231**	**– 298**
Net cash flow	34	13
Investments in financial assets/acquisitions	110	49
Free cash flow	**144**	**62**

Income Statement

The gross margin decreased by 1.7 percentage points compared with the first half of 2001. This is due to a change in the product mix and higher depreciation charges emanating from restructuring measures.

There was a decrease in other operating income of 14 million euros. In the first half of 2001, gains amounting to 24 million euros were realized from the sale of company-owned apartments. In the first half of 2002, there were gains totaling 10 million euros from the sale of the brand rights for Bostik in Italy and the leather board business of Dorus in Germany.

Other operating charges decreased by 40 million euros compared with the previous year. The higher charge in the first half of 2001 was mainly due to foreign currency losses amounting to 28 million euros resulting from the devaluation of the Turkish lira.

Financial items showed an improvement of 39 million euros compared with the prior year. The income from participations in the first half of 2001 includes a one-time gain of 24 million euros from the sale of our stake in San Nopco, Japan. In the first half of 2002, exceptional charges from Clorox due to the restructuring of its businesses in Latin America reduced income from participations by 18 million euros. In addition, we have written down participations in some companies in the New Business segment. Conversely, the net interest expense figure shows an improvement of 80 million euros to −74 million euros. The reason for this lay in the reduction in borrowings at the end of 2001.

Balance Sheet

The foreign exchange rates (at closing date) have shifted, particularly in the case of the euro versus the US dollar. The balance sheet total at June 30, 2002 was 5 percent down on the figure for December 31, 2001. Foreign exchange influences accounted for two thirds of the decrease, thereof 277 million euros related to fixed assets (309 million euros).

Included in financial assets are the increases in our at-equity participations and our participation in Pakvash, the company newly acquired in Iran.

Trade accounts receivable and miscellaneous assets rose by 48 million euros (2 percent) and thus remained roughly in proportion with the increase in sales of our continuing operations.

We reduced our inventories by 28 million euros (3 percent).

On the equity and liabilities side, there was a decrease in shareholders’ equity including minority interests of 314 million euros. The main reasons for this decline were:

- buy-back of stock for the stock incentive program (−51 million euros);
- dividend payouts to shareholders (−161 million euros);
- valuation of derivatives and quasi-equity loans (−98 million euros), and
- foreign exchange losses of −132 million euros.

Net earnings of 207 million euros for the half year partly offset this decline.

As a result of the repayment of bank loans, we were able to reduce the borrowings figure by 86 million euros.

Cash Flow Statement

There is only limited comparability between the cash flow statement for the first half of 2002 and the first half of 2001, respectively. During the first half of 2001, Cognis and Henkel-Ecolab were still included in the cash flow statement. These businesses were sold at the end of 2001.

The **cash flow from operating activities** amounted to 364 million euros, 141 million euros down on the prior-year figure. The reduction in depreciation is predominantly due to the divested businesses. Gains from disposals of fixed assets fell compared with the prior-year figure, because in 2001 there was a gain of 24 million euros recognized at Henkel KGaA from the sale of company-owned apartments. The figures for the first half of 2002 include a gain of 6 million euros resulting from the sale of the brand rights for Bostik. The change in working capital produced a plus of 14 million euros. This growth in cash flow was essentially achieved by lower inventories.

The **cash flow from investing activities/acquisitions** equaled −172 million euros, up 86 million euros on the prior-year figure. Reduced spendings on acquisitions were responsible for this increase. In the previous year, we acquired among others the companies Atofina and Vagnone & Boeri. In 2002, we acquired a participating interest in the Iranian company Pakvash, and Henkel ENAD Algérie acquired a further production facility. On the basis of the continuing operations, capital expenditures remained at the level of the previous year.

The **cash flow from financing activities** totaled −298 million euros, 67 million euros lower than the prior-year figure. The main reasons for this change were lower borrowings and the buy-back of stock for the stock incentive program. At the same time, interest paid decreased as a result of lower borrowings.

Accounting and Valuation Principles

The quarterly report of the Henkel Group has been prepared in accordance with the guidelines issued by the International Accounting Standards Board (IASB), London. The same accounting and valuation principles have been applied as for the 2001 annual financial statements. The notes to the annual financial statements apply accordingly.

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Calendar

Publication of Third Quarter Report 2002:
Friday, November 8, 2002

Fall Press Conference and Analysts' Meeting:
Friday, November 8, 2002

Press Conference on Fiscal 2002 and Analysts' Meeting:
Wednesday, March 5, 2003

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

Further details relating to the quarterly financial statements can be found on the Internet at:
www.ir.henkel.com

Main Henkel website: **www.henkel.com**

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