Information for Our Shareholders

Q2

April – June 2008

Half Year Financial Report 2008

A World of Customers

Quality from

Henkel

A Brand like a Friend

Henkel: Financial Highlights

in million euros		Q2/2007	Q2/2008	Change[1]	1–6/2007	1–6/2008	Change[1]
Sales		**3,293**	**3,668**	**11.4 %**	**6,530**	**6,830**	**4.6 %**
Operating profit (EBIT)		**339**	**113**	**–66.5 %**	**662**	**433**	**–34.6 %**
Laundry & Home Care		111	96	–14.3 %	228	200	–12.7 %
Cosmetics / Toiletries		98	99	2.0 %	180	188	4.8 %
Adhesive Technologies		162	195	21.1 %	311	348	12.1%
Return on sales (EBIT)	**in %**	**10.3**	**3.1**	**–7.2 pp**	**10.1**	**6.3**	**–3.8 pp**
Earnings before tax		**326**	**53**	**–83.7 %**	**619**	**354**	**–42.8 %**
Net earnings for the quarter/half year after minority interests		**234**	**38**	**–83.8 %**	**439**	**257**	**–41.5 %**
Earnings per preferred share	**in euros**	**0.54**	**0.09**	**–83.3 %**	**1.02**	**0.60**	**–41.2 %**
Capital expenditures on property, plant and equipment		**114**	**126**	**10.5 %**	**221**	**234**	**5.9 %**
Research and development expenses		**91**	**98**	**7.7 %**	**176**	**184**	**4.5 %**
Number of employees (as of June 30)		**52,477**	**57,950**	**10.4 %**	**52,477**	**57,950**	**10.4 %**

[1] calculated on the basis of units of 1,000 euros

pp = percentage points

ADJUSTED EARNINGS FIGURES

in million euros		Q2/2007	Q2/2008	Change[1]	1–6/2007	1–6/2008	Change[1]
Adjusted operating profit (EBIT)[2]		**345**	**372**	**7.8 %**	**677**	**690**	**1.9 %**
Adjusted return on sales (EBIT)[2]	**in %**	**10.5**	**10.1**	**–0.4 pp**	**10.4**	**10.1**	**–0.3 pp**
Adjusted earnings before tax[2]		**332**	**312**	**–6.0 %**	**634**	**611**	**–3.6 %**
Adjusted net earnings for the quarter/half year after minority interests[2]		**238**	**227**	**–4.6 %**	**449**	**445**	**–0.9 %**
Adjusted earnings per preferred share[2]	**in euros**	**0.55**	**0.52**	**–5.5 %**	**1.05**	**1.03**	**–1.9 %**

[1] calculated on the basis of units of 1,000 euros

[2] adjusted for one-time gains/charges and restructuring charges

pp = percentage points

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Key Financials

Sales:
plus 11.4 percent

Organic sales growth:
plus 6.1 percent

Adjusted[1] operating profit (EBIT):
plus 7.8 percent

Adjusted[1] earnings per preferred share (EPS):
minus 5.5 percent

[1] adjusted for one-time charges (6 million euros), gains (3 million euros) and restructuring charges (256 million euros)

Key Facts

Growth of all business sectors outpaces relevant markets

Double-digit organic sales increase achieved in the growth regions (plus 15.7 percent)

Net working capital reduced by 1.6 percentage points to 13.1 percent

Majority of measures under the "Global Excellence" program for enhanced long-term profitability already being implemented

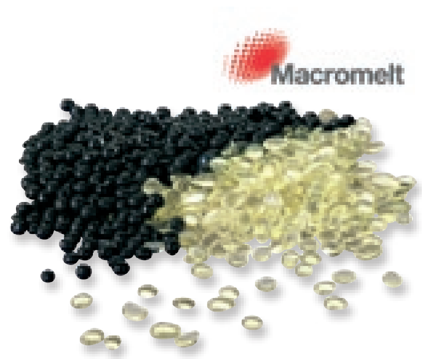
Innovations

Persil Gold Plus

Optimum stain removal – even without using an additional stain remover. For outstanding cleanliness that you can see, feel and smell. A product for Central and Eastern Europe.

Schauma Bio Almond and Bio Pomegranate

The first hair care line from Schauma with extracts from controlled biological crops: the closely balanced active and nurturing ingredients strengthen the hair, meeting the highest care requirements without the need for artificial dyes, colorants or fragrances.



Macromelt OM 648

The first polyamide hotmelt adhesive with integrated UV protection: it protects against moisture, can be used for external applications (e.g. solar energy-generating equipment), accelerates the customer's production process and is largely made from renewable raw materials.

Major Events

In February, we announced that Thomas Geitner (52) would take over responsibility for the Adhesive Technologies business sector from Alois Linder (60). On May 26, following successful completion of the first phase in the process of integrating the National Starch businesses, Alois Linder requested the transfer of managerial responsibilities for the Adhesive Technologies business sector to Thomas Geitner be brought forward. The date of hand-over was therefore changed from October to mid June and, at his own request, Alois Linder left the Management Board on June 18, 2008.

As previously reported, the Annual General Meeting elected a new Supervisory Board and Shareholders' Committee effective April 14, 2008 following expiry of their statutory tenures. On re-constitution of these bodies, Albrecht Woeste was re-elected Chairman and Winfried Zander Vice-Chairman of the Supervisory Board. Albrecht Woeste was also re-elected Chairman and Dr. h.c. Christoph Henkel Vice-Chairman of the Shareholders' Committee.

Also on conclusion of the Annual General Meeting, Henkel Management AG, Düsseldorf, Germany, joined the company as its sole personally liable partner. With the departure of Alois Linder mentioned above, the members of the Management Board of Henkel Management AG are Kasper Rorsted (CEO), Dr. Lothar Steinebach, Dr. Friedrich Stara, Hans Van Bylen and Thomas Geitner.

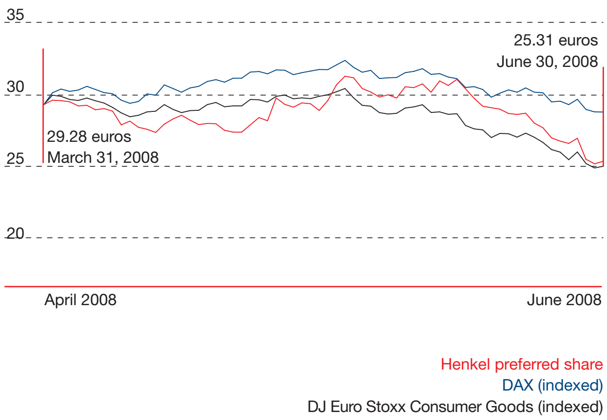
Share Performance

Within a weak overall market environment, the price of the Henkel preferred share fell in the second quarter of 2008 versus the closing price of the first quarter of 2008 by 13.6 percent or from 29.28 euros to 25.31 euros. The DAX index lost 1.8 percent and the Dow Jones Stoxx Consumer Goods Index 14.8 percent over the same period.

@i The annual report, our quarterly reports, current data on Henkel shares as well as company news, financial reports and company presentations can be found on the Investor Relations website at www.henkel.com/ir.

PERFORMANCE OF HENKEL PREFERRED SHARE VERSUS MARKET IN Q2 2008

in euros



Report Second Quarter 2008

Business Performance Second Quarter 2008

We were very encouraged by the organic growth (adjusted for foreign exchange and acquisitions/divestments) of 6.1 percent achieved in the second quarter of 2008. Adjusted for foreign exchange alone, sales rose by a significant 17.7 percent. Despite the negative currency effects, nominal sales increased by 11.4 percent to 3,668 million euros, to which the National Starch businesses, consolidated as of April 3, 2008, also contributed.

All our business sectors supported our organic sales growth, each performing better than their relevant markets. Organic growth of the Laundry & Home Care business sector was a good 3.9 percent, Cosmetics/Toiletries saw a continuation of the highly positive trend of recent quarters, undergoing a further dynamic 5.9 percent improvement, and at the Adhesive Technologies business sector, organic sales growth came in at a very strong 7.9 percent.

Compared to the prior-year quarter, our gross margin decreased by 5.5 percentage points to 41.4 percent. The two main reasons for this are: first the restructuring charges arising primarily out of our efficiency enhancement program "Global Excellence", and second, the further strong increases in raw material prices which we were unable to fully offset with our countermeasures. The first-time consolidation of the National Starch businesses also had an impact, albeit to a lesser extent. Without the restructuring charges and the acquisition, the gross margin would have decreased only slightly. The following expense items were also impacted by these two effects: marketing, selling and distribution expenses rose by 9.0 percent (albeit with a decrease of 0.6 percentage points to 29.0 percent of sales); our research and development expenses totaled 98 million euros, representing a share of 2.7 percent of sales (a decrease of 0.1 percentage points); and administrative expenses rose by 66.0 percent. The distribution of the restructuring charges between the various expense items is explained on page 17. The net balance from other operating income and charges decreased from 13 million euros to 9 million euros. Included in other operating income is a gain of 3 million euros from the sale of cosmetics brands in the USA regarded as non-core activities within our portfolio, while administrative expenses contain 6 million euros in consultancy costs relating to the integration of the National Starch businesses.

Restructuring charges increased significantly from 14 million euros to 256 million euros. Of this figure, 227 million euros were attributable to "Global Excellence", 23 million euros to the integration of the National Starch businesses and 6 million euros to ordinary restructuring activities.

Operating profit (EBIT) decreased by 66.5 percent to 113 million euros due primarily to the restructuring charges. After allowing for these restructuring charges, the gain from the disposal of cosmetics brands and consultancy costs, adjusted operating profit ("adjusted EBIT") increased by 7.8 percent, from 345 million euros in the prior-year quarter to 372 million euros.

PRICE AND VOLUME EFFECTS[1]

in percent	**Organic sales growth**	of which price	of which volume
Laundry & Home Care	3.9	2.2	1.7
Cosmetics/Toiletries	5.9	1.4	4.5
Adhesive Technologies	7.9	3.5	4.4
Henkel Group	**6.1**	**2.6**	**3.5**

[1] calculated on the basis of units of 1,000 euros

SALES[1)]

in million euros	Q2	1 – 6
2008	**3,668**	**6,830**
2007	**3,293**	**6,530**
Change versus previous year	11.4 %	4.6 %

[1)] calculated on the basis of units of 1,000 euros

SALES DEVELOPMENT[1)]

in percent	Q2	1 – 6
Change versus previous year	**11.4**	**4.6**
Foreign exchange	–6.3	–5.2
After adjusting for foreign exchange	**17.7**	**9.8**
Acquisitions/divestments	11.6	5.0
Organic	**6.1**	**4.8**

[1)] calculated on the basis of units of 1,000 euros

EBIT[1)]

in million euros	Q2	1 – 6
2008	**113**	**433**
2007	**339**	**662**
Change versus previous year	–66.5 %	–34.6 %
After adjusting for foreign exchange	–64.4 %	–31.8 %

[1)] calculated on the basis of units of 1,000 euros

ADJUSTED EBIT[1)]

in million euros	Q2	1 – 6
2008	**372**	**690**
2007	**345**	**677**
Change versus previous year	7.8 %	1.9 %

[1)] calculated on the basis of units of 1,000 euros

EARNINGS PER PREFERRED SHARE

in euros	Q2	1 – 6
2008	**0.09**	**0.60**
2007	**0.54**	**1.02**
Change versus previous year	–83.3 %	–41.2 %

ADJUSTED EARNINGS PER PREFERRED SHARE

in euros	Q2	1 – 6
2008	**0.52**	**1.03**
2007	**0.55**	**1.05**
Change versus previous year	–5.5 %	–1.9 %

Return on sales (EBIT) amounted to 3.1 percent, while adjusted return on sales ("adjusted EBIT margin") decreased from 10.5 percent to 10.1 percent. This is primarily due to the heavy impact of increased raw material prices on the results posted by both the Laundry & Home Care and the Adhesive Technologies business sectors.

Due mainly to restructuring charges, return on capital employed (ROCE) decreased by 10.4 percentage points to 5.0 percent.

Our investment result, mainly attributable to income from our participation in Ecolab, remained constant at 24 million euros, despite the weaker US dollar. The net interest expense increased by 47 million euros, from −37 million to −84 million euros. This is primarily due to the higher net debt arising from payment of the purchase price for the acquisition of the National Starch businesses, and also to the rise in interest rate levels. Consequently, the financial result underwent a similar change from −13 million euros to −60 million euros. The tax rate is 20.8 percent (previous year: 26.7 percent), calculated on the basis of the tax rate anticipated for the year.

Due to lower EBIT and the increase in the negative financial result, net earnings for the quarter decreased by 82.4 percent to 42 million euros. After minority interests totaling 4 million euros, net earnings for the quarter amounted to 38 million euros (−83.8 percent). At 227 million euros, adjusted quarterly net earnings after minority interests were 4.6 percent below the prior-year level. Earnings per preferred share (EPS) decreased by 83.3 percent to 0.09 euros. Adjusted earnings per preferred share amounted to 0.52 euros, a decline of 5.5 percent.

Regional Performance

HENKEL: KEY FIGURES BY REGION[1] SECOND QUARTER 2008

in million euros **Regions**	Europe/ Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	**Henkel**
Sales April – June 2008	**2,283**	**690**	**202**	**432**	**61**	**3,668**
Sales April – June 2007	2,111	646	178	298	60	3,293
Change versus previous year	8.2 %	6.7 %	13.6 %	44.9 %	–	11.4 %
After adjusting for foreign exchange	10.4 %	23.0 %	21.0 %	58.6 %	–	17.7 %
Proportion of Henkel sales April – June 2008	**62 %**	**19 %**	**5 %**	**12 %**	**2 %**	**100 %**
Proportion of Henkel sales April – June 2007	64 %	20 %	5 %	9 %	2 %	100 %
EBIT April – June 2008	**236**	**83**	**21**	**50**	**–277[2]**	**113**
EBIT April – June 2007	265	69	16	21	–32	339
Change versus previous year	–10.7 %	19.9 %	35.0 %	137.4 %	–	–66.5 %
After adjusting for foreign exchange	–9.1 %	38.2 %	46.0 %	165.1 %	–	–64.4 %
Return on sales (EBIT) April – June 2008	**10.3 %**	**12.1 %**	**10.4 %**	**11.7 %**	**–**	**3.1 %**
Return on sales (EBIT) April – June 2007	12.5 %	10.8 %	8.7 %	7.1 %	–	10.3 %

[1] calculated on the basis of units of 1,000 euros

[2] regional distribution of restructuring charges for "Global Excellence" (227 million euros) and National Starch (23 million euros) of 250 million euros as follows: Europe/Africa/Middle East 161 million euros, North America 82 million euros, Latin America 1 million euros, Asia-Pacific 6 million euros

HENKEL: KEY FIGURES BY REGION[1] JANUARY – JUNE 2008

in million euros **Regions**	Europe/ Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	**Henkel**
Sales January – June 2008	**4,402**	**1,249**	**371**	**688**	**120**	**6,830**
Sales January – June 2007	4,227	1,298	342	545	118	6,530
Change versus previous year	4.1 %	–3.8 %	8.5 %	26.3 %	–	4.6 %
After adjusting for foreign exchange	6.0 %	9.9 %	15.2 %	36.3 %	–	9.8 %
Proportion of Henkel sales January – June 2008	**65 %**	**18 %**	**5 %**	**10 %**	**2 %**	**100 %**
Proportion of Henkel sales January – June 2007	65 %	20 %	5 %	8 %	2 %	100 %
EBIT January – June 2008	**484**	**147**	**38**	**67**	**–303[2]**	**433**
EBIT January – June 2007	512	147	27	33	–57	662
Change versus previous year	–5.4 %	–0.2 %	41.0 %	103.2 %	–	–34.6 %
After adjusting for foreign exchange	–4.1 %	14.5 %	50.9 %	125.8 %	–	–31.8 %
Return on sales (EBIT) January – June 2008	**11.0 %**	**11.8 %**	**10.1 %**	**9.8 %**	**–**	**6.3 %**
Return on sales (EBIT) January – June 2007	12.1 %	11.4 %	7.8 %	6.1 %	–	10.1 %

[1] calculated on the basis of units of 1,000 euros

[2] regional distribution of restructuring charges for "Global Excellence" (227 million euros) and National Starch (23 million euros) of 250 million euros as follows: Europe/Africa/Middle East 161 million euros, North America 82 million euros, Latin America 1 million euros, Asia-Pacific 6 million euros

Organic sales in the **Europe/Africa/Middle East** region increased by an encouraging 6.2 percent, with all business sectors contributing. After adjusting for foreign exchange, sales rose by 10.4 percent. In Eastern Europe and Africa/Middle East, we once again achieved significant double-digit organic growth rates, while developments in Western Europe including Germany underwent a slight decline. The operating profit attributable to the region fell by 9.1 percent after adjusting for foreign exchange. Return on sales decreased by 2.2 percentage points to 10.3 percent.

The organic sales figure for the **North America** region increased by a good 3.8 percent. Due to market conditions, we were only able to achieve a slight improvement in organic sales in our Adhesive Technologies business sector. The performance of the Cosmetics/Toiletries business sector was encouraging as was that of Laundry & Home Care following a relatively slow start to the year. The weakness of the US dollar led to a negative foreign exchange impact amounting to 16.3 percent. Sales adjusted for foreign exchange increased by 23.0 percent compared to the prior-year quarter. The businesses acquired from National Starch made a major contribution to these figures. At 38.2 percent after adjusting for foreign exchange, the rise in operating profit outstripped that of sales, with return on sales increasing to 12.1 percent, 1.3 percent above the figure for the prior-year quarter. This is attributable to significant increases at the Laundry & Home Care and Cosmetics/Toiletries business sectors.

We increased our organic sales in the **Latin America** region by 13.3 percent, with all our business sectors contributing. Sales growth adjusted for foreign exchange amounted to 21.0 percent, again boosted by the additional revenues generated by the National Starch businesses. After adjusting for foreign exchange, operating profit rose by 46.0 percent. Return on sales improved compared to the prior-year quarter by 1.7 percentage points to 10.4 percent.

In the **Asia-Pacific** region, our organic sales exceeded that of the prior-year quarter by 6.6 percent, with the increase adjusted for foreign exchange coming in at 58.6 percent, again with all business sectors contributing. After adjusting for foreign exchange, operating profit rose by 165.1 percent. This significant growth in sales and earnings is primarily attributable to the businesses acquired from National Starch. We increased return on sales compared to the prior-year quarter by a gratifying 4.6 percentage points to 11.7 percent.

In our **growth regions** of Eastern Europe, Africa, Middle East, Latin America and Asia (excluding Japan), we increased sales by 19.5 percent to 1,336 million euros, representing a share of consolidated sales of 36 percent. After adjusting for foreign exchange, sales in the growth regions mentioned rose by 27.0 percent. Organic growth amounted to 15.7 percent, with all our business sectors contributing.

Laundry & Home Care

SALES[1)]

in million euros	Q2	1 – 6
2008	**1,012**	**2,043**
2007	**1,024**	**2,093**
Change versus previous year	–1.1 %	–2.4 %

[1)] change figure calculated on the basis of units of 1,000 euros

SALES DEVELOPMENT[1)]

in percent	Q2	1 – 6
Change versus previous year	**–1.1**	**–2.4**
Foreign exchange	–4.7	–3.9
After adjusting for foreign exchange	**3.6**	**1.5**
Acquisitions/Divestments	–0.3	–1.8
Organic	**3.9**	**3.3**

[1)] change figure calculated on the basis of units of 1,000 euros

EBIT[1)]

in million euros	Q2	1 – 6
2008	**96**	**200**
2007	**111**	**228**
Change versus previous year	–14.3 %	–12.7 %
After adjusting for foreign exchange	–9.4 %	–8.9 %

[1)] change figure calculated on the basis of units of 1,000 euros

RETURN ON SALES (EBIT)

in percent	Q2	1 – 6
2008	**9.4**	**9.8**
2007	**10.9**	**10.9**
Change versus previous year	–1.5 pp	–1.1 pp

pp = percentage points

We increased organic sales at the **Laundry & Home Care** business sector by a good 3.9 percent. Foreign exchange had a negative impact of 4.7 percent. While sales in Western Europe fell short of the prior-year level, we once again registered high organic increases in the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia. We also performed well in North America where, after a relatively weak start to the year, we achieved a rate of increase in organic sales exceeding that of the business sector as a whole.

This quarter again saw raw materials increase in price, leading to a significant rise in our input costs. We were still not quite able to completely offset these with increases in our own prices coupled with measures to reduce costs and enhance efficiency.

As a result, operating profit adjusted for foreign exchange was 9.4 percent below the prior-year quarter. Return on sales decreased by 1.5 percentage points to 9.4 percent. Return on capital employed (ROCE) declined by 0.9 percentage points to 15.1 percent.

Organic growth in the *Laundry* segment was primarily due to the regional successes gained in Eastern Europe. Here, both our heavy-duty detergents and our fabric softeners registered a positive sales development. Western Europe, on the other hand, was influenced by heavy price competition. Our sales growth in North America was due to the high level of market acceptance of the change-over to ultra concentrates, and to the successful launch of Purex Natural Elements. The ingredients included in this innovation are largely provided from nature's store, in keeping with consumers' growing environmental awareness.

The organic sales of our *Home Care* segment underwent a substantial increase, with the greatest impetus again coming from Eastern Europe. The major contributors to this sales improvement were our dishwashing detergents and WC cleaning and hygiene products. With the newly launched WC Ente Kraftpaket (WC Duck Power Pack), we once again underlined our innovative capabilities. There was also an increase in air freshener sales in North America, once again contributing to our positive overall performance.

Outlook

We expect organic sales growth in 2008 to be above the market average. Despite the countermeasures that we have introduced, we expect operating profit to reach that of the previous year, only after adjusting for foreign exchange, due to the impact of higher material costs and the strength of the euro.

Cosmetics / Toiletries

SALES[1)]

in million euros	Q2	1 – 6
2008	**779**	**1,487**
2007	**769**	**1,473**
Change versus previous year	1.2 %	0.9 %

[1)] change figure calculated on the basis of units of 1,000 euros

SALES DEVELOPMENT[1)]

in percent	Q2	1 – 6
Change versus previous year	**1.2**	**0.9**
Foreign exchange	–4.6	–4.3
After adjusting for foreign exchange	**5.8**	**5.2**
Acquisitions/Divestments	–0.1	–0.8
Organic	**5.9**	**6.0**

[1)] change figure calculated on the basis of units of 1,000 euros

EBIT[1)]

in million euros	Q2	1 – 6
2008	**99**	**188**
2007	**98**	**180**
Change versus previous year	2.0 %	4.8 %
After adjusting for foreign exchange	8.3 %	10.6 %

[1)] change figure calculated on the basis of units of 1,000 euros

RETURN ON SALES (EBIT)

in percent	Q2	1 – 6
2008	**12.8**	**12.7**
2007	**12.7**	**12.2**
Change versus previous year	0.1 pp	0.5 pp

pp = percentage points

With strong organic sales growth of 5.9 percent, the **Cosmetics/Toiletries** business sector was able to maintain the highly positive trend of the last few quarters. All our regions contributed to this increase. In addition to our extremely positive development in North America, our businesses in Eastern Europe and Latin America also generated strong growth.

Despite rising material costs, operating profit increased by 8.3 percent after adjusting for foreign exchange, outstripping the rise in sales. Consequently, return on sales rose to 12.8 percent. Return on capital employed (ROCE) likewise increased, due also to significant improvements in working capital, by 1.5 percentage points to 18.6 percent.

The *Hair Cosmetics* segment continued its strong growth and we were able to further extend our market positions in all categories. The Hair Care business performed very well thanks to the international relaunch of the Schauma brand and the success of new Gliss Nutri Protect. In the Styling category, the focus was on the international launch of Taft Power Gels Waterproof and, in the case of our colorants, on the roll-out of Diadem Care Gloss.

Our *Body Care* segment likewise put in a positive performance. Developments in the Deodorants business were particularly encouraging with the launch of our innovation Fa Rice Dry, the first Fa deodorant with natural rice extract. Growth in the USA came primarily from the Personal Cleansing business in which we again achieved encouraging results in a difficult market environment, thanks primarily to our ongoing innovation offensive. Major contributions came from our Dial Yogurt body wash and the launch of the Pure & Natural brand, a new body care line based on natural ingredients.

In the *Skin Care* segment, we were able to further expand our market position thanks to the high level of performance of our most important international brand, Diadermine, where the focus was on the launch of our innovative line of anti-oxidants.

Our *Oral Care* segment made further market share gains thanks to the launch of Theramed Titan Fresh and Pro Nature.

Our *Hair Salon* segment continued to post very good organic growth. The innovative strength of our strong brands was again apparent with the launch of the new OSiS Design Mix line and Igora Royal Absolutes, the first anti-aging coloration.

Outlook

We expect organic sales growth in 2008 to be above the market average. We also expect to achieve a further increase in operating profit.

Adhesive Technologies

SALES[1)]

in million euros	Q2	1 – 6
2008	**1,816**	**3,180**
2007	**1,440**	**2,846**
Change versus previous year	26.1 %	11.7 %

[1)] change figure calculated on the basis of units of 1,000 euros

SALES DEVELOPMENT[1)]

in percent	Q2	1 – 6
Change versus previous year	**26.1**	**11.7**
Foreign exchange	–8.5	–6.7
After adjusting for foreign exchange	**34.6**	**18.4**
Acquisitions/Divestments	26.7	13.2
Organic	**7.9**	**5.2**

[1)] change figure calculated on the basis of units of 1,000 euros

EBIT[1)]

in million euros	Q2	1 – 6
2008	**195**	**348**
2007	**162**	**311**
Change versus previous year	21.1 %	12.1 %
After adjusting for foreign exchange	29.3 %	18.3 %

[1)] change figure calculated on the basis of units of 1,000 euros

RETURN ON SALES (EBIT)

in percent	Q2	1 – 6
2008	**10.8**	**11.0**
2007	**11.2**	**10.9**
Change versus previous year	–0.4 pp	0.1 pp

pp = percentage points

Sales of the **Adhesive Technologies** business sector increased by 34.6 percent after adjusting for foreign exchange. This rise is largely due to the acquisition of the National Starch businesses. After also adjusting for acquisitions/divestments, organic sales increased by a very gratifying 7.9 percent. In the face of difficult conditions, we succeeded in slightly increasing organic sales in Western Europe and North America. Our growth regions of Asia, Africa/Middle East, Latin America and Eastern Europe continued to turn in above-average performances with double-digit percentage sales growth.

After adjusting for foreign exchange, operating profit rose by 29.3 percent. This too is primarily attributable to the acquisition. Raw material prices continued to increase significantly. As the effects of our countermeasures are subject to a natural delay, return on sales decreased by 0.4 percentage points to 10.8 percent. Return on capital employed (ROCE) before purchase price allocation increased by 1.0 percentage points to 18.6 percent.

Our *Craftsmen and Consumer* segment was hit by the tough conditions prevailing in North America and Western Europe. Major craftsmen markets in Western Europe showed a decline, and the severe real estate downturn in the USA remains a factor. By contrast, the Eastern European region continued to develop successfully.

We again registered strong growth in the *Building Adhesives* segment, with outstanding results once more coming out of Eastern Europe and North Africa/Middle East.

Our *Industry* segment benefited significantly from the acquisition while also performing well in organic terms. We succeeded in increasing sales in Western Europe despite the difficult business environment. Our markets in the USA are currently being adversely affected by significant declines in the automotive industry and signs of a weakening market for consumer goods. Our products for industrial maintenance, repair and overhaul under the Loctite brand again posted positive results. Our activities in the automotive and durable goods sectors were stepped up with the launch of TecTalis, an innovative metal pre-treatment product. The performance of the National Starch businesses eased slightly in the face of a slowdown in the markets for semiconductors and electronic products.

Outlook

We expect organic sales growth in 2008 to be above the market average. The raw materials markets remain strained and we will therefore need to continue implementing appropriate countermeasures. Taking into account the acquisition, we expect to achieve a significant increase in operating profit.

Half Year Financial Report 2008

"Global Excellence" Restructuring Program

Back in February, Henkel announced the main framework of a worldwide program called "Global Excellence" aligned to increasing efficiency. This initiative was undertaken because market conditions are changing at an accelerating rate, the competitive environment is becoming increasingly difficult and cost pressures are rising.

"Global Excellence" provides for a number of individual measures affecting all business sectors, regions and functions of the company, the aim being to permanently strengthen the profitability and long-term competitiveness of Henkel. The measures will require a one-time charge of some 500 million euros that, due to the strategic alignment of the program and its importance for the further development of the Henkel Group as a whole, will be booked to the Corporate segment and then allocated to the business sectors. Restructuring charges for "Global Excellence" amounting to 227 million euros were incurred in the second quarter. Of this amount, 89 million euros relate to the Laundry & Home Care business sector, 59 million euros to Cosmetics/Toiletries, 47 million euros to Adhesive Technologies and 32 million euros to Corporate functions. In regional terms, 158 million euros relate to Europe/Africa/Middle East, 65 million euros to North America, 1 million euros to Latin America and 3 million euros to Asia-Pacific.

The purpose of the "Global Excellence" initiative is to achieve annual savings of about 150 million euros with effect from 2011.

Essentially, we have introduced the "Global Excellence" program in order to make Henkel more competitive. The concept comprises measures to respond to changes in our markets, improve our production network and expand our utilization of shared services.

A major step in this regard involves the reorganization of Corporate Research. The Corporate Research division is being dissolved and its research departments incorporated in the research units of the market-aligned business sectors, strengthening their own research activities and reinforcing our operating responsiveness by significantly reducing the time lag from idea to market-ready product.

A further important measure involves strengthening our production capability in Germany. For example, we are planning to concentrate detergent production in Düsseldorf and to invest in the expansion and modernization of detergent production at Henkel's parent site. The manufacture of liquid detergents at our Genthin site is to be discontinued as of the end of 2009 because the production and transport costs involved are no longer competitive.

As indicated above, the "Global Excellence" initiative also provides for increased usage of our shared services. The Shared Service Center in Bratislava, Slovakia, is, for example, to be expanded with transfer of our European financial activities to that base, enabling us to achieve further process standardization and economies of scale.

Underlying Trading Conditions

The world economy lost some of its dynamism in the first half of the year but, measured on the basis of total domestic product, continued to exhibit growth. There is still the risk of a mild recession in the US economy. In Europe, robust developments in Germany contrasted with increasing weakness in Spain, the UK and Italy. The emerging economies in Latin America and especially Asia and Eastern Europe continued to show strong growth.

Despite the issue of tax credits, private consumption in the USA experienced no more than a slight stimulus. Western Europe's consumers exhibited a degree of reluctance to spend. Meanwhile, consumer spending in Eastern Europe and Latin America once again underwent a significant increase. Although the rise in private consumption in Asia remained below that of gross domestic product, the rates of increase remained high compared to those encountered in Europe.

Industrial development worldwide remained sluggish. In the USA and parts of Western Europe in particular, manufacturing levels were only slightly above the prior-year period. However, industrial production in Germany underwent somewhat faster expansion. Although easing slightly, the rate of industrial growth in the emerging economies stayed high.

Sectors of Importance for Henkel

Developments in the industries of importance for us showed a mixed regional and sectoral picture. The decline in the US automotive industry continued while, in the growth regions, this sector again enjoyed high expansion rates. In the electronics industry, there was a further decline in semiconductor growth. The packaging industry and metals sector both underwent expansion, albeit at a slightly reduced rate. The downturn in the US construction industry continued unabated while building activity in Eastern Europe, Latin America and Asia remained brisk.

Business Performance First Half 2008

Statement of Income

In the first half of 2008, we achieved a gratifying rate of organic sales growth (adjusted for foreign exchange and acquisitions/divestments) amounting to 4.8 percent, which was above our forecast of 3 to 4 percent for the year as a whole. Adjusted for foreign exchange alone, sales rose by a significant 9.8 percent. Despite the negative currency effects, total sales increased by 4.6 percent to 6,830 million euros, to which the National Starch businesses, consolidated as of April 3, 2008, also contributed.

All our business sectors supported our organic sales growth, each performing better than their relevant markets. At Laundry & Home Care, organic growth amounted to 3.3 percent, despite the high prior-year basis generated by the Persil centennial. Cosmetics/Toiletries continued its positive trend, posting a dynamic growth rate of 6.0 percent, and in the Adhesive Technologies business sector, organic sales growth came in at a good 5.2 percent.

Compared to the first half of 2007, gross margin decreased by 3.0 percentage points to 43.8 percent. The two main reasons for this are: first, the restructuring charges arising primarily out of our efficiency enhancement program "Global Excellence", and second, the further strong increases in raw material and packaging prices which we were unable to completely offset with our countermeasures. The first-time consolidation of the National Starch businesses also had an impact, albeit to a lesser extent. Without the restructuring charges and the acquisition, the gross margin would have decreased only slightly. The following expense items were also impacted by these two effects: marketing, selling and distribution expenses rose by 3.7 percent (albeit with a fall of 0.3 percentage points to 29.1 percent of sales) our research and development expenses totaled 184 million euros, representing 2.7 percent of sales; and administrative expenses rose by 30.4 percent. The precise distribution of the restructuring charges between the various expense items is indicated on page 17. The net balance from other operating income and charges rose from 16 million euros to 26 million euros. Included in other operating income is a gain of 8 million euros from the disposal of the water treatment business of the Adhesive Technologies business sector, and 3 million euros from the sale of cosmetics brands in the USA regarded as non-core activities within our portfolio. The other operating charges figure includes 6 million euros in consultancy costs relating to the integration of the National Starch businesses.

The restructuring charges, all of which have been incorporated under the various expense headings, increased significantly from 23 million euros to 262 million euros. Of this amount, 227 million euros were attributable to “Global Excellence”, 23 million euros to the integration of the National Starch businesses and 12 million euros to ordinary restructuring activities.

Operating profit (EBIT) decreased by 34.6 percent to 433 million euros, due primarily to the restructuring charges. After adjusting for these restructuring charges, the gains from the disposal of the water treatment business and the US cosmetics brands and also for the consultancy costs, adjusted operating profit (“adjusted EBIT”) increased by 1.9 percent, from 677 million euros to 690 million euros.

Return on sales (EBIT) amounted to 6.3 percent, while adjusted return on sales (“adjusted EBIT margin”) decreased from 10.4 percent to 10.1 percent. This is primarily due to the heavy impact of raw material price increases on the Laundry & Home Care business sector.

Due mainly to the restructuring charges, return on capital employed (ROCE) decreased by 5.1 percentage points to 9.9 percent.

Our investment result, mainly attributable to income from our participation in Ecolab, remained constant at 43 million euros, despite the weaker US dollar. Net interest expense increased by 36 million euros to −122 million euros. This is due to the higher net debt arising from payment of the purchase price for the acquisition of the National Starch businesses, and also to the rise in interest rate levels. Consequently, the financial result underwent a similar change from −43 million euros to −79 million euros. The tax rate is 25.1 percent (previous year: 27.5 percent), calculated on the basis of the tax rate anticipated for the year.

Due to the lower EBIT figure and the increase in the negative financial result, net earnings for the half year decreased by 41.0 percent to 265 million euros. After minority interests totaling 8 million euros, net earnings for the half year amounted to 257 million euros (−41.5 percent). Adjusted half-yearly net earnings after minority interests decreased by 0.9 percent to 445 million euros. Earnings per preferred share (EPS) declined by 41.2 percent to 0.60 euros. Adjusted earnings per preferred share decreased by 1.9 percent to 1.03 euros.

Balance Sheet

Compared to the end of the previous year (December 31, 2007), the balance sheet has been mainly affected by the first-time inclusion of the National Starch businesses. As a consequence, the **balance sheet total** as of June 30, 2008 rose by 2,775 million euros to 15,823 million euros.

Under the **non-current assets** heading, intangible assets decreased by 200 million euros due to foreign exchange effects. The inclusion of the provisional difference between the purchase price and the net assets arising from the acquisition of the National Starch businesses, prior to adjustment through purchase price allocation per IFRS 3, is 2,628 million euros. The increase in property, plant and equipment amounting to 258 million euros is attributable to the inclusion of the acquired National Starch businesses. The increase in financial assets is essentially due to the equity pickup for our investment in Ecolab Inc., USA, which is accounted for by the at-equity method, and to the reclassification of investments that are now excluded from the consolidation.

Overall, **current assets** remained at the level as at the end of the previous year, although individual items have undergone significant change. We utilized liquid funds for the acquisition of the National Starch businesses in the amount of approx. 1.1 billion euros. Inventories and accounts receivable rose by a total of 711 million euros. Included in miscellaneous assets are claims against Akzo Nobel for transfers of National Starch businesses that have yet to be completed.

Shareholders’ equity including minority interests decreased from 5,706 million euros to 5,440 million euros. Here, the net earnings for the half year amounting to 265 million euros were offset primarily by deductions of 235 million euros arising from currency translation differences, actuarial losses of 36 million euros with respect to pension obligations, and impairments of derivatives taken to equity in the amount of 56 million euros. The dividend payouts for the previous financial year, amounting to 227 million euros (of which Henkel AG & Co. KGaA[1]: 224 million euros), also reduced equity. The equity ratio (shareholders' equity including minority interests as a percentage of total assets) decreased by 9.3 percentage points to 34.4 percent due to the increase in the balance sheet total arising from the acquisition of the National Starch businesses.

Non-current liabilities decreased by 11 million euros. There was an increase in pension provisions due to the assumption of obligations for retirement benefits with respect to the acquired National Starch businesses. By contrast, there was a decrease in long-term borrowings and deferred tax liabilities. We also released certain long-term income tax provisions following the successful conclusion of the associated tax audits.

Developments in **current liabilities**, which increased by 3,052 million euros, primarily reflect the provisional financing of the acquisition of the National Starch businesses: the short-term borrowings in the form of bank loans and commercial papers increased by 2,724 million euros to 3,562 million euros. As a result of the expansion in business resulting from inclusion of the National Starch operations, trade accounts payable also increased by 285 million euros.

Net debt, i.e. borrowings less liquid funds, increased by 3,744 million euros to 5,446 million euros.

Cash Flow Statement

Cash flow from operating activities decreased by 270 million euros compared to the prior-year period.

The higher outgoing **cash flow from investing activities/acquisitions** is due in the first instance to payments for the acquisition of the National Starch businesses, and secondly to lower proceeds from business divestments and asset disposals.

Cash flow from financing activities increased by 2,826 million euros to 2,666 million euros, reflecting the funds borrowed for the acquisition of the National Starch businesses.

There was a further cash outflow arising from the utilization of **liquid funds** for the same acquisition.

Free cash flow decreased by 378 million euros to −273 million euros, due primarily to the lower level of cash flow from operating activities and the higher increase in net interest expense.

Capital Expenditures

Capital expenditures on property, plant and equipment for continuing operations amounted to 234 million euros, compared to 221 million euros in the previous year. A total of 9 million euros was invested in intangible assets (previous year: 18 million euros).

Acquisitions and Divestments

Effective January 14, 2008, we sold our industrial water treatment business to BK Giulini, Ludwigshafen, Germany. Please refer to page 23 for more details of our acquisition of the Adhesives and Electronic Materials businesses, effective April 3, 2008, from the National Starch & Chemicals Company of Akzo Nobel. On May 20, 2008, we sold four US brands of the Cosmetics/Toiletries business sector: Nature's Family, Topol, Porcelana and Lilt. In 2007, these non-core brands generated sales of around 4 million euros. The divestments are in line with our strategy of focusing on our core businesses and hence disposing of marginal activities.

Employees

As of June 30, 2008, the number of employees at Henkel was 57,950, of which 5,143 were added as the result of the acquisition of the National Starch businesses. The proportion of employees working outside Germany rose to 82.5 percent.

Research and Development

Expenses for research and development increased to 184 million euros (+4.5 percent). This corresponds to 2.7 percent of sales (previous year: 2.7 percent).

Major Participation

Henkel has a 29.4 percent stake in Ecolab Inc., St. Paul, Minnesota, USA. In the first half of 2008, Ecolab Inc. generated sales of 3,028 million US dollars (+15.7 percent). Net earnings for the first half year rose compared to the same period in the previous year by 21.1 percent to 241.9 million US dollars. The market value of our Ecolab participation as of June 30, 2008 amounted to around 2.0 billion euros.

[1] The change in the company name to Henkel AG & Co. KGaA became effective as of the end of the 2008 Annual General Meeting on April 14, 2008.

Outlook

Underlying Trading Conditions

The world economic climate has become somewhat gloomier. High raw material costs and signs of a decline in the rate of growth in the developed industrial regions are presenting an increasing challenge. There is still the risk of a mild recession developing in the USA. Some European countries such as the UK, Spain and Italy are also showing indications of a cool-down, and even in the German economy, so robust to date, there are some indications of an economic slowdown.

Consequently, it is anticipated that consumption in the USA and Europe will undergo no more than sluggish growth. Encouragingly, there is no noticeable cooling in business activity in the emerging economies. Industrial production in the industrialized countries is losing momentum, therefore any boost that it gives to the economy as a whole is likely to be minor.

There is no sign of any relief with respect to raw material prices. Against this background, we now anticipate a rise in our own expenditures on raw materials, packaging, merchandise and contract manufacturing in the high single-digit percentage range. We intend to respond to rising costs with further countermeasures and price increases of our own.

Opportunities and Risks

Despite the expected slowdown in growth in the more mature markets, we see opportunities arising from the still generally favorable prevailing world economic conditions. Opportunities also result from our increased commitment to innovation and the fact that we are already very well positioned in the dynamically developing growth markets.

We see a risk in the possibility of a deep recession occurring in the USA and of contagion to other regions of the world. There is also the risk that the prices of raw materials could further increase. We also envisage risks arising from the still very weak US dollar. For further specific opportunities and risks, please refer to the individual business sector reports appearing in our 2007 annual report.

Updated Sales and Profit Forecast 2008

Given the business developments of the first half of 2008 and taking into account the National Starch businesses acquired as of April 3, we have specified our sales and profit forecast for full fiscal 2008 as follows:

We expect to achieve organic sales growth (after adjusting for foreign exchange and acquisitions/divestments) of 3 to 5 percent.

We expect to increase operating profit adjusted for restructuring charges and one-time gains and charges (“adjusted EBIT”) at the lower end of the mid teens percentage range (2007 base: 1,370 million euros).

We expect to increase earnings per preferred share adjusted for restructuring charges and one-time gains and charges (“adjusted EPS”) at the lower end of the mid single-digit percentage range (2007 base: 2.19 euros).

Included in this forecast are the initial savings arising from the “Global Excellence” efficiency enhancement program and from the integration of the National Starch businesses. We further anticipate that the currently weak US dollar will recover in the course of the second half of the year.

Not included in this forecast are any influences arising from the sale in part or in whole of our stake in Ecolab, the purchase price allocation for the acquired National Starch businesses that still has to be carried out, and the tax effects relating to a possible Ecolab transaction, the acquisition and the restructuring charges.

ADJUSTED EBIT AND EPS 2007

in million euros		2007
EBIT (as reported)		**1,344**
One-time gains		–8
One-time charges		–
Restructuring charges		34
Adjusted EBIT		**1,370**
Adjusted return on sales	*in %*	***10.5***
Adjusted earnings per preferred share	**in euros**	**2.19**

Consolidated Statement of Income

in million euros	Q2/2007	%	Q2/2008	%	Change
Sales	**3,293**	**100.0**	**3,668**	**100.0**	**11.4 %**
Cost of sales[1]	–1,748	–53.1	–2,149	–58.6	22.9 %
Gross profit	**1,545**	**46.9**	**1,519**	**41.4**	**–1.7 %**
Marketing, selling and distribution expenses[1]	–975	–29.6	–1,063	–29.0	9.0 %
Research and development expenses[1]	–91	–2.8	–98	–2.7	7.7 %
Administrative expenses[1]	–153	–4.6	–254	–6.9	66.0 %
Other operating income[2]	42	1.2	37	1.0	–11.9 %
Other operating charges[2]	–29	–0.8	–28	–0.7	3.4 %
Operating profit (EBIT)	**339**	**10.3**	**113**	**3.1**	**–66.5 %**
Investment result	24	0.7	24	0.7	–
Net interest	–37	–1.1	–84	–2.3	>100.0 %
Financial result	**–13**	**–0.4**	**–60**	**–1.6**	**>100.0 %**
Earnings before tax	**326**	**9.9**	**53**	**1.5**	**–83.7 %**
Taxes on income	–87	–2.6	–11	–0.3	–87.4 %
Net earnings for the quarter	**239**	**7.3**	**42**	**1.2**	**–82.4 %**
Minority interests	–5	–0.2	–4	–0.1	–20.0 %
Net earnings for the quarter after minority interests	**234**	**7.1**	**38**	**1.1**	**–83.8 %**
Basic earnings per preferred share (in euros)	**0.54**		**0.09**		**–83.3 %**
Basic earnings per ordinary share (in euros)	**0.53**		**0.09**		**–83.0 %**
Diluted earnings per preferred share (in euros)	**0.54**		**0.08**		**–85.2 %**
Diluted earnings per ordinary share (in euros)	**0.53**		**0.07**		**–86.8 %**

[1] distribution of restructuring charges of 256 million euros in 2008 as follows: cost of sales 129 million euros; marketing, selling and distribution expenses 61 million euros; research and development expenses 1 million euros; administrative expenses 65 million euros [2] prior-year amount restated; included therein: net result from the translation of operating receivables and liabilities denominated in foreign currencies, and net result from the fair value measurement of operational hedging instruments

in million euros	1 – 6/2007	%	1 – 6/2008	%	Change
Sales	**6,530**	**100.0**	**6,830**	**100.0**	**4.6 %**
Cost of sales[1]	–3,474	–53.2	–3,836	–56.2	10.4 %
Gross profit	**3,056**	**46.8**	**2,994**	**43.8**	**–2.0 %**
Marketing, selling and distribution expenses[1]	–1,912	–29.4	–1,983	–29.1	3.7 %
Research and development expenses[1]	–176	–2.7	–184	–2.7	4.5 %
Administrative expenses[1]	–322	–4.9	–420	–6.1	30.4 %
Other operating income[2]	63	1.0	68	1.0	7.9 %
Other operating charges[2]	–47	–0.7	–42	–0.6	–10.6 %
Operating profit (EBIT)	**662**	**10.1**	**433**	**6.3**	**–34.6 %**
Investment result	43	0.7	43	0.7	–
Net interest	–86	–1.4	–122	–1.8	41.9 %
Financial result	**–43**	**–0.7**	**–79**	**–1.1**	**83.7 %**
Earnings before tax	**619**	**9.4**	**354**	**5.2**	**–42.8 %**
Taxes on income	–170	–2.5	–89	–1.3	–47.6 %
Net earnings for the half year	**449**	**6.9**	**265**	**3.9**	**–41.0 %**
Minority interests	–10	–0.2	–8	–0.1	–20.0 %
Net earnings for the half year after minority interests	**439**	**6.7**	**257**	**3.8**	**–41.5 %**
Basic earnings per preferred share (in euros)	**1.02**		**0.60**		**–41.2 %**
Basic earnings per ordinary share (in euros)	**1.01**		**0.59**		**–41.6 %**
Diluted earnings per preferred share (in euros)	**1.02**		**0.58**		**–43.1 %**
Diluted earnings per ordinary share (in euros)	**1.01**		**0.57**		**–43.6 %**

[1] distribution of restructuring charges of 262 million euros in 2008 as follows: cost of sales 130 million euros; marketing, selling and distribution expenses 62 million euros; research and development expenses 1 million euros; administrative expenses 69 million euros [2] prior-year amount restated; included therein: net result from the translation of operating receivables and liabilities denominated in foreign currencies, and net result from the fair value measurement of operational hedging instruments

Adjusted Earnings Figures

in million euros		Q2/2007	Q2/2008
EBIT (as reported)		**339**	**113**
One-time gains		–8	–3
One-time charges		–	6
Restructuring charges		14	256[1]
Adjusted EBIT		**345**	**372**
Adjusted return on sales	***in %***	***10.5***	***10.1***
Adjusted quarterly net earnings after minority interests		**238**	**227**
Adjusted earnings per preferred share	**in euros**	**0.55**	**0.52**

[1] of which 227 million euros from "Global Excellence", 23 million euros from National Starch and 6 million euros from ordinary activities

in million euros		1 – 6/2007	1 – 6/2008
EBIT (as reported)		**662**	**433**
One-time gains		–8	–11
One-time charges		–	6
Restructuring charges		23	262[1]
Adjusted EBIT		**677**	**690**
Adjusted return on sales	***in %***	***10.4***	***10.1***
Adjusted half-yearly net earnings after minority interests		**449**	**445**
Adjusted earnings per preferred share	**in euros**	**1.05**	**1.03**

[1] of which 227 million euros from "Global Excellence", 23 million euros from National Starch and 12 million euros from ordinary activities

Consolidated Statement of Recognized Income and Expense

in million euros	1 – 6/2007	1 – 6/2008
Net earnings for the half year	**449**	**265**
Foreign exchange	–70	–235
Financial instruments	2	–56
Actuarial gains/losses	33	–36
Other gains and losses recognized in equity	1	5
Share of net profits of associates	–61	14
Gains and losses recognized directly in equity	**–95**	**–308**
Total earnings for the period	**354**	**–43**
– Minority shareholders	12	–2
– Equity holders of Henkel AG & Co. KGaA[1]	342	–41

[1] The change in the company name to Henkel AG & Co. KGaA became effective as of the end of the 2008 Annual General Meeting on April 14, 2008.

Consolidated Balance Sheet

ASSETS

in million euros	Dec. 31, 2007	%	**June 30, 2008**	%
Intangible assets	4,940	37.9	4,740	30.0
Provisional difference arising from acquisition of the National Starch businesses	–	–	2,628	16.6
Property, plant and equipment	2,077	15.9	2,335	14.8
Investments in associates	*495*	*3.8*	*538*	*3.4*
Other investments	*33*	*0.3*	*35*	*0.2*
Financial assets	528	4.1	573	3.6
Other financial assets	66	0.5	61	0.4
Income tax refund claims	4	–	4	–
Other non-current assets	67	0.5	63	0.4
Deferred taxes	249	1.9	272	1.7
Non-current assets	**7,931**	**60.8**	**10,676**	**67.5**
Inventories	1,283	9.8	1,464	9.3
Trade accounts receivable	1,694	13.0	2,224	14.0
Other financial assets	170	1.3	483	3.1
Miscellaneous assets	315	2.4	380	2.4
Income tax refund claims	90	0.7	123	0.8
Liquid funds/Marketable securities	1,440	11.0	356	2.2
Assets held for sale	125	1.0	117	0.7
Current assets	**5,117**	**39.2**	**5,147**	**32.5**
Total assets	**13,048**	**100.0**	**15,823**	**100.0**

SHAREHOLDERS' EQUITY AND LIABILITIES

in million euros	Dec. 31, 2007	%	**June 30, 2008**	%
Equity excluding minority interests	**5,643**	**43.2**	**5,383**	**34.0**
Minority interests	63	0.5	57	0.4
Equity including minority interests	**5,706**	**43.7**	**5,440**	**34.4**
Provisions for pensions and similar obligations	657	5.0	748	4.7
Long-term income tax provisions	100	0.8	69	0.4
Other long-term provisions	119	0.9	139	0.9
Long-term borrowings	2,304	17.7	2,240	14.1
Non-current financial liabilities	147	1.1	200	1.3
Other non-current liabilities	10	0.1	8	0.1
Deferred taxes	314	2.4	236	1.5
Non-current liabilities	**3,651**	**28.0**	**3,640**	**23.0**
Short-term provisions for taxes	152	1.2	154	1.0
Short-term provisions	763	5.9	812	5.1
Short-term borrowings	838	6.4	3,562	22.5
Trade accounts payable	1,477	11.3	1,762	11.1
Current financial liabilities	246	1.9	151	1.0
Other current liabilities	200	1.5	281	1.8
Income tax liabilities	15	0.1	21	0.1
Current liabilities	**3,691**	**28.3**	**6,743**	**42.6**
Total equity and liabilities	**13,048**	**100.0**	**15,823**	**100.0**

Consolidated Cash Flow Statement

in million euros	1 – 6/2007	**1 – 6/2008**
Operating profit (EBIT)	**662**	**433**
Income taxes paid	–133	–196
Amortization/depreciation/write-ups of non-current assets (excluding financial assets)	172	243
Net gains/losses on disposal of non-current assets (excluding financial assets)	–6	–8
Change in inventories	–124	–89
Change in trade accounts receivable	–271	–241
Change in other receivables and miscellaneous assets	–121	–154
Change in trade accounts payable	120	–26
Change in other liabilities and provisions	33	100
Cash flow from operating activities	**332**	**62**
Purchase of intangible assets	–18	–9
Purchase of property, plant and equipment	–221	–234
Purchase of financial assets/acquisitions	–1	–3,625
Proceeds on disposal of subsidiaries and business units	90	56
Proceeds on disposal of other non-current assets	39	19
Cash flow from investing activities/acquisitions	**–111**	**–3,793**
Henkel AG & Co. KGaA[1] dividends	–211	–224
Subsidiary company dividends (to other shareholders)	–7	–3
Interest received	64	48
Dividends received	17	15
Interest paid	–198	–230
Dividends and interest paid and received	*–335*	*–394*
Change in borrowings	162	3,056
Other financing transactions	13	4
Cash flow from financing activities	**–160**	**2,666**
Change in cash and cash equivalents due to movements in funds	**61**	**–1,065**
Change in cash and cash equivalents due to exchange rate movements	–19	–19
Change in liquid funds and marketable securities	**42**	**–1,084**
Liquid funds and marketable securities at January 1	929	1,440
Liquid funds and marketable securities at June 30	971	356

[1] The change in the company name to Henkel AG & Co. KGaA became effective as of the end of the 2008 Annual General Meeting on April 14, 2008.

COMPUTATION OF FREE CASH FLOW

in million euros	1 – 6/2007	**1 – 6/2008**
Cash flow from operating activities	332	62
Purchase of intangible assets	–18	–9
Purchase of property, plant and equipment	–221	–234
Proceeds on disposal of subsidiaries and business units	90	56
Proceeds on disposal of other non-current assets	39	19
Dividends received/Net interest	–117	–167
Free cash flow	**105**	**–273**

Group Segment Report by Business Sector[1)]

SECOND QUARTER 2008

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesive Technologies	**Operating business sectors total**	Corporate	**Henkel**
Sales April – June 2008	**1,012**	**779**	**1,816**	**3,607**	**61**	**3,668**
Change from previous year	–1.1 %	1.2 %	26.1 %	11.6 %	–	11.4 %
Proportion of Group sales	28 %	21 %	49 %	98 %	2 %	100 %
Sales April – June 2007	1,024	769	1,440	3,233	60	3,293
EBITDA April – June 2008	**123**	**111**	**242**	**476**	**–202**	**274**
EBITDA April – June 2007	139	109	201	449	–23	426
Change from previous year	–11.7 %	2.3 %	20.1 %	5.9 %	–	–35.5 %
Return on sales (EBITDA) April – June 2008	**12.2 %**	**14.3 %**	**13.3 %**	**13.2 %**	**–**	**7.5 %**
Return on sales (EBITDA) April – June 2007	13.6 %	14.1 %	14.0 %	13.9 %	–	12.9 %
Amortization/depreciation of trademark rights, other rights and property, plant and equipment April – June 2008	**27**	**12**	**47**	**86**	**75**	**161**
Amortization/depreciation of trademark rights, other rights and property, plant and equipment April – June 2007	28	11	39	78	9	87
EBIT April – June 2008	**96**	**99**	**195**	**390**	**–277[2)]**	**113**
EBIT April – June 2007	111	98	162	371	–32	339
Change from previous year	–14.3 %	2.0 %	21.1 %	5.4 %	–	–66.5 %
Return on sales (EBIT) April – June 2008	**9.4 %**	**12.8 %**	**10.8 %**	**10.8 %**	**–**	**3.1 %**
Return on sales (EBIT) April – June 2007	10.9 %	12.7 %	11.2 %	11.0 %	–	10.3 %
Return on capital employed (ROCE) April – June 2008	**15.1 %**	**18.6 %**	**18.6 %**	**17.6 %**	**–**	**5.0 %**
Return on capital employed (ROCE) April – June 2007	16.0 %	17.1 %	17.6 %	16.9 %	–	15.4 %
Capital employed April – June 2008	**2,532**	**2,133**	**4,220**	**8,885**	**191**	**9,076**
Capital employed April – June 2007	2,792	2,277	3,682	8,751	82	8,833
Change from previous year	–9.3 %	–6.3 %	14.6 %	1.5 %	–	2.8 %
Capital expenditures (excl. financial assets) April – June 2008	**25**	**1**	**54**	**80**	**49**	**129**
Capital expenditures (excl. financial assets) April – June 2007	42	17	23	82	13	95
Operating assets April – June 2008	**3,771**	**2,717**	**5,751**	**12,239**	**499**	**12,738**
Operating liabilities April – June 2008	**1,120**	**796**	**1,876**	**3,792**	**306**	**4,098**
Net operating assets employed April – June 2008	**2,651**	**1,921**	**3,875**	**8,447**	**193**	**8,640**
Operating assets April – June 2007	4,178	2,991	4,767	11,936	371	12,307
Operating liabilities April – June 2007	1,230	880	1,363	3,473	289	3,762
Net operating assets employed April – June 2007	2,948	2,111	3,404	8,463	82	8,545

1) calculated on the basis of units of 1,000 euros

2) distribution of restructuring charges for “Global Excellence” (227 million euros) and National Starch (23 million euros) of 250 million euros by business sector as follows: Laundry & Home Care 89 million euros; Cosmetics/Toiletries 59 million euros; Adhesive Technologies 70 million euros; Corporate 32 million euros

Group Segment Report by Business Sector[1)]

JANUARY – JUNE 2008

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesive Technologies	**Operating business sectors total**	Corporate	**Henkel**
Sales January – June 2008	**2,043**	**1,487**	**3,180**	**6,710**	**120**	**6,830**
Change from previous year	–2.4 %	0.9 %	11.7 %	4.6 %	–	4.6 %
Proportion of Group sales	30 %	22 %	46 %	98 %	2 %	100 %
Sales January – June 2007	2,093	1,473	2,846	6,412	118	6,530
EBITDA January – June 2008	**254**	**212**	**431**	**897**	**–221**	**676**
EBITDA January – June 2007	284	204	388	876	–42	834
Change from previous year	–10.4 %	3.9 %	11.1 %	2.4 %	–	–18.9 %
Return on sales (EBITDA) January – June 2008	**12.5 %**	**14.2 %**	**13.6 %**	**13.4 %**	**–**	**9.9 %**
Return on sales (EBITDA) January – June 2007	13.6 %	13.8 %	13.6 %	13.7 %	–	12.8 %
Amortization/depreciation of trademark rights, other rights and property, plant and equipment January – June 2008	**54**	**24**	**83**	**161**	**82**	**243**
Amortization/depreciation of trademark rights, other rights and property, plant and equipment January – June 2007	56	24	77	157	15	172
EBIT January – June 2008	**200**	**188**	**348**	**736**	**–303[2)]**	**433**
EBIT January – June 2007	228	180	311	719	–57	662
Change from previous year	–12.7 %	4.8 %	12.1 %	2.4 %	–	–34.6 %
Return on sales (EBIT) January – June 2008	**9.8 %**	**12.7 %**	**11.0 %**	**11.0 %**	**–**	**6.3 %**
Return on sales (EBIT) January – June 2007	10.9 %	12.2 %	10.9 %	11.2 %	–	10.1 %
Return on capital employed (ROCE) January – June 2008	**15.7 %**	**17.6 %**	**18.0 %**	**17.2 %**	**–**	**9.9 %**
Return on capital employed (ROCE) January – June 2007	16.2 %	15.7 %	17.0 %	16.4 %	–	15.0 %
Capital employed January – June 2008	**2,549**	**2,133**	**3,879**	**8,561**	**152**	**8,713**
Capital employed January – June 2007	2,817	2,284	3,659	8,760	68	8,828
Change from previous year	–9.5 %	–6.6 %	6.0 %	–2.3 %	–	–1.3 %
Capital expenditures (excl. financial assets) January – June 2008	**68**	**21**	**98**	**187**	**56**	**243**
Capital expenditures (excl. financial assets) January – June 2007	83	34	107	224	15	239
Operating assets January – June 2008	**3,818**	**2,721**	**5,143**	**11,682**	**425**	**12,107**
Operating liabilities January – June 2008	**1,146**	**798**	**1,619**	**3,563**	**273**	**3,836**
Net operating assets employed January – June 2008	**2,672**	**1,923**	**3,524**	**8,119**	**152**	**8,271**
Operating assets January – June 2007	4,202	3,000	4,707	11,909	360	12,269
Operating liabilities January – June 2007	1,227	886	1,353	3,466	292	3,758
Net operating assets employed January – June 2007	2,975	2,114	3,354	8,443	68	8,511

[1)] calculated on the basis of units of 1,000 euros

[2)] distribution of restructuring charges for "Global Excellence" (227 million euros) and National Starch (23 million euros) of 250 million euros by business sector as follows: Laundry & Home Care 89 million euros; Cosmetics/Toiletries 59 million euros; Adhesive Technologies 70 million euros; Corporate 32 million euros

Acquisition of the National Starch Businesses

On April 3, 2008, we acquired the Adhesives and Electronic Materials businesses from the National Starch & Chemical Company following the takeover of the latter by Akzo Nobel. In 2007, these segments generated sales of 1.83 billion euros (1.25 billion pounds sterling). The purchase price according to the contract dated August 13, 2007, a so-called back-to-back agreement, was 3.7 billion euros (2.7 billion pounds sterling).

The purchase price allocation of the acquisition to the acquired assets and liabilities in accordance with IFRS 3 "Business Combinations" has, due to the size and complexity of the transaction, not yet been completed. The provisional difference determined for the purpose of this report is 2,628 million euros and has been disclosed under a separate heading in the balance sheet.

The still ongoing purchase price allocation process serves to finally assign the acquisition costs to the fair values of the assets, liabilities and contingent liabilities; also taken into account in this regard are the fair values of previously unrecognized intangible assets assignable to the acquired activities, such as customer relationships, technologies and brands. It should be noted that the purchase price allocation will lead to the recognition of hidden reserves and hidden charges in the assets, liabilities and contingent liabilities of the acquired businesses, and thus to expenses in the form of additionally accruing depreciation and amortization charges against income.

The following table shows the reconciliation between the purchase price and the provisional difference after deduction of the book values of the acquired assets and liabilities.

In November 2007, we entered into a cash flow hedge to mitigate the currency risk attached to the purchase price payable for the National Starch businesses. Settlement of this transaction in April 2008 gave rise to a fair value of −332 million euros. In compliance with the requirements of IAS 39, we have recognized this amount as a deduction to Group equity. Moreover, due to the fact that certain approvals under anti-trust law are still outstanding, certain individual assets have yet to be transferred to Henkel. These have been disclosed as of April 3 in the form of a claim against Akzo Nobel for the transfer of assets totaling 144 million euros. Both these amounts have to be deducted from the purchase price when determining the provisional difference.

The book values of the acquired assets and liabilities are defined in accordance with the terms of the back-to-back agreement and the information given in the already partly audited opening balance sheets relating to the acquired activities as of April 3, 2008, to which the accounting and valuation methods of the Henkel Group were applied:

RECONCILIATION OF PURCHASE PRICE WITH PROVISIONAL DIFFERENCE

in million euros	
Purchase price	3,688
Fair value of cash flow hedge	–332
Assets to be transferred by Akzo Nobel	–144
Adjusted purchase price	3,212
Incidental acquisition costs	22
Acquisition costs for the National Starch businesses	3,234
Book values of the acquired assets and liabilities	–606
Provisional difference	**2,628**

The acquisition of the Adhesives and Electronic Materials businesses of National Starch has had the following influence on the assets and liabilities of the Henkel Group, these calculations having been based on the audited or, in some cases, still provisional opening balance sheets (before purchase price allocation in each case):

BOOK VALUE OF THE ACQUIRED ASSETS AND LIABILITIES

in million euros	Date of acquisition[1]
Non-current assets	474
Current assets	688
Liquid funds/Marketable securities less bank debt	51
Non-current liabilities/Long-term provisions	145
Current liabilities/Short-term provisions	462
Book value of the acquired assets and liabilities	**606**

[1] In the case of minor parts of the acquisition, the date of acquisition deviates from April 3, 2008.

From April 3, 2008 to June 30, 2008, the Adhesives and Electronic Materials businesses acquired from National Starch contributed 380 million euros to Henkel Group sales. Net earnings from these businesses realized over the same period, after adjusting for restructuring charges of 23 million euros, amounted to 26 million euros. If the acquired businesses had been consolidated as of January 1, 2008, Henkel sales in the reporting period from January 1 to June 30, 2008 would have increased by 787 million euros, and the net earnings for the half year would have been 34 million euros higher.

Integration of Business Activities

As a result of the integration of the National Starch businesses, Henkel will be able to significantly improve its product and service portfolio for both existing and potential customers in the global adhesives market. The integration of customer relationships, the extended know-how in research and development and the combination of the capabilities of two such internationally successful organizations will create an outstanding basis for sustainable, profitable growth.

The transaction structure in the form of a back-to-back agreement has had an influence on the integration procedure adopted. Following the takeover of ICI (and thus the complete portfolio of National Starch businesses) by Akzo Nobel at the beginning of the year, carve-out transactions were initiated in order to disentangle the businesses to be acquired by Henkel. Achievement of this initial process constituted a prerequisite for the closing on April 3, 2008.

Back in 2007, a management team was put together which, assisted by external specialists, has since been concentrating exclusively on the integration of the National Starch businesses. Even before the closing, a detailed integration plan was being drafted in parallel to the handling of the anti-trust issues, the carve-out process and the contractual negotiations.

Joint project teams comprising employees from Henkel and National Starch have, since the closing, been working hard on measures geared to realizing the synergies arising from the acquisition. Moreover, following a careful analysis of the business data of National Starch, which Henkel only received in full after the closing, we were able to confirm the validity of the planned synergies in the amount of 250 million euros. The close and successful cooperation within the joint project teams was especially instrumental in providing a good basis for this promising prelude to the integration process.

Immediately after the closing, the first three tiers of the new organization were defined and occupancy of the most important management positions finalized.

In the next phase of integration, we intend to concentrate on realizing the identified synergies, which will mean implementing the appropriate measures. At the same time, we will be ensuring the maintenance of the high quality of our products and services, our customer relationships and our customer support so that we may, even during this phase, strengthen and further expand our positions in the marketplace.

Earnings Per Share

In calculating earnings per share for the first half of 2008, a proportionate dividend was assumed on the basis of the dividend payout made by Henkel AG & Co. KGaA[1] for fiscal 2007, as there are no resolutions on the distribution of unappropriated profit during the year.

Taking into account the Stock Incentive Plan, there was a dilution in earnings per ordinary share and per preferred share as of June 30, 2008 of two eurocents less than basic EPS.

EARNINGS PER SHARE

		1 – 6/2007	1 – 6/2008
Net earnings for the half year after minority interests	**in mill. euros**	**439**	**257**
Number of outstanding ordinary shares		259,795,875	259,795,875
Basic earnings per ordinary share	**in euros**	**1.01**	**0.59**
Number of outstanding preferred shares[1]		172,935,589	173,207,498
Basic earnings per preferred share	**in euros**	**1.02**	**0.60**
Dilutive effect arising from Stock Incentive Plan		425,551	487,725
Number of potentially outstanding preferred shares[2]		173,361,140	173,695,223
Diluted earnings per ordinary share	**in euros**	**1.01**	**0.57[3]**
Diluted earnings per preferred share	**in euros**	**1.02**	**0.58[3]**

[1] weighted average of preferred shares
[2] weighted average of preferred shares (adjusted for the potential number of shares arising from the Stock Incentive Plan)
[3] based on earnings after minority interests of 251 million euros (in accordance with IAS 33.59)

Changes in Treasury Stock

The treasury stock held by the company as of June 30, 2008 amounted to 4,914,750 preferred shares. This represents 1.12 percent of the capital stock at a proportional nominal value of 4.9 million euros.

As a result of the options exercised under the Stock Incentive Plan, treasury stock decreased during the period 1–6/2008 by 116,040 preferred shares, representing a proportional nominal value of 0.1 million euros (0.03 percent of capital stock).

Accounting and Valuation Policies

The interim consolidated financial statements of the Henkel Group for the half year and the quarter, like the consolidated financial statements for fiscal 2007, have been prepared in accordance with International Financial Reporting Standards (IFRS) and consequently in compliance with IAS 34 “Interim Financial Reporting”. The same accounting and valuation principles have been applied as in the case of the 2007 consolidated annual financial statements. Neither pensions and similar obligations nor fund assets are subjected to quarterly revaluation.

The half year financial report comprising condensed interim consolidated financial statements and an interim group management report was not subjected to a review or an audit as defined in § 317 HGB (German Commercial Code).

Scope of Consolidation

In addition to Henkel AG & Co. KGaA[1], the consolidated financial statements as of June 30, 2008 include 12 domestic German and 240 foreign companies in which Henkel AG & Co. KGaA has the power to govern the financial and operating policies, based on the concept of control. This is generally the case where Henkel AG & Co. KGaA holds, directly or indirectly, a majority of the voting rights. Companies in which not more than half of the shares are held are fully consolidated if Henkel AG & Co. KGaA has the power, directly or indirectly, to govern their financial and operating policies.

The investment in Ecolab Inc., St. Paul, Minnesota, USA, is accounted for by the at-equity method.

[1] The change in the company name to Henkel AG & Co. KGaA became effective as of the end of the 2008 Annual General Meeting on April 14, 2008.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, July 30, 2008

Henkel Management AG,
Personally Liable Partner of
Henkel AG & Co. KGaA

The Management Board

Kasper Rorsted   Dr. Lothar Steinebach

Dr. Friedrich Stara   Hans Van Bylen   Thomas Geitner

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Calendar

Publication of Report for the Nine Months/Third Quarter 2008: Thursday, November 6, 2008

Fall Press and Analysts' Conference 2008: Thursday, November 6, 2008

Press Conference for Fiscal 2008 and Analysts' Conference 2009: Wednesday, February 25, 2009

Annual General Meeting of Henkel AG & Co. KGaA 2009: Monday, April 20, 2009

Up-to-date facts and figures on Henkel also available on the internet: www.henkel.com

THE GLOBAL COMPACT

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