

Q2 Quarterly financial report / Half-year financial report 2019



April through June 2019
January through June 2019



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Henkel Group: Key financials

in million euros ¹	Q2/2018	Q2/2019	+/-	1-6/2018	1-6/2019	+/-
Sales	5,143	5,121	- 0.4%	9,978	10,090	1.1%
Adhesive Technologies	2,432	2,422	- 0.4%	4,702	4,731	0.6%
Beauty Care	1,035	1,002	- 3.2%	2,000	1,962	- 1.9%
Laundry & Home Care	1,644	1,666	1.3%	3,213	3,334	3.8%
Operating profit (EBIT)	814	756	- 7.1%	1,553	1,492	- 3.9%
Adjusted² operating profit (EBIT)	926	846	- 8.6%	1,768	1,641	- 7.2%
Return on sales (EBIT)	15.8%	14.8%	- 1.0 pp	15.6%	14.8%	- 0.8 pp
Adjusted² return on sales (EBIT)	18.0%	16.5%	- 1.5 pp	17.7%	16.3%	- 1.4 pp
Net income	602	558	- 7.3%	1,150	1,097	- 4.6%
Attributable to non-controlling interests	4	4	0.0%	9	9	0.0%
Attributable to shareholders of Henkel AG & Co. KGaA	598	554	- 7.4%	1,141	1,088	- 4.6%
Earnings per preferred share in euros	1.38	1.28	- 7.2%	2.63	2.51	- 4.6%
Adjusted² earnings per preferred share in euros	1.58	1.43	- 9.5%	3.01	2.77	- 8.0%
at constant exchange rates			- 9.5%			- 8.0%
Return on capital employed (ROCE)	16.3%	13.9%	- 2.4 pp	15.9%	13.8%	- 2.1 pp

pp = percentage points

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.

² Adjusted for one-time charges / gains and restructuring expenses.

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Summary: Second quarter results

- **Sales:** 5,121 million euros
- **Organic sales growth:** – 0.4 %
– 1.2 % Adhesive Technologies, – 2.4 % Beauty Care, + 2.0 % Laundry & Home Care
- **Operating profit (EBIT):** 756 million euros
- **Adjusted¹ operating profit (EBIT):** 846 million euros (– 8.6 %)
- **Adjusted¹ return on sales (EBIT):** 16.5 % (– 1.5 percentage points)
19.3 % Adhesive Technologies, 12.2 % Beauty Care, 16.8 % Laundry & Home Care
- **Earnings per preferred share (EPS):** 1.28 euros
- **Adjusted¹ earnings per preferred share (EPS):** 1.43 euros
nominal – 9.5 %, at constant exchange rates – 9.5 %
- **Net income attributable to shareholders of Henkel AG & Co. KGaA:** 554 million euros
- **Net working capital in percent of sales:** 6.7 %

Major events

- Effective May 1, we completed the acquisition of all shares in Molecule Corp., USA.

¹ Adjusted for one-time charges (3 million euros) / one-time gains (0 million euros) and restructuring expenses (87 million euros).

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Key financials¹

in million euros	Q2/2018	Q2/2019	+/-
Sales	5,143	5,121	-0.4%
Operating profit (EBIT)	814	756	-7.1%
Adjusted ² operating profit (EBIT)	926	846	-8.6%
Return on sales (EBIT)	15.8%	14.8%	-1.0 pp
Adjusted ² return on sales (EBIT)	18.0%	16.5%	-1.5 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	598	554	-7.4%
Adjusted ² net income – attributable to shareholders of Henkel AG & Co. KGaA	685	622	-9.2%
Earnings per preferred share in euros	1.38	1.28	-7.2%
Adjusted ² earnings per preferred share in euros	1.58	1.43	-9.5%

pp = percentage points

Results of operations

At 5,121 million euros, **Group sales** in the second quarter of 2019 were almost on a par with the prior-year period. Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales development was slightly negative at -0.4 percent. Acquisitions and divestments accounted for an increase of 0.5 percent in sales. Foreign exchange effects reduced sales by -0.5 percent.

At 16.5 percent, adjusted return on sales (EBIT) was -1.5 percentage points below the level of the second quarter 2018. Adjusted earnings per preferred share, at 1.43 euros, were down -9.5 percent year on year. At constant exchange rates, adjusted earnings per preferred share likewise decreased by -9.5 percent.

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Adjusted for one-time charges / gains and restructuring expenses.³ Calculated on the basis of units of 1,000 euros.

Sales development³

in percent	Q2/2019
Change versus previous year	-0.4
Foreign exchange	-0.5
Adjusted for foreign exchange	0.1
Acquisitions / divestments	0.5
Organic	-0.4
of which price	2.3
of which volume	-2.7

Sales

-0.4%organic
sales growth.

EBIT

16.5%adjusted² return
on sales (EBIT):
down 1.5 percentage points.

EPS

1.43 eurosadjusted² earnings
per preferred share (EPS):
down 9.5 percent.

EPS development

-9.5%

at constant exchange rates.

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The Adhesive Technologies business unit posted a slightly negative organic sales development of – 1.2 percent. Adjusted for foreign exchange and acquisitions / divestments, sales in the Beauty Care business unit were – 2.4 percent down year on year. The Laundry & Home Care business unit recorded good organic sales growth of 2.0 percent.

Price and volume effects second quarter 2019

in percent	Organic sales growth	of which price	of which volume
Adhesive Technologies	– 1.2	2.9	– 4.1
Beauty Care	– 2.4	0.3	– 2.7
Laundry & Home Care	2.0	2.8	– 0.8
Henkel Group	– 0.4	2.3	– 2.7

In the second quarter of 2019, there were no material changes to our business activities and competitive positions as presented in our Annual Report 2018 on pages 63 and 64.

In order to adapt our structures to our markets and customers, we spent 87 million euros on restructuring (prior-year quarter: 80 million euros). A significant portion of this amount is attributable to the optimization of our administration, sales and production structures.

In the following, we discuss our operating income and expense items up to operating profit, adjusted in each case for one-time charges / gains and restructuring expenses. The reconciliation statement and the allocation of the restructuring expenses between the various expense items of the consolidated statement of income can be found on page 39.

Reconciliation from sales to adjusted operating profit¹

in million euros	Q2/2018	%	Q2/2019	%	+/-
Sales	5,143	100.0	5,121	100.0	– 0.4%
Cost of sales	– 2,725	– 53.0	– 2,717	– 53.1	– 0.3%
Gross profit	2,418	47.0	2,404	46.9	– 0.6%
Marketing, selling and distribution expenses	– 1,159	– 22.5	– 1,236	– 24.2	6.6%
Research and development expenses	– 123	– 2.4	– 123	– 2.4	0.0%
Administrative expenses	– 230	– 4.5	– 222	– 4.3	– 3.5%
Other operating income / expenses	20	0.4	23	0.5	–
Adjusted operating profit (EBIT)	926	18.0	846	16.5	– 8.6%

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.

Compared to the second quarter of 2018, cost of sales declined by – 0.3 percent to 2,717 million euros. Gross profit was slightly lower year on year, at 2,404 million euros. The gross margin, at 46.9 percent, was almost on a par with the prior-year level. We were able to almost completely offset the impact of higher prices for direct materials and negative foreign exchange effects through savings from cost-reduction measures, improvements in production and supply chain efficiency, and selective price increases.

Marketing, selling and distribution expenses increased by 6.6 percent to 1,236 million euros. Their ratio to sales rose by 1.7 percentage points to 24.2 percent. We spent a total of 123 million euros for research and development (previous year: 123 million euros). At 2.4 percent, the ratio to sales was flat versus the prior-year quarter. Administrative expenses decreased from 230 million euros in the second quarter of 2018 to 222 million euros. At 4.3 percent, the ratio to sales was slightly lower year on year.

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The balance of other operating income and expenses amounted to 23 million euros compared to 20 million euros in the second quarter of 2018.

Adjusted operating profit (EBIT) decreased by – 8.6 percent to 846 million euros following 926 million euros in the prior-year quarter. **Adjusted return on sales** was 16.5 percent (second quarter 2018: 18.0 percent). The Adhesive Technologies business unit increased its margin from 19.0 percent to 19.3 percent. The Beauty Care business unit posted a margin of 12.2 percent compared to 18.1 percent in the second quarter of 2018. The Laundry & Home Care business unit recorded a margin of 16.8 percent (previous year: 17.9 percent).

Our financial result decreased from – 8 million euros in the second quarter of 2018 to – 20 million euros in the second quarter of 2019. First-time application of IFRS 16 and the change in the investment result contributed to this development. The tax rate was 24.2 percent (adjusted: 24.1 percent).

Henkel generated net income of 558 million euros in the quarter (previous year: 602 million euros). After allowing for 4 million euros attributable to non-controlling interests, net income for the quarter was 554 million euros (second quarter 2018: 598 million euros). Adjusted net income for the quarter after allowing for non-controlling interests was 622 million euros compared to 685 million euros in the prior-year quarter.

Earnings per preferred share were 1.28 euros (previous year: 1.38 euros). Adjusted earnings per preferred share decreased by – 9.5 percent from 1.58 euros in the second quarter of 2018 to 1.43 euros in the second quarter of 2019. At constant exchange rates, adjusted earnings per preferred share likewise decreased by – 9.5 percent.

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Key figures by region¹ second quarter 2019

in million euros	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate ²	Henkel Group
Sales April–June 2019	1,530	764	317	1,357	352	771	30	5,121
Sales April–June 2018	1,567	732	310	1,348	299	855	32	5,143
Change from previous year	– 2.4%	4.4%	2.1%	0.6%	17.8%	– 9.8%	–	– 0.4%
Adjusted for foreign exchange	– 2.1%	8.0%	16.5%	– 4.2%	17.3%	– 7.9%	–	0.1%
Organic	– 1.8%	8.0%	16.5%	– 5.0%	11.0%	– 7.9%	–	– 0.4%
Proportion of Henkel sales April–June 2019	30%	15%	6%	26%	7%	15%	1%	100%
Proportion of Henkel sales April–June 2018	30%	14%	6%	26%	6%	17%	1%	100%
Operating profit (EBIT) April–June 2019	468	77	20	68	52	97	– 26	756
Operating profit (EBIT) April–June 2018	396	76	5	173	37	149	– 22	814
Change from previous year	18.1%	1.3%	319.9%	– 60.4%	40.5%	– 35.0%	–	– 7.1%
Adjusted for foreign exchange	18.0%	6.9%	404.1%	– 65.9%	40.6%	– 36.4%	–	– 7.7%
Return on sales (EBIT) April–June 2019	30.6%	10.1%	6.4%	5.0%	14.7%	12.6%	–	14.8%
Return on sales (EBIT) April–June 2018	25.3%	10.4%	1.6%	12.8%	12.3%	17.4%	–	15.8%

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Corporate = sales and services not assignable to the individual regions and business units.

In the following, we comment on our results in the second quarter of 2019:

In a highly competitive market environment, organic sales development in the **Western Europe** region was negative at – 1.8 percent. Sales were slightly negative in Germany and France but remained flat in the United Kingdom.

Operating profit in the region increased by 18.0 percent adjusted for foreign exchange. Return on sales in the region rose by 5.3 percentage points to 30.6 percent.

We posted organic sales growth of 8.0 percent in the **Eastern Europe** region. The main contribution to this performance came from our businesses in Turkey and Russia.

Our operating profit in the region improved by 6.9 percent adjusted for foreign exchange. Return on sales in the region declined by – 0.3 percentage points to 10.1 percent.

We achieved organic sales growth of 16.5 percent in the **Africa / Middle East** region.

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Our operating profit in the region increased by 404.1 percent adjusted for foreign exchange. Return on sales increased by 4.8 percentage points to 6.4 percent.

Organic sales development in **North America** was negative at –5.0 percent.

Operating profit in the region declined by –65.9 percent adjusted for foreign exchange. Return on sales in the region decreased by –7.8 percentage points to 5.0 percent.

We recorded organic sales growth of 11.0 percent in the **Latin America** region. Business performance in Mexico was a major driver of this improvement.

We were able to increase operating profit by 40.6 percent adjusted for foreign exchange. Return on sales in the region improved by 2.4 percentage points to 14.7 percent.

Organic sales development in the **Asia-Pacific** region was negative at –7.9 percent, mainly due to business performance in China.

Operating profit decreased by –36.4 percent adjusted for foreign exchange. Return on sales came in at 12.6 percent, a decline of –4.8 percentage points versus the prior-year quarter.

Sales in the **emerging markets** of Eastern Europe, Africa / Middle East, Latin America and Asia (excluding Japan) again made an above-average contribution to the organic growth of the Group with an increase of 3.9 percent. Nominally, there was a positive development in sales with the figure rising by 0.4 percent to 2,065 million euros. At 40 percent, the share of Group sales from emerging markets was on a par with the level of the second quarter of 2018.

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in million euros	Q2/2018	Q2/2019	+/-	1-6/2018	1-6/2019	+/-
Sales	2,432	2,422	- 0.4 %	4,702	4,731	0.6 %
Proportion of Henkel sales	47 %	47 %	-	47 %	47 %	-
Operating profit (EBIT)	438	444	1.3 %	827	825	- 0.2 %
Adjusted ² operating profit (EBIT)	462	469	1.5 %	871	857	- 1.7 %
Return on sales (EBIT)	18.0 %	18.3 %	0.3 pp	17.6 %	17.4 %	- 0.2 pp
Adjusted ² return on sales (EBIT)	19.0 %	19.3 %	0.3 pp	18.5 %	18.1 %	- 0.4 pp
Return on capital employed (ROCE)	20.3 %	18.7 %	- 1.6 pp	19.5 %	17.5 %	- 2.0 pp

pp = percentage points

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Adjusted for one-time charges / gains and restructuring expenses.**Sales development¹**

in percent	Q2/2019	1-6/2019
Change versus previous year	- 0.4	0.6
Foreign exchange	0.0	0.9
Adjusted for foreign exchange	- 0.4	- 0.3
Acquisitions / divestments	0.8	0.7
Organic	- 1.2	- 1.0
of which price	2.9	2.9
of which volume	- 4.1	- 3.9

¹ Calculated on the basis of units of 1,000 euros.

At 2,422 million euros, **sales** in the Adhesive Technologies business unit in the second quarter of 2019 were almost on a par with the prior-year period.

Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales decreased by - 1.2 percent. Acquisitions / divestments accounted for an increase of 0.8 percent in sales. Foreign exchange effects overall had a neutral impact on sales.

In regional terms, we posted flat organic sales development in the emerging markets. Organic growth was very strong in the Eastern Europe region and significant in the Latin America region. Sales in the Asia (excluding Japan) and Africa / Middle East regions were lower year on year.

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Our sales declined in the mature markets of the North America, Western Europe and Asia-Pacific regions.

Sales performance varied between the individual business areas. The Packaging and Consumer Goods Adhesives business area posted good sales growth. Organic sales development was slightly negative in the Adhesives for Consumers, Crafts-men and Building business area. In the General Industry, Electronics, and Transport and Metal business areas, sales were lower compared to the prior-year quarter.

Adjusted operating profit (EBIT) increased year on year by 1.5 percent to 469 million euros. **Adjusted return on sales** showed good development versus the second quarter of 2018, reaching 19.3 percent.

At 18.7 percent, return on capital employed (ROCE) was lower compared to the figure for the prior-year quarter, due in part to acquisitions. At 13.6 percent, net working capital as a percentage of sales was above the level of the prior-year quarter.

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Key financials¹

in million euros	Q2/2018	Q2/2019	+/-	1-6/2018	1-6/2019	+/-
Sales	1,035	1,002	- 3.2 %	2,000	1,962	- 1.9 %
Proportion of Henkel sales	20 %	20 %	-	20 %	19 %	-
Operating profit (EBIT)	151	98	- 35.3 %	303	234	- 23.0 %
Adjusted ² operating profit (EBIT)	187	122	- 34.9 %	349	266	- 23.8 %
Return on sales (EBIT)	14.6 %	9.8 %	- 4.8 pp	15.2 %	11.9 %	- 3.3 pp
Adjusted ² return on sales (EBIT)	18.1 %	12.2 %	- 5.9 pp	17.4 %	13.5 %	- 3.9 pp
Return on capital employed (ROCE)	15.4 %	9.4 %	- 6.0 pp	16.1 %	11.3 %	- 4.8 pp

pp = percentage points

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Adjusted for one-time charges / gains and restructuring expenses.

Sales development¹

in percent	Q2/2019	1-6/2019
Change versus previous year	- 3.2	- 1.9
Foreign exchange	- 0.7	0.5
Adjusted for foreign exchange	- 2.5	- 2.4
Acquisitions / divestments	- 0.1	- 0.1
Organic	- 2.4	- 2.3
of which price	0.3	0.0
of which volume	- 2.7	- 2.3

¹ Calculated on the basis of units of 1,000 euros.

The Beauty Care business unit posted **sales** of 1,002 million euros in the second quarter of 2019, a decrease of - 3.2 percent versus the prior-year quarter.

Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales declined by - 2.4 percent. Acquisitions / divestments had only a minor effect on sales of - 0.1 percent. Foreign exchange effects reduced sales by - 0.7 percent.

In regional terms, organic sales development of our business in the emerging markets was flat versus the second quarter of 2018. The Latin America and Eastern Europe regions posted double-digit sales growth, while sales decreased in the Asia (excluding Japan) and Africa / Middle East regions.

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Organic sales development was negative in the mature markets. In the North America and Western Europe regions, sales were below the level of the prior-year quarter, while sales development in the mature markets of the Asia-Pacific region was flat.

Sales in our Branded Consumer Goods business declined compared to the second quarter of the prior year. The Hair Salon business continued its successful development with strong organic sales growth.

Adjusted operating profit (EBIT) totaled 122 million euros, – 34.9 percent less than in the second quarter of 2018. **Adjusted return on sales** decreased to 12.2 percent.

At 9.4 percent, return on capital employed (ROCE) was lower compared to the prior-year quarter. At 6.0 percent, net working capital as a percentage of sales showed a decrease year on year.

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Key financials¹

in million euros	Q2/2018	Q2/2019	+/-	1-6/2018	1-6/2019	+/-
Sales	1,644	1,666	1.3 %	3,213	3,334	3.8 %
Proportion of Henkel sales	32 %	32 %	–	32 %	33 %	–
Operating profit (EBIT)	246	240	– 2.4 %	465	483	3.9 %
Adjusted ² operating profit (EBIT)	295	279	– 5.3 %	586	565	– 3.6 %
Return on sales (EBIT)	14.9 %	14.4 %	– 0.5 pp	14.5 %	14.5 %	0.0 pp
Adjusted ² return on sales (EBIT)	17.9 %	16.8 %	– 1.1 pp	18.2 %	16.9 %	– 1.3 pp
Return on capital employed (ROCE)	13.6 %	12.2 %	– 1.4 pp	12.8 %	12.3 %	– 0.5 pp

pp = percentage points

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Adjusted for one-time charges / gains and restructuring expenses.

Sales development¹

in percent	Q2/2019	1-6/2019
Change versus previous year	1.3	3.8
Foreign exchange	– 1.3	– 0.3
Adjusted for foreign exchange	2.6	4.1
Acquisitions / divestments	0.6	0.8
Organic	2.0	3.3
of which price	2.8	3.0
of which volume	– 0.8	0.3

¹ Calculated on the basis of units of 1,000 euros.

In the Laundry & Home Care business unit, **sales** increased by 1.3 percent to 1,666 million euros in the second quarter of 2019.

Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales in the business unit rose by 2.0 percent. Acquisitions / divestments accounted for an increase of 0.6 percent in sales. Foreign exchange effects reduced sales by –1.3 percent.

The good organic sales growth was driven by a double-digit rise in sales in our emerging markets. We achieved double-digit growth in the Africa / Middle East and Latin America regions. Eastern Europe contributed to this development with a significant increase in sales, while sales performance in Asia (excluding Japan) was negative.

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The mature markets in the North America, Western Europe and Asia-Pacific regions recorded negative organic sales development.

In the Home Care business area, we achieved very strong organic growth in the second quarter. Organic sales performance was flat in the Laundry Care business area in the second quarter.

Adjusted operating profit (EBIT) decreased versus the prior-year quarter by – 5.3 percent to 279 million euros. **Adjusted return on sales** was – 1.1 percentage points below the level of the second quarter of 2018.

At 12.2 percent, return on capital employed (ROCE) was lower compared to the prior-year figure. Net working capital as a percentage of sales improved year on year to – 2.7 percent.

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General economic conditions

The general economic conditions described in this section are based on data published by IHS Markit.

The world economy grew by approximately 3 percent in the first six months of 2019 compared to the prior-year period.

Macroeconomic development in the mature markets varied. The North American economy grew by approximately 3 percent in the first six months of 2019, while Western Europe and Japan recorded growth of around 1 percent each.

The emerging markets of Asia (excluding Japan) grew by approximately 5 percent in the first six months of 2019. Economic output in Latin America increased by around 1 percent compared to the first half of 2018. Eastern Europe grew by approximately 2 percent and Africa / Middle East by around 1 percent.

Global unemployment was around 7 percent. Consumer prices increased by 2.5 percent worldwide.

Compared to the first six months of 2018, prices for raw materials, packaging and purchased goods and services increased in the low single-digit percentage range.

On the currency markets, the US dollar strengthened year on year versus the euro in the first six months of 2019, reaching 1.13 US dollars to the euro. Developments in the emerging markets varied. The Russian ruble weakened slightly while the Turkish lira experienced major devaluation. By contrast, the Mexican peso trended stronger.

Sectors of importance for Henkel

According to IHS Markit, private consumption increased by around 3 percent in the first six months of 2019. Consumers in North America increased their spending by around 3 percent; consumer spending in Western Europe grew by approximately 1 percent. Consumption in the emerging markets expanded in the first six months by around 4 percent.

According to IHS Markit, the industrial production index (IPX) gained around 1 percent in the first six months of 2019. In the mature markets the IPX rose approximately 1 percent, while in the emerging markets the gain was approximately 2 percent.

Effects on Henkel

In conditions characterized by modest private spending, we managed to achieve positive organic sales growth overall in our consumer businesses. Organic sales performance in the Adhesive Technologies business unit declined by –1.0 percent between January and June 2019, falling short of the industrial production index.

Adjusted gross margin decreased by –0.7 percentage points to 46.6 percent. Savings from cost-reduction measures, improvements in production and supply chain efficiency, and selective price increases were only able to partially offset the impacts of higher prices for direct materials.

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Business performance January–June 2019

Key financials¹

in million euros	1–6/2018	1–6/2019	+/-
Sales	9,978	10,090	1.1 %
Operating profit (EBIT)	1,553	1,492	– 3.9 %
Adjusted ² operating profit (EBIT)	1,768	1,641	– 7.2 %
Return on sales (EBIT)	15.6 %	14.8 %	– 0.8 pp
Adjusted ² return on sales (EBIT)	17.7 %	16.3 %	– 1.4 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	1,141	1,088	– 4.6 %
Adjusted ² net income – attributable to shareholders of Henkel AG & Co. KGaA	1,303	1,201	– 7.9 %
Earnings per preferred share	in euros 2.63	2.51	– 4.6 %
Adjusted ² earnings per preferred share	in euros 3.01	2.77	– 8.0 %

pp = percentage points

Results of operations

Group sales increased by 1.1 percent to 10,090 million euros in the first half of 2019. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 0.1 percent. Acquisitions and divestments accounted for an increase of 0.6 percent in sales. Foreign exchange effects increased sales by 0.4 percent.

Adjusted return on sales (EBIT) was 16.3 percent compared to 17.7 percent in the prior-year period. Adjusted earnings per preferred share were – 8.0 percent down compared to the first half of 2018. At constant exchange rates, adjusted earnings per preferred share likewise decreased by – 8.0 percent.

Sales development³

in percent	1–6/2019
Change versus previous year	1.1
Foreign exchange	0.4
Adjusted for foreign exchange	0.7
Acquisitions / divestments	0.6
Organic	0.1
of which price	2.3
of which volume	– 2.2

Organic sales performance declined slightly by – 1.0 percent in the Adhesive Technologies business unit. Adjusted for foreign exchange and acquisitions/divestments, sales in the Beauty Care business unit were – 2.3 percent down year on year. The Laundry & Home Care business unit recorded strong organic sales growth of 3.3 percent.

Sales

+0.1%

organic
sales growth.

EBIT

16.3%

adjusted² return
on sales (EBIT):
down 1.4 percentage points.

EPS

2.77 euros

adjusted² earnings
per preferred share (EPS):
down 8.0 percent.

EPS development

–8.0%

at constant
exchange rates.¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.² Adjusted for one-time charges/gains and restructuring expenses.³ Calculated on the basis of units of 1,000 euros.

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Price and volume effects first half year 2019

in percent	Organic sales growth	of which price	of which volume
Adhesive Technologies	-1.0	2.9	-3.9
Beauty Care	-2.3	0.0	-2.3
Laundry & Home Care	3.3	3.0	0.3
Henkel Group	0.1	2.3	-2.2

In the first half of 2019, there were no material changes to our business activities and competitive positions as presented in our Annual Report 2018 on pages 63 and 64.

In order to adapt our structures to our markets and customers, we spent 144 million euros on restructuring (first half year 2018: 164 million euros). A significant portion of this amount is attributable to the optimization of our administration, sales and production structures.

In the following, we discuss our operating income and expense items up to operating profit, adjusted in each case for one-time charges / gains and restructuring expenses. The reconciliation statement and the allocation of the restructuring expenses between the various expense items of the consolidated statement of income can be found on page 39.

Compared to the first six months of 2018, cost of sales increased by 2.4 percent to 5,389 million euros. Gross profit decreased by -0.3 percent to 4,701 million euros. Gross margin decreased by -0.7 percentage points to 46.6 percent. Savings from cost-reduction measures, improvements in production and supply chain efficiency, and selective price increases were only able to partially offset the impacts of higher prices for direct materials.

Reconciliation from sales to adjusted operating profit¹

in million euros	1-6/2018	%	1-6/2019	%	+/-
Sales	9,978	100.0	10,090	100.0	1.1%
Cost of sales	-5,263	-52.7	-5,389	-53.4	2.4%
Gross profit	4,715	47.3	4,701	46.6	-0.3%
Marketing, selling and distribution expenses	-2,299	-23.0	-2,421	-23.9	5.3%
Research and development expenses	-239	-2.4	-244	-2.4	2.1%
Administrative expenses	-448	-4.5	-440	-4.4	-1.8%
Other operating income / expenses	39	0.3	45	0.4	-
Adjusted operating profit (EBIT)	1,768	17.7	1,641	16.3	-7.2%

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.

Marketing, selling and distribution expenses increased by 5.3 percent to 2,421 million euros. Year on year, their ratio to sales rose by 0.9 percentage points to 23.9 percent. We spent a total of 244 million euros for research and development. The ratio to sales, at 2.4 percent, was on a par with the prior year. Administrative expenses declined compared to the prior-year period, from 448 million euros to 440 million euros. At 4.4 percent, administrative expenses in relation to sales were slightly below the level of the first six months of 2018.

The balance of other operating income and expenses totaled 45 million euros, 6 million euros above the level of the first half year 2018.

Adjusted operating profit (EBIT) amounted to 1,641 million euros after 1,768 million euros in the first half of 2018.

Adjusted return on sales of the Henkel Group decreased from 17.7 to 16.3 percent. The Adhesive Technologies business unit achieved a margin of 18.1 percent (previous year: 18.5 percent). The margin in the Beauty Care business unit was 13.5 percent compared to 17.4 percent in the prior-year period. The Laundry & Home Care business unit achieved a margin of 16.9 percent (previous year: 18.2 percent).

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Our financial result declined from – 25 million euros in the first six months of 2018 to – 41 million euros in the first half of 2019, due partly to the first-time application of IFRS 16, a higher financing expense caused by the acquisitions in 2018, and the change in the investment result. The tax rate was 24.4 percent (adjusted: 24.3 percent).

Henkel generated net income of 1,097 million euros in the six months under review (prior-year period: 1,150 million euros). After allowing for 9 million euros attributable to non-controlling interests, net income for the first six months was 1,088 million euros (first six months 2018: 1,141 million euros). Adjusted net income for the first six months after allowing for non-controlling interests was 1,201 million euros compared to 1,303 million euros in the prior-year period.

Earnings per preferred share were 2.51 euros (previous year: 2.63 euros). Adjusted earnings per preferred share decreased by – 8.0 percent from 3.01 euros in the first half of 2018 to 2.77 euros in the first half of 2019. At constant exchange rates, adjusted earnings per preferred share likewise decreased by – 8.0 percent.

Comparison between actual business performance and guidance

Henkel published guidance for fiscal 2019 in its Annual Report for fiscal 2018, indicating that we expected to achieve organic sales growth of between 2 and 4 percent. The growth of all business units was expected to be within this range. We expected adjusted return on sales (EBIT) to be between 16 and 17 percent. Our expectations with regard to adjusted return on sales (EBIT) in our individual business units were between 18 and 19 percent for Adhesive Technologies, between 15 and 16 percent for Beauty Care, and between 16.5 and 17.5 percent for Laundry & Home Care. We forecasted adjusted earnings per preferred share to be in the mid-single-digit percentage range below prior year at constant exchange rates.

Based on developments in the first half of 2019 and our expectations for the rest of the year, we have updated our guidance for fiscal 2019. We now expect the Henkel Group to generate organic sales growth of 0 to 2 percent. We have revised our expectations for organic sales development at the Adhesive Technologies business unit to – 1 to 1 percent. In the Beauty

Guidance 2019 versus performance first half year 2019

	Guidance for 2019	Updated guidance for 2019	Results first half year 2019
Organic sales growth	Henkel Group: 2 to 4 percent All business units within this range	Henkel Group: 0 to 2 percent Adhesive Technologies: – 1 to 1 percent Beauty Care: – 2 to 0 percent Laundry & Home Care: 2 to 4 percent	Henkel Group: 0.1 percent Adhesive Technologies: – 1.0 percent Beauty Care: – 2.3 percent Laundry & Home Care: 3.3 percent
Adjusted ¹ return on sales (EBIT)	Henkel Group: 16 to 17 percent Adhesive Technologies: 18 to 19 percent Beauty Care: 15 to 16 percent Laundry & Home Care: 16.5 to 17.5 percent	Henkel Group: 16 to 17 percent Adhesive Technologies: 18 to 19 percent Beauty Care: 13 to 14 percent Laundry & Home Care: 16.5 to 17.5 percent	Henkel Group: 16.3 percent Adhesive Technologies: 18.1 percent Beauty Care: 13.5 percent Laundry & Home Care: 16.9 percent
Adjusted ¹ earnings per preferred share at constant exchange rates	Mid-single-digit percentage range below prior year	Mid- to high single-digit percentage range below prior year	– 8.0 percent

¹ Adjusted for one-time charges / gains and restructuring expenses.

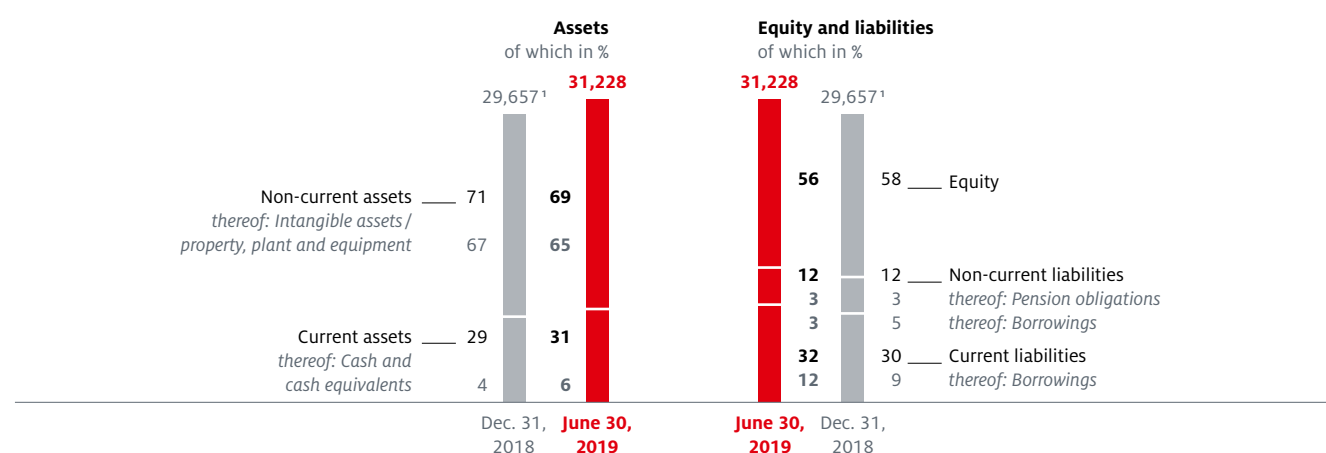
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Care business unit, we now expect organic sales development in the range of – 2 to 0 percent. In the Laundry & Home Care business unit, we continue to expect growth in the range of 2 to 4 percent.

We confirm our guidance for adjusted return on sales (EBIT) for the Henkel Group of between 16 and 17 percent. We continue to expect adjusted return on sales (EBIT) of between 18 and 19 percent for the Adhesive Technologies business unit and between 16.5 and 17.5 percent for the Laundry & Home Care business unit. For the Beauty Care business unit we now anticipate adjusted return on sales (EBIT) to be between 13 and 14 percent.

We now expect adjusted earnings per preferred share to be in the mid- to high single-digit percentage range below prior year at constant exchange rates.

Financial structure in million euros



Net assets

Compared to year-end 2018, total assets rose by 1.5 billion euros to 31.2 billion euros.

Under **non-current assets**, intangible assets increased by 73 million euros as a result of currency effects and investments. Property, plant and equipment increased by 522 million euros. Of this increase, 445 million euros is attributable to first-time application of accounting standard IFRS 16 Leases. Investments of 285 million euros in property, plant and equipment for existing operations and of 53 million euros in leased assets were offset by scheduled depreciation of 272 million euros, of which 66 million euros is attributable to leased assets.

Current assets increased from 8.7 billion euros to 9.6 billion euros. This was attributable in particular to higher trade accounts receivable and an increase in cash and cash equivalents. The latter increased by 0.7 billion euros during the reporting period.

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Compared to year-end 2018, **equity** including non-controlling interests increased by 305 million euros to 17,398 million euros. The addition to equity of net income for the half year in the amount of 1,097 million euros was countervailed mainly by the dividends of 803 million euros paid out in April 2019. Total assets increased compared to year-end 2018 – mainly as a result of first-time application of IFRS 16. Despite the higher equity capital, the equity ratio consequently declined by – 2.0 percentage points. The individual components influencing equity development are shown in the consolidated statement of changes in equity on page 31.

Non-current liabilities increased by 0.1 billion euros to 3.8 billion euros, mainly due to the 391 million euros attributable to the increase in other financial liabilities as a result of applying IFRS 16 for the first time. In addition, pension obligations increased by 115 million euros compared to year-end

2018, essentially due to lower discount rates. The increases were offset by the change in non-current borrowings following reclassification to current borrowings of a bond with a nominal volume of 600 million US dollars.

Current liabilities increased by 1.2 billion euros to 10.1 billion euros. This was mainly due to the increase of 1.2 billion euros in current borrowings following the issuance of commercial paper and said reclassification of a bond with a nominal volume of 600 million US dollars. In addition, other current financial liabilities increased by 116 million euros due to first-time application of IFRS 16 and trade accounts payable by 101 million euros.

Effective June 30, 2019, our **net financial position**¹ amounted to – 2,820 million euros (December 31, 2018: – 2,895 million euros).

Net financial position in million euros



* Primarily foreign exchange effects.

¹ The net financial position is defined as cash and cash equivalents plus readily monetizable non-derivative financial instruments less borrowings, plus positive and minus negative fair values of hedging transactions.

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Net financial position

in million euros

Q2 / 2018	- 3,597
Q3 / 2018	- 3,248
Q4 / 2018	- 2,895
Q1 / 2019	- 2,478
Q2 / 2019	- 2,820

Our operating debt coverage in the reporting period was significantly above the minimum of 50 percent, as it was at year-end 2018. The interest coverage ratio has decreased slightly.

Our long-term ratings remain at "A flat" (Standard & Poor's) and "A2" (Moody's).

Key financial ratios

	Dec. 31, 2018	June 30, 2019
Operating debt coverage (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations) / net borrowings and pension obligations	78.9%	70.1%
Interest coverage ratio EBITDA / interest result including interest element of pension obligations	56.0	45.8
Equity ratio equity / total assets	57.7%	55.7%

Financial position

The development of our financial position is explained in detail in the consolidated statement of cash flows on page 32.

At 1,317 million euros, **cash flow from operating activities** in the first six months of 2019 was higher than the comparable figure of the prior-year period (1,070 million euros). The slight decrease in operating profit year on year was countervailed by higher amortization/depreciation – mainly due to first-time application of IFRS 16 – and higher inflows with respect to trade accounts receivable. In addition, inventory outflows were lower. Year on year, the ratio of net working capital¹ to sales increased by 0.4 percentage points to 6.7 percent.

The cash outflow in **cash flow from investing activities** (– 356 million euros) was below the figure of the prior-year period (– 554 million euros), mainly as a result of lower investments in intangible assets and property, plant and equipment.

The cash outflow in **cash flow from financing activities** was – 273 million euros compared to a cash outflow of – 32 million euros in the prior-year period. The figure was influenced by higher dividend payments and lower inflows from borrowings.

Cash and cash equivalents rose compared to December 31, 2018 by 693 million euros to 1,756 million euros.

The increase in **free cash flow** from 639 million euros to 990 million euros in the first six months of 2019 resulted from higher cash flow from operating activities and lower capital expenditures on intangible assets and property, plant and equipment.

¹ Inventories plus payments on account, receivables from suppliers and trade accounts receivable, less trade accounts payable, liabilities to customers, and current sales provisions.

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Capital expenditures

Investments in property, plant and equipment for existing operations totaled 285 million euros, following 244 million euros in the first six months of 2018. We invested 33 million euros in intangible assets (prior-year period: 233 million euros). Around two-thirds of the expenditures were channeled into expansion projects, innovations and streamlining measures, which included, for example, increasing our production capacity, introducing innovative product lines and optimizing our business processes.

Major individual projects in 2019 to date:

- Construction of an Innovation Center in Düsseldorf (Adhesive Technologies)
- Expansion of innovative detergent capsule production, USA and Hungary (Laundry & Home Care)
- Construction of a new production site in Seoul, South Korea, for products used in the electronics industry (Adhesive Technologies)
- Global optimization of our supply chain and consolidation and optimization of our IT system architecture for managing business processes
- Construction of a new manufacturing facility in Montornès, Spain, for products used in the aviation industry (Adhesive Technologies)

In regional terms, capital expenditures focused primarily on Western Europe, Eastern Europe and North America.

Capital expenditures first half year 2019

	Existing operations	Rights of use to lease objects	Acquisitions	Total
in million euros				
Intangible assets	33	–	17	50
Property, plant and equipment	285	53	–	338
Total	318	53	17	388

Acquisitions and divestments

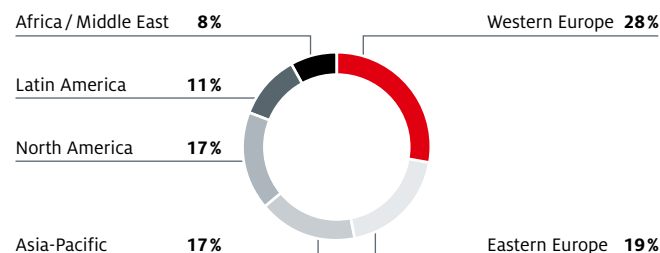
Effective May 1, 2019, Henkel completed the acquisition of all shares in Molecule Corp. based in Concord, USA. The acquisition complements and strengthens the Adhesive Technologies business unit's technology portfolio for additive manufacturing (3D printing).

Further details can be found in the selected explanatory notes on page 43. There were no resulting changes to our business and organizational structure. For detailed information on our organization and business activities, please refer to the disclosures in our Annual Report 2018 on page 63.

Employees

As of June 30, 2019, we had around 52,600 employees (December 31, 2018: around 53,000). The slight decrease in the number of employees in the first half of the year is attributable to adjustments to our structures.

Employees by region



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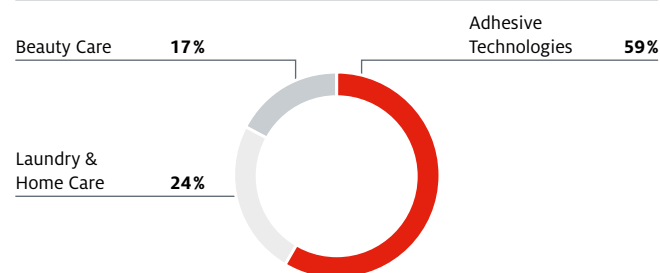
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Research and development

In the first six months of 2019, research and development expenditures amounted to 250 million euros (adjusted for restructuring expenses: 244 million euros) compared to 253 million euros (adjusted: 239 million euros) in the prior-year period. Relative to sales, research and development expenditures declined slightly by – 0.1 percentage points versus the prior-year period. The ratio was 2.5 percent. Adjusted research and development expenses relative to sales remained unchanged year on year. The ratio was 2.4 percent.

The development of innovative products is of key importance to our business model. The research and development strategy described in our Annual Report 2018 (starting on page 96) has remained unchanged.

R&D expenditures by business unit



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Outlook

Our assessment of future world economic development is based on data provided by IHS Markit.

Global economic growth is expected to remain no more than moderate in 2019. IHS Markit expects gross domestic product to rise by approximately 3 percent.

For the mature markets, IHS Markit anticipates growth of approximately 2 percent. For Western Europe, the expected increase is approximately 1 percent, and for North America, growth of approximately 2.5 percent is predicted for the full year. The Japanese economy is expected to grow by around 1 percent.

The emerging markets are expected to achieve economic growth of around 4 percent in 2019. IHS Markit expects economic output to increase by approximately 5 percent in Asia (excluding Japan) and by around 2 percent in the Africa / Middle East region. Growth of approximately 1 percent is forecasted for Latin America. In Eastern Europe, the economy is expected to grow by approximately 2 percent in 2019.

Global inflation of around 3 percent is predicted for 2019. IHS Markit anticipates an increase in price levels of approximately 1.5 percent in the mature markets, while inflation of approximately 4 percent is expected for the emerging markets.

We expect price increases for raw materials, packaging and purchased goods and services to be in the low single-digit percentage range compared to the previous year.

We expect the currency markets to remain volatile. Some major currencies in the emerging markets could weaken further on an annual average in 2019 compared to 2018, especially the Turkish lira. We expect a moderately stronger average US dollar rate for 2019 compared to 2018.

IHS Markit predicts that global private consumption will increase by around 3 percent in 2019. Consumers in mature markets are expected to spend approximately 2 percent more than in the previous year. The emerging markets should exhibit a somewhat higher propensity to spend, with an increase of approximately 4 percent in 2019.

Year on year, the industrial production index (IPX) is expected to gain approximately 1.5 percent worldwide. IHS Markit expects the IPX to increase by approximately 0.5 percent in the mature markets and approximately 2.5 percent in the emerging markets.

Risks and opportunities

Our evaluation of opportunities and risks is virtually unchanged from the analysis provided in our Annual Report 2018. The presentation of the major risk and opportunity categories can be found on pages 107 to 118 of our Annual Report 2018.

At the time this report was prepared, there were no identifiable risks related to future developments that could endanger the existence either of Henkel AG & Co. KGaA, or a material subsidiary included in the consolidation, or the Group, as a going concern.

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Outlook for the Henkel Group in 2019

Guidance for 2019

	Guidance for 2019	Updated guidance for 2019
Organic sales growth	Henkel Group: 2 to 4 percent All business units within this range	Henkel Group: 0 to 2 percent Adhesive Technologies: – 1 to 1 percent Beauty Care: – 2 to 0 percent Laundry & Home Care: 2 to 4 percent
Adjusted ¹ return on sales (EBIT)	Henkel Group: 16 to 17 percent Adhesive Technologies: 18 to 19 percent Beauty Care: 15 to 16 percent Laundry & Home Care: 16.5 to 17.5 percent	Henkel Group: 16 to 17 percent Adhesive Technologies: 18 to 19 percent Beauty Care: 13 to 14 percent Laundry & Home Care: 16.5 to 17.5 percent
Adjusted ¹ earnings per preferred share at constant exchange rates	Mid-single-digit percentage range below prior year	Mid- to high single-digit percentage range below prior year

¹ Adjusted for one-time charges / gains and restructuring expenses.

We have updated our guidance for fiscal 2019.

We now expect the Henkel Group to generate organic sales growth of 0 to 2 percent. We have revised our expectations for organic sales development at the Adhesive Technologies business unit to – 1 to 1 percent. In the Beauty Care business unit, we now expect organic sales development in the range of – 2 to 0 percent. In the Laundry & Home Care business unit, we continue to expect growth in the range of 2 to 4 percent.

We expect the contribution to the nominal sales growth of the Henkel Group from our acquisitions in 2018 and 2019 to be in the low single-digit percentage range. We no longer expect any material effect from the translation of sales in foreign currencies.

We confirm our guidance for adjusted return on sales (EBIT) for the Henkel Group of between 16 and 17 percent. We continue to expect adjusted return on sales (EBIT) of between 18 and 19 percent for the Adhesive Technologies business unit and between 16.5 and 17.5 percent for the Laundry & Home Care business unit. For the Beauty Care business unit we now anticipate adjusted return on sales (EBIT) to be between 13 and 14 percent.

We now expect adjusted earnings per preferred share to be in the mid- to high single-digit percentage range below prior year at constant exchange rates.

Furthermore, we confirm the following expectations for 2019:

- Restructuring expenses of 200 to 250 million euros
- Cash outflows from investments in property, plant and equipment and intangible assets of between 750 and 850 million euros

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Consolidated statement of financial position

Assets

in million euros	June 30, 2018 ¹	%	Dec. 31, 2018 ²	%	June 30, 2019	%
Intangible assets	16,180	54.2	16,630	56.2	16,703	53.5
Property, plant and equipment	3,031	10.1	3,126	10.5	3,648	11.6
Other financial assets	63	0.2	65	0.2	90	0.3
Income tax refund claims	8	–	10	–	25	0.1
Other assets	185	0.6	184	0.6	176	0.6
Deferred tax assets	965	3.2	959	3.2	1,027	3.3
Non-current assets	20,432	68.3	20,974	70.7	21,669	69.4
Inventories	2,249	7.5	2,177	7.3	2,224	7.1
Trade accounts receivable	4,014	13.4	3,610	12.1	3,983	12.8
Other financial assets	1,036	3.5	1,030	3.5	1,003	3.2
Income tax refund claims	270	0.9	321	1.1	175	0.6
Other assets	412	1.4	406	1.4	361	1.1
Cash and cash equivalents	1,402	4.7	1,063	3.6	1,756	5.6
Assets held for sale	81	0.3	76	0.3	57	0.2
Current assets	9,464	31.7	8,683	29.3	9,559	30.6
Total assets	29,896	100.0	29,657	100.0	31,228	100.0

¹ Amended following retrospective application of DRSC Interpretation 4 (IFRS).

² Amended following the revised allocation of the purchase price for the acquisition of all shares in Aislantes Nacionales S.A., Santiago, Chile.

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Equity and liabilities

in million euros	June 30, 2018 ¹	%	Dec. 31, 2018 ²	%	June 30, 2019	%
Issued capital	438	1.5	438	1.5	438	1.4
Capital reserve	652	2.2	652	2.1	652	2.1
Treasury shares	-91	-0.3	-91	-0.3	-91	-0.3
Retained earnings	16,357	54.7	17,399	58.7	17,593	56.4
Other components of equity	-1,394	-4.7	-1,382	-4.6	-1,276	-4.1
Equity attributable to shareholders of Henkel AG & Co. KGaA	15,962	53.4	17,016	57.4	17,316	55.5
Non-controlling interests	78	0.3	77	0.3	82	0.2
Equity	16,040	53.7	17,093	57.7	17,398	55.7
Provisions for pensions and similar obligations	746	2.4	794	2.7	909	2.9
Income tax provisions	75	0.3	152	0.5	212	0.7
Other provisions	325	1.1	285	1.0	294	0.9
Borrowings	2,190	7.3	1,556	5.2	1,032	3.3
Other financial liabilities	57	0.2	69	0.2	458	1.5
Other liabilities	18	0.1	18	0.1	10	-
Deferred tax liabilities	747	2.5	809	2.7	840	2.7
Non-current liabilities	4,158	13.9	3,683	12.4	3,755	12.0
Income tax provisions	316	1.1	305	1.0	215	0.7
Other provisions	1,803	6.0	1,768	6.0	1,690	5.4
Borrowings	3,046	10.2	2,619	8.8	3,774	12.1
Trade accounts payable	3,972	13.3	3,713	12.5	3,814	12.3
Other financial liabilities	190	0.6	145	0.5	245	0.8
Other liabilities	366	1.2	318	1.1	323	1.0
Income tax liabilities	5	-	13	-	14	-
Current liabilities	9,698	32.4	8,881	29.9	10,075	32.3
Total equity and liabilities	29,896	100.0	29,657	100.0	31,228	100.0

¹ Amended following retrospective application of DRSC Interpretation 4 (IFRS).² Amended following the revised allocation of the purchase price for the acquisition of all shares in Aislantes Nacionales S.A., Santiago, Chile.

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Second quarter

in million euros	Q2/2018 ¹	%	Q2/2019	%	+ / -
Sales	5,143	100.0	5,121	100.0	- 0.4 %
Cost of sales	- 2,738	- 53.2	- 2,747	- 53.6	0.3 %
Gross profit	2,405	46.8	2,374	46.4	- 1.3 %
Marketing, selling and distribution expenses	- 1,192	- 23.2	- 1,252	- 24.5	5.0 %
Research and development expenses	- 137	- 2.7	- 126	- 2.5	- 8.0 %
Administrative expenses	- 271	- 5.3	- 263	- 5.1	- 3.0 %
Other operating income	26	0.5	35	0.7	34.6 %
Other operating expenses	- 17	- 0.3	- 12	- 0.2	- 29.4 %
Operating profit (EBIT)	814	15.8	756	14.8	- 7.1 %
Interest income	2	-	2	-	-
Interest expense	- 22	- 0.5	- 23	- 0.4	4.5 %
Other financial result	9	0.2	1	-	- 88.9 %
Investment result	3	0.1	0	-	- 100 %
Financial result	- 8	- 0.2	- 20	- 0.4	> 100 %
Income before tax	806	15.7	736	14.4	- 8.7 %
Taxes on income	- 204	- 4.0	- 178	- 3.5	- 12.7 %
Tax rate	25.3 %		24.2 %		
Net income	602	11.7	558	10.9	- 7.3 %
Attributable to non-controlling interests	4	0.1	4	0.1	-
Attributable to shareholders of Henkel AG & Co. KGaA	598	11.6	554	10.8	- 7.4 %
Earnings per ordinary share – basic and diluted	in euros 1.38		1.28		- 7.2 %
Earnings per preferred share – basic and diluted	in euros 1.38		1.28		- 7.2 %

¹ Amended following retrospective application of DRSC Interpretation 4 (IFRS).

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First half year

in million euros	1-6/2018 ¹	%	1-6/2019	%	+/-
Sales	9,978	100.0	10,090	100.0	1.1%
Cost of sales	- 5,326	- 53.4	- 5,433	- 53.8	2.0%
Gross profit	4,652	46.6	4,657	46.2	0.1%
Marketing, selling and distribution expenses	- 2,376	- 23.8	- 2,467	- 24.4	3.8%
Research and development expenses	- 253	- 2.6	- 250	- 2.5	- 1.2%
Administrative expenses	- 509	- 5.1	- 493	- 4.9	- 3.1%
Other operating income	65	0.8	63	0.6	- 3.1%
Other operating expenses	- 26	- 0.3	- 18	- 0.2	- 30.8%
Operating profit (EBIT)	1,553	15.6	1,492	14.8	- 3.9%
Interest income	5	0.1	5	-	-
Interest expense	- 39	- 0.4	- 44	- 0.4	12.8%
Other financial result	7	0.1	- 2	-	> - 100%
Investment result	2	-	0	-	- 100%
Financial result	- 25	- 0.3	- 41	- 0.4	64.0%
Income before tax	1,528	15.3	1,451	14.4	- 5.0%
Taxes on income	- 378	- 3.8	- 354	- 3.5	- 6.3%
Tax rate	24.7%		24.4%		
Net income	1,150	11.5	1,097	10.9	- 4.6%
Attributable to non-controlling interests	9	0.1	9	0.1	-
Attributable to shareholders of Henkel AG & Co. KGaA	1,141	11.4	1,088	10.8	- 4.6%
Earnings per ordinary share – basic and diluted	in euros 2.62		2.50		- 4.6%
Earnings per preferred share – basic and diluted	in euros 2.63		2.51		- 4.6%

¹ Amended following retrospective application of DRSC Interpretation 4 (IFRS).

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Consolidated statement of comprehensive income

in million euros	Q2/2018	Q2/2019	1-6/2018	1-6/2019
Net income	602	558	1,150	1,097
Components to be reclassified to income:				
Exchange differences on translation of foreign operations	352	- 197	141	112
Gains / losses from derivative financial instruments (Hedge reserve)	- 7	23	- 8	- 5
Gains / losses from debt instruments	-	-	-	-
Components not to be reclassified to income:				
Remeasurement of net liability from defined benefit pension plans (net of taxes)	42	- 32	- 8	- 67
Gains / losses from equity instruments	-	-	-	-
Other comprehensive income (net of taxes)	387	- 206	125	40
Total comprehensive income for the period	989	352	1,275	1,137
Attributable to non-controlling interests	5	2	9	10
Attributable to shareholders of Henkel AG & Co. KGaA	984	350	1,266	1,127

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Consolidated statement of changes in equity

	Issued capital		Capital reserve	Treasury shares	Retained earnings	Other components of equity			Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
	Ordinary shares	Preferred shares				Currency translation	Hedge reserve	“Equity and debt instruments” reserve			
in million euros											
At January 1, 2018 (amended)	260	178	652	−91	16,042	−1,332	−198	3	15,514	74	15,588
Net income	−	−	−	−	1,141	−	−	−	1,141	9	1,150
Other comprehensive income	−	−	−	−	−8	141	−8	−	125	−	125
Total comprehensive income for the period	−	−	−	−	1,133	141	−8	−	1,266	9	1,275
Dividends	−	−	−	−	−772	−	−	−	−772	−5	−777
Sale of treasury shares	−	−	−	−	−	−	−	−	−	−	−
Changes in ownership interest with no change in control	−	−	−	−	−	−	−	−	−	−	−
Other changes in equity	−	−	−	−	−46	−	−	−	−46	−	−46
At June 30, 2018	260	178	652	−91	16,357	−1,191	−206	3	15,962	78	16,040
At Dec. 31, 2018 / Jan. 1, 2019	260	178	652	−91	17,399	−1,186	−199	3	17,016	77	17,093
Effect of first-time application of IFRS 16	−	−	−	−	−34	−	−	−	−34	−	−34
At Jan. 1, 2019	260	178	652	−91	17,365	−1,186	−199	3	16,982	77	17,059
Net income	−	−	−	−	1,088	−	−	−	1,088	9	1,097
Other comprehensive income	−	−	−	−	−67	111	−5	−	39	1	40
Total comprehensive income for the period	−	−	−	−	1,021	111	−5	−	1,127	10	1,137
Dividends	−	−	−	−	−798	−	−	−	−798	−5	−803
Sale of treasury shares	−	−	−	−	−	−	−	−	−	−	−
Changes in ownership interest with no change in control	−	−	−	−	−	−	−	−	−	−	−
Other changes in equity	−	−	−	−	5	−	−	−	5	−	5
At June 30, 2019	260	178	652	−91	17,593	−1,075	−204	3	17,316	82	17,398

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in million euros	Q2/2018	Q2/2019	1-6/2018	1-6/2019
Operating profit (EBIT)	814	756	1,553	1,492
Income taxes paid	- 107	- 111	- 293	- 217
Amortization / depreciation / impairment / write-ups of intangible assets, property, plant and equipment, and assets held for sale ¹	140	204	284	386
Net gains / losses on disposal of intangible assets and property, plant and equipment, and from divestments	- 1	-	- 1	- 4
Change in inventories	- 26	43	- 182	- 45
Change in trade accounts receivable	- 81	- 112	- 509	- 345
Change in other assets	33	34	1	65
Change in trade accounts payable	92	- 5	267	75
Change in other liabilities, provisions and equity	- 185	- 116	- 50	- 90
Cash flow from operating activities	679	693	1,070	1,317
Purchase of intangible assets and property, plant and equipment including payments on account	- 126	- 163	- 471	- 318
Acquisition of subsidiaries and other business units	- 73	- 24	- 87	- 28
Purchase of associated companies and joint ventures held at equity	- 5	-	- 7	-
Proceeds on disposal of subsidiaries and other business units	7	-	7	-
Proceeds on disposal of intangible assets and property, plant and equipment	1	1	4	8
Changes in financial receivables from third parties	-	- 18	-	- 18
Cash flow from investing activities	- 196	- 204	- 554	- 356
Dividends paid to shareholders of Henkel AG & Co. KGaA	- 772	- 798	- 772	- 798
Dividends paid to non-controlling shareholders	- 3	- 5	- 5	- 5
Interest received	10	9	14	19
Interest paid	- 30	- 25	- 44	- 43
<i>Dividends and interest paid and received</i>	- 795	- 819	- 807	- 827
Issuance of bonds	-	-	-	-
Repayment of bonds	-	-	-	-
Repayment of non-current bank liabilities	- 947	-	- 947	-
Other changes in borrowings	1,143	632	1,778	602
Redemption of lease obligations	-	- 30	-	- 58

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in million euros	Q2/2018	Q2/2019	1-6/2018	1-6/2019
Allocations to pension funds	- 11	- 11	- 49	- 27
Other changes in pension obligations ²	83	- 18	66	65
Payments for the acquisition of treasury shares	-	-	- 33	-
Other financing transactions ³	- 18	- 12	- 40	- 28
Cash flow from financing activities	- 545	- 258	- 32	- 273
Net change in cash and cash equivalents	- 62	231	484	688
Effect of exchange rates on cash and cash equivalents	12	- 14	2	5
Change in cash and cash equivalents	- 50	217	486	693
Cash and cash equivalents at January 1 / April 1	1,452	1,539	916	1,063
Cash and cash equivalents at June 30	1,402	1,756	1,402	1,756

¹ Of which: Impairment in the second quarter 2019: 29 million euros (second quarter 2018: 3 million euros); first half year 2019: 32 million euros, of which 23 million euros are attributable to assets held for sale (first half year 2018: 12 million euros).

² Other changes in pension obligations include payment receipts of 0 million euros in the second quarter of 2019 (first half year 2019: 104 million euros) constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. (second quarter and first half year 2018: 100 million euros).

³ Other financing transactions in the second quarter of 2019 include payments of - 12 million euros for the purchase of short-term securities and time deposits as well as for the provision of financial collateral (second quarter 2018: - 4 million euros). The figure for the first half year 2019 includes payments of - 25 million euros (first half year 2018: - 22 million euros).

Additional voluntary information: Reconciliation to free cash flow

in million euros	Q2/2018	Q2/2019	1-6/2018	1-6/2019
Cash flow from operating activities	679	693	1,070	1,317
Purchase of intangible assets and property, plant and equipment including payments on account	- 126	- 163	- 471	- 318
Redemption of lease obligations	-	- 30	-	- 58
Proceeds on disposal of intangible assets and property, plant and equipment	1	1	4	8
Net interest paid	- 20	- 16	- 30	- 24
Other changes in pension obligations	83	- 18	66	65
Free cash flow	617	467	639	990

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Group segment report by business unit¹

Second quarter 2019	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros								
Sales April–June 2019	489	1,933	2,422	1,002	1,666	5,091	30	5,121
Proportion of Henkel sales	9%	38%	47%	20%	32%	99%	1%	100%
Sales April–June 2018	471	1,962	2,432	1,035	1,644	5,112	32	5,143
Change from previous year	4.0%	– 1.5%	– 0.4%	– 3.2%	1.3%	– 0.4%	– 5.2%	– 0.4%
Adjusted for foreign exchange	3.3%	– 1.3%	– 0.4%	– 2.5%	2.6%	0.1%	–	0.1%
Organic	– 0.5%	– 1.3%	– 1.2%	– 2.4%	2.0%	– 0.4%	–	– 0.4%
EBIT April–June 2019	83	361	444	98	240	782	– 26	756
EBIT April–June 2018	72	367	438	151	246	835	– 22	814
Change from previous year	15.5%	– 1.4%	1.3%	– 35.3%	– 2.4%	– 6.4%	–	– 7.1%
Return on sales (EBIT) April–June 2019	16.9%	18.7%	18.3%	9.8%	14.4%	15.4%	–	14.8%
Return on sales (EBIT) April–June 2018	15.2%	18.7%	18.0%	14.6%	14.9%	16.3%	–	15.8%
Adjusted EBIT April–June 2019	83	385	469	122	279	870	– 24	846
Adjusted EBIT April–June 2018	77	384	462	187	295	944	– 18	926
Change from previous year	7.7%	0.3%	1.5%	– 34.9%	– 5.3%	– 7.8%	–	– 8.6%
Adjusted return on sales (EBIT) April–June 2019	17.0%	19.9%	19.3%	12.2%	16.8%	17.1%	–	16.5%
Adjusted return on sales (EBIT) April–June 2018	16.4%	19.6%	19.0%	18.1%	17.9%	18.5%	–	18.0%
Capital employed April–June 2019²	1,284	8,217	9,502	4,178	7,892	21,571	123	21,695
Capital employed April–June 2018 ²	866	7,787	8,653	3,915	7,249	19,818	135	19,953
Change from previous year	48.3%	5.5%	9.8%	6.7%	8.9%	8.8%	–	8.7%
Return on capital employed (ROCE) April–June 2019	25.8%	17.6%	18.7%	9.4%	12.2%	14.5%	–	13.9%
Return on capital employed (ROCE) April–June 2018	33.1%	18.8%	20.3%	15.4%	13.6%	16.9%	–	16.3%

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Second quarter 2019	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros								
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment April–June 2019	14	69	83	25	67	175	6	181
of which impairment losses 2019	1	3	4	0	2	6	–	6
of which write-ups 2019	–	–	–	–	–	–	–	–
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment April–June 2018	9	56	65	18	53	136	4	140
of which impairment losses 2018	–	–	–	–	3	3	–	3
of which write-ups 2018	–	–	–	–	–	–	–	–
Capital expenditures (excluding financial assets) April–June 2019	32	85	117	30	68	215	7	222
Capital expenditures (excluding financial assets) April–June 2018	6	57	63	13	133	209	1	210
Operating assets April–June 2019¹	1,861	10,143	12,004	5,662	10,913	28,579	594	29,172
Operating liabilities April–June 2019	678	2,360	3,038	1,709	2,911	7,657	470	8,128
Net operating assets April–June 2019³	1,183	7,783	8,965	3,954	8,002	20,921	123	21,045
Operating assets April–June 2018 ¹	1,474	9,876	11,350	5,342	10,531	27,223	573	27,796
Operating liabilities April–June 2018	695	2,586	3,281	1,737	2,977	7,996	438	8,434
Net operating assets April–June 2018 ³	779	7,290	8,069	3,605	7,554	19,227	135	19,362

¹ Calculated on the basis of units of 1,000 euros.² Including goodwill at cost prior to any accumulated impairment in accordance with IFRS 3.79(b).³ Including goodwill at net book value.

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First half year 2019	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros								
Sales January–June 2019	922	3,809	4,731	1,962	3,334	10,027	62	10,090
Proportion of Henkel sales	9 %	38 %	47 %	19 %	33 %	99 %	1 %	100 %
Sales January–June 2018	879	3,823	4,702	2,000	3,213	9,915	63	9,978
Change from previous year	4.9 %	– 0.4 %	0.6 %	– 1.9 %	3.8 %	1.1 %	– 1.6 %	1.1 %
Adjusted for foreign exchange	4.2 %	– 1.4 %	– 0.3 %	– 2.4 %	4.1 %	0.7 %	–	0.7 %
Organic	– 0.3 %	– 1.2 %	– 1.0 %	– 2.3 %	3.3 %	0.1 %	–	0.1 %
EBIT January–June 2019	147	679	825	234	483	1,542	– 50	1,492
EBIT January–June 2018	132	695	827	303	465	1,595	– 42	1,553
Change from previous year	11.5 %	– 2.4 %	– 0.2 %	– 23.0 %	3.9 %	– 3.4 %	–	– 3.9 %
Return on sales (EBIT) January–June 2019	15.9 %	17.8 %	17.4 %	11.9 %	14.5 %	15.4 %	–	14.8 %
Return on sales (EBIT) January–June 2018	15.0 %	18.2 %	17.6 %	15.2 %	14.5 %	16.1 %	–	15.6 %
Adjusted EBIT January–June 2019	149	708	857	266	565	1,687	– 46	1,641
Adjusted EBIT January–June 2018	141	730	871	349	586	1,806	– 38	1,768
Change from previous year	5.2 %	– 3.0 %	– 1.7 %	– 23.8 %	– 3.6 %	– 6.6 %	–	– 7.2 %
Adjusted return on sales (EBIT) January–June 2019	16.1 %	18.6 %	18.1 %	13.5 %	16.9 %	16.8 %	–	16.3 %
Adjusted return on sales (EBIT) January–June 2018	16.1 %	19.1 %	18.5 %	17.4 %	18.2 %	18.2 %	–	17.7 %
Capital employed January–June 2019²	1,265	8,180	9,446	4,143	7,848	21,436	119	21,555
Capital employed January–June 2018 ²	848	7,616	8,464	3,774	7,287	19,526	57	19,583
Change from previous year	49.2 %	7.4 %	11.6 %	9.8 %	7.7 %	9.8 %	–	10.1 %
Return on capital employed (ROCE) January–June 2019	23.2 %	16.6 %	17.5 %	11.3 %	12.3 %	14.4 %	–	13.8 %
Return on capital employed (ROCE) January–June 2018	31.0 %	18.3 %	19.5 %	16.1 %	12.8 %	16.3 %	–	15.9 %

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First half year 2019	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros								
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment January–June 2019	30	139	169	49	133	351	12	363
of which impairment losses 2019	1	4	5	0	4	9	–	9
of which write-ups 2019	–	–	–	–	–	–	–	–
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment January–June 2018	19	122	141	36	100	277	7	284
of which impairment losses 2018	–	9	9	–	3	12	–	12
of which write-ups 2018	–	–	–	–	–	–	–	–
Capital expenditures (excluding financial assets) January–June 2019	67	143	210	59	109	378	10	388
Capital expenditures (excluding financial assets) January–June 2018	33	102	135	233	195	563	2	565
Operating assets January–June 2019³	1,836	10,131	11,967	5,640	10,858	28,466	589	29,054
Operating liabilities January–June 2019	673	2,390	3,063	1,722	2,901	7,685	469	8,154
Net operating assets January–June 2019³	1,164	7,741	8,905	3,918	7,957	20,780	119	20,900
Operating assets January–June 2018 ³	1,436	9,710	11,146	5,177	10,487	26,810	524	27,334
Operating liabilities January–June 2018	678	2,588	3,266	1,713	2,908	7,886	466	8,352
Net operating assets January–June 2018 ³	758	7,122	7,880	3,464	7,580	18,924	57	18,981

¹ Calculated on the basis of units of 1,000 euros.

² Including goodwill at cost prior to any accumulated impairment in accordance with IFRS 3.79(b).

³ Including goodwill at net book value.

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Performance by region

Key figures by region first half year 2019 ¹

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia- Pacific	Corporate ²	Henkel Group
Sales January–June 2019	3,099	1,458	651	2,623	672	1,525	62	10,090
Sales January–June 2018	3,154	1,433	642	2,444	581	1,661	63	9,978
Change from previous year	– 1.8%	1.7%	1.5%	7.3%	15.7%	– 8.2%	–	1.1%
Adjusted for foreign exchange	– 1.8%	7.2%	15.0%	– 1.3%	16.4%	– 8.4%	–	0.7%
Organic	– 1.6%	7.3%	15.0%	– 2.2%	9.5%	– 8.3%	–	0.1%
Proportion of Henkel sales January–June 2019	31%	14%	6%	26%	7%	15%	1%	100%
Proportion of Henkel sales January–June 2018	32%	14%	6%	24%	6%	17%	1%	100%
Operating profit (EBIT) January–June 2019	936	129	37	155	88	196	– 50	1,492
Operating profit (EBIT) January–June 2018	850	142	– 18	284	69	268	– 42	1,553
Change from previous year	10.2%	– 9.4%	306.4%	– 45.3%	26.9%	– 26.9%	–	– 3.9%
Adjusted for foreign exchange	10.1%	– 1.9%	356.7%	– 52.8%	28.7%	– 29.1%	–	– 4.5%
Return on sales (EBIT) January–June 2019	30.2%	8.8%	5.7%	5.9%	13.1%	12.8%	–	14.8%
Return on sales (EBIT) January–June 2018	26.9%	9.9%	– 2.8%	11.6%	12.0%	16.1%	–	15.6%

¹ Calculated on the basis of units of 1,000 euros; figures commercially rounded.

² Corporate = sales and services not assignable to the individual regions and business units.

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Reconciliation of adjusted earnings

Reconciliation of adjusted net income

in million euros	Q2/2018 ¹	Q2/2019	+/-	1-6/2018 ¹	1-6/2019	+/-
EBIT (as reported)	814	756	-7.1%	1,553	1,492	-3.9%
One-time gains	0	-	-	-11	-	-
One-time charges	32	3	-	62	5	-
Restructuring expenses	80	87	-	164	144	-
Adjusted EBIT	926	846	-8.6%	1,768	1,641	-7.2%
Adjusted return on sales	18.0%	16.5%	-1.5 pp	17.7%	16.3%	-1.4 pp
Financial result	-8	-20	>100%	-25	-41	64.0%
Taxes on income (adjusted)	-228	-199	-12.9%	-430	-389	-9.5%
Adjusted tax rate	24.8%	24.1%	-0.7 pp	24.7%	24.3%	-0.4 pp
Net income	690	627	-9.1%	1,313	1,211	-7.8%
Attributable to non-controlling interests	5	5	-	10	10	-
Attributable to shareholders of Henkel AG & Co. KGaA	685	622	-9.2%	1,303	1,201	-7.9%
Adjusted earnings per ordinary share in euros	1.58	1.43	-9.5%	3.00	2.76	-8.0%
Adjusted earnings per preferred share in euros	1.58	1.43	-9.5%	3.01	2.77	-8.0%
at constant exchange rates			-9.5%			-8.0%

¹ Amended following retrospective application of DRSC Interpretation 4 (IFRS).

The adjusted expenses for the second quarter of 2019 include 3 million euros related to the optimization of our IT system architecture for managing business processes (second quarter 2018: 4 million euros).

Of the restructuring expenses in the second quarter of 2019, 30 million euros is attributable to cost of sales (second quarter 2018: 13 million euros) and 15 million euros to marketing, selling and distribution expenses (second quarter 2018: 26 million euros). A further 3 million euros is attributable to research and development expenses (second quarter 2018: 14 million euros), and 39 million euros to administrative expenses (second quarter 2018: 27 million euros).

The adjusted expenses for the first half of 2019 include 5 million euros related to the optimization of our IT system architecture for managing business processes (first half year 2018: 9 million euros).

Of the restructuring expenses in the first half year 2019, 44 million euros is attributable to cost of sales (first half year 2018: 53 million euros) and 44 million euros to marketing, selling and distribution expenses (first half year 2018: 59 million euros). A further 6 million euros is attributable to research and development expenses (first half year 2018: 14 million euros), and 50 million euros to administrative expenses (first half year 2018: 38 million euros).

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Earnings per share

In calculating earnings per share for the period January through June 2019, we have included the standard dividend differential between ordinary and preferred shares for the full year of 2 eurocents (as stipulated in the Articles of Association), weighted on a time-proportional basis.

Recognition and measurement methods

The interim financial report of the Henkel Group has been prepared in accordance with Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting – and consequently in compliance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The same accounting principles have been applied as for the 2018 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in fiscal 2019, which are explained on pages 142 to 147 of our Annual Report 2018. The effects of application of these pronouncements on the presentation of the interim financial report are discussed below.

In order to further ensure a true and fair view of our net assets, financial position and results of operations, additional line items have been included and some line items have been renamed in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows.

To simplify interim financial reporting, IAS 34.41 allows certain estimates and assumptions to be made beyond the scope permitted for annual financial statements, on condition that all material financial information is appropriately presented to enable a proper assessment of the net assets, financial position and results of operations of the company.

Earnings per share

	1-6/2018		1-6/2019	
	Reported	Adjusted	Reported	Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA in million euros	1,141	1,303	1,088	1,201
Number of outstanding ordinary shares	259,795,875	259,795,875	259,795,875	259,795,875
Earnings per ordinary share (basic) in euros	2.62	3.00	2.50	2.76
Number of outstanding preferred shares ¹	174,482,323	174,482,323	174,482,323	174,482,323
Earnings per preferred share (basic) in euros	2.63	3.01	2.51	2.77
Earnings per ordinary share (diluted) in euros	2.62	3.00	2.50	2.76
Earnings per preferred share (diluted) in euros	2.63	3.01	2.51	2.77

¹ Weighted average of preferred shares.

In calculating the expense relating to taxes on income, the interim tax expense is determined on the basis of the estimated effective income tax rate for the current fiscal year.

The interim report for the first half year, composed of condensed consolidated financial statements and an interim Group management report, was duly subjected to an auditor's review. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the interim consolidated financial statements on August 12, 2019, and approved them for forwarding to the Supervisory Board and for publication.

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Accounting methods applied for the first time in the year under review

IFRS 16

IFRS 16 provides a single accounting model for lease contracts in a lessee's balance sheet. A lessee reflects the right of use to the underlying asset (right-of-use asset) as well as a liability representing the future lease payments in the course of the lease contract. Exemptions are provided for short-term leases and leases relating to low-value assets. The accounting requirements for lessors are similar to IAS 17, i.e. lessors must continue to distinguish between finance and operating leases.

IFRS 16 supersedes the former guidelines on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

On adoption, Henkel used the simplification regulation allowing the definition of a lease to be maintained. As such, Henkel applied IFRS 16 to all contracts concluded prior to January 1, 2019, and identified as leases under IAS 17 and IFRIC 4.

Henkel utilized the exemptions governing short-term leases and leases relating to low-value assets and desisted from recognizing such leases in its statement of financial position. Henkel also exercised its right under IFRS 16.4 to choose not to apply IFRS 16 to leases governing certain intangible assets.

When it adopted IFRS 16, the Group recognized new assets and liabilities relating to its operating leases. These mainly relate to office buildings and equipment, production buildings, warehouses, technical facilities, vehicles and IT equipment. The right-of-use assets recognized under property, plant and equipment are stated at cost less accumulated depreciation and impairment and adjusted to reflect specific remeasurement of the lease liability. Apart from leased plant and

machinery, payments for non-lease components are ignored when calculating lease payments. The lease liabilities recognized under other financial liabilities are measured at the present value of the outstanding lease payments at the date of commencement. The lease payments are discounted at the incremental borrowing rate. On subsequent measurement, interest is accrued on the lease liability and the corresponding interest expense is recognized in the financial result. Payments reduce the carrying amount of the lease liability. In addition, the carrying amount of the lease liability is adjusted upon specific remeasurement.

Henkel applied IFRS 16 retrospectively as per IFRS 16.C5(b). In doing so, right-of-use assets have been consistently recognized in the amount of the lease liability. In the case of certain building leases, the right-of-use asset was measured as if IFRS 16 had been applied starting from the date of commencement. The effect of first-time application of the standard was recognized in retained earnings. Prior-year figures have not been restated.

On adoption of IFRS 16, Henkel utilized the exemptions allowing leases with a residual term of less than twelve months to be treated as short-term leases, initial direct costs to be ignored when measuring right-of-use assets for the first time, and current knowledge to be taken into account when determining the lease terms of contracts with extension and / or termination options.

The effects on the Group's former finance leases were immaterial.

Upon first-time application of IFRS 16, Henkel recognized right-of-use assets of 453 million euros in property, plant and equipment, together with lease liabilities of 80 million euros in other current financial liabilities and 427 million euros in other non-current financial liabilities.

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A further 45 million euros gross and 34 million euros net of deferred taxes were recognized in retained earnings. At June 30, 2019, the right-of-use assets totaled 445 million euros, current lease liabilities 116 million euros and non-current lease liabilities 391 million euros.

In the first half year 2019, a total of 66 million euros in scheduled depreciation of right-of-use assets was recognized in the operating result, together with an interest expense of 8 million euros, which was included in the financial result. The effects of IFRS 16 on the net income for the first half of the year are immaterial.

Of the difference between the lease liabilities totaling 507 million euros at the time of initial application and the operating lease commitments reported in an amount of 535 million euros at December 31, 2018, a figure in the mid-double-digit millions is primarily attributable to the application of the weighted average incremental borrowing rate of 2.47 percent, which was partially offset by a lower double-digit million euros amount from recognizing lease payments in optional lease periods as liabilities. The effect of utilizing the exemptions for short-term leases and leases for low-value assets, and for capitalizing non-lease components is immaterial.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the scope of consolidation at June 30, 2019 includes 13 German and 195 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policies, based on the concept of control. The Group has a dominating influence on a company when it is exposed, and has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The following table shows the changes to the scope of consolidation compared to December 31, 2018:

Scope of consolidation

At January 1, 2019	222
Additions	1
Mergers	- 13
Disposals	- 1
At June 30, 2019	209

The changes in the scope of consolidation have not had any material effect on the main items of the consolidated financial statements.

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Acquisitions and divestments

Effective May 1, 2019, Henkel completed the acquisition of all shares in Molecule Corp. based in Concord, USA. The purchase price was 19 million euros, settled in cash. The acquisition complements and strengthens the Adhesive Technologies business unit's technology portfolio for additive manufacturing (3D printing).

Because the acquisition of Molecule Corp. was only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 Business Combinations is provisional. The same applies for the purchase price relating to the acquisition of Aislantes Nacionales S.A., Santiago, Chile, on December 10, 2018. In particular, determination of the fair value of the intangible assets, property, plant and equipment, provisions and deferred taxes has not yet been finalized.

Consolidated statement of comprehensive income

Of the components included in other comprehensive income, tax income relating to actuarial gains amounts to 48 million euros (June 30, 2018: tax expense of 16 million euros) and tax expenses from cash flow hedges amount to 3 million euros (June 30, 2018: tax expense of 1 million euros).

Financial instruments

With the exception of derivative financial instruments, other investments and certain cash deposits recognized as securities and time deposits and as cash equivalents, all financial assets and liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the allocation of items on the statement of financial position to the financial instrument classes according to IFRS 7 and compares the carrying amounts of the financial assets and liabilities with their respective fair values:

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Reconciliation of financial statement items to the financial instrument classes according to IFRS 7

in million euros

		Dec. 31, 2018	Dec. 31, 2018	June 30, 2019	June 30, 2019
	Financial instruments class (Valuation hierarchy of fair values)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Trade accounts receivable	Amortized cost	3,610	3,610	3,983	3,983
Other financial assets		1,095	1,095	1,093	1,093
Receivables from non-consolidated affiliated companies and associated companies	Amortized cost	1	1	0	0
Financial receivables from third parties	Amortized cost	23	23	42	42
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (Level 2)	31	31	18	18
Derivative financial instruments included in a designated hedging relationship	Derivative financial instruments included in a designated hedging relationship (Level 2)	6	6	15	15
Investments in non-consolidated subsidiaries and associated companies	No financial instruments	18	18	16	16
Other investments	Fair value through other comprehensive income (Level 3)	20	20	31	31
Receivables from Henkel Trust e.V.	Amortized cost	608	608	564	564
Floating-interest securities and time deposits	Amortized cost	6	6	21	21
Floating-interest securities and time deposits	Fair value through other comprehensive income (Level 1)	15	15	15	15
Floating-interest securities and time deposits	Fair value through profit or loss (Level 2)	200	200	200	200
Financial collateral provided	Amortized cost	49	49	60	60
Sundry financial assets	Amortized cost	118	118	111	111
Cash and cash equivalents	Amortized cost	972	972	1,583	1,583
Cash and cash equivalents	Fair value through profit or loss (Level 2)	91	91	173	173
Total		5,768	5,768	6,832	6,832
Financial liabilities	Financial instruments class (Valuation hierarchy of fair values)	Carrying amount	Fair value	Carrying amount	Fair value
Trade accounts payable	Amortized cost	3,268	3,268	3,291	3,291
Trade accounts payable	Amortized cost (Level 2)	445	445	523	523
Bonds	Amortized cost (Level 1)	2,220	2,204	2,228	2,234
Other borrowings	Amortized cost	1,955	1,955	2,578	2,578
Other financial liabilities		214	214	703	703
Derivative financial instruments not included in a designated hedging relationship	Fair value (Level 2)	28	28	26	26
Derivative financial instruments included in a designated hedging relationship	Derivative financial instruments included in a designated hedging relationship (Level 2)	50	50	60	60
Derivative financial instruments included in a designated hedging relationship	Derivative financial instruments included in a designated hedging relationship (Level 3)	1	1	2	2
Sundry other financial liabilities	Amortized cost	73	73	562	562
Sundry other financial liabilities	Fair value (Level 3)	62	62	53	53
Total		8,102	8,086	9,324	9,330

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The following hierarchy is applied in order to determine and disclose the fair value of financial instruments:

- Level 1: Fair values determined on the basis of quoted, unadjusted prices in active markets.
- Level 2: Fair values determined on the basis of parameters for which either directly or indirectly derived market prices are available.
- Level 3: Fair values determined on the basis of parameters for which the input factors are not derived from observable market data.

No reclassifications between the valuation categories or IFRS 7 classes nor within the fair value hierarchy were performed during the reporting period nor in the comparable prior period.

The fair value of securities and time deposits classified as Level 1 is based on the quoted market prices on the reporting date. Observable market data are used to measure the fair value of Level 2 securities, time deposits and cash equivalents. If bid and ask prices are available, the mid price is used to determine the fair value. When using the discounted cash flow method to determine fair values, the contractually specified cash flows are discounted using currency-specific yield curves. When measuring derivative financial instruments, the credit risk is determined by netting all financial assets, liabilities, collateral received and collateral provided for each counterparty to determine the net credit exposure. Credit risk is taken into account by adjusting the fair values concerned on the basis of credit risk premiums.

The fair value of forward exchange contracts and cross-currency swaps is determined on the basis of the reference rates issued by the European Central Bank for the reporting date, taking into account forward premiums / forward discounts for the remaining term of the respective contract versus the contracted foreign exchange rate. Foreign exchange options are measured using price quotations or recognized models for the determination of option prices. The fair value of equity forward contracts is measured on the basis of the closing price of Henkel preferred shares on the reporting date, taking into account forward premiums / forward discounts for the remaining term of the respective contract versus the contracted forward share price. Interest rate hedges are measured on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31 and June 30.

Interest rates in percent p. a.

At Dec. 31 / June 30 Term	Euro		USD	
	2018	2019	2018	2019
1 month	-0.42	-0.39	2.14	2.40
3 months	-0.38	-0.35	2.39	2.32
6 months	-0.32	-0.31	2.56	2.20
1 year	-0.22	-0.21	2.83	2.18
2 years	-0.17	-0.38	2.76	1.79
5 years	0.27	-0.23	2.86	1.75
10 years	0.89	0.18	2.90	1.96

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The changes in the fair values of the Level 3 financial instruments are discussed in the following:

Development of Level 3 assets and liabilities

	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Puttable instruments for minority shareholders
in million euros				
Carrying amount at January 1, 2018	–	7	38	27
Purchases	–	5	–8	–
Gains / losses recognized through operating profit or loss	–	–	–7	–
of which attributable to assets and liabilities held at the end of the reporting period	–	–	–7	–
Gains / losses recognized in other comprehensive income	–	–	–	3
Foreign exchange effects / Other changes	–	–	–	–
Carrying amount at June 30, 2018	–	12	23	30

Development of Level 3 assets and liabilities

	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Puttable instruments for minority shareholders
in million euros				
Carrying amount at January 1, 2019	1	20	33	29
Purchases	–	11	–	–
Gains / losses recognized through operating profit or loss	–	–	–9	–
of which attributable to assets and liabilities held at the end of the reporting period	–	–	–9	–
Gains / losses recognized in other comprehensive income	1	–	–	–
Foreign exchange effects / Other changes	–	–	–	–
Carrying amount at June 30, 2019	2	31	24	29

The derivative financial instruments categorized as Level 3 are commodity forwards recognized in hedge accounting. In the absence of forward quotes on the market, the fair value is determined on the basis of bids obtained from several banks for new contracts involving similar products. The changes are

included in full in other comprehensive income in the hedge reserve. Reclassification to the cost of hedged inventories is performed when the derivatives are realized. This occurs when the hedged inventories are recognized.

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The fair value of other investments is based either on information derived from recent financing transactions, on a cost-based method or on valuation using the discounted cash flow method taking into account the free cash flow of the investment. Appropriate risk-adjusted costs of capital are applied when using the discounted cash flow method. Since none of these investments were sold, no valuation results in equity have been reclassified to retained earnings.

Sensitivity analysis revealed that the carrying amounts would differ by a very low single-digit million euros amount in the event of changes in the EBIT multiple and the cost of capital of 10 percent that are deemed realistic. The changes would be included in full in other comprehensive income.

The fair value of the contingent consideration relating to the acquisition in Chile, which is stated under other financial liabilities, was determined on the basis of the expected trend in gross profit relevant for payment of the contingent purchase price component. In addition to the gross profit, the exchange rate of the Chilean peso is a further material valuation parameter.

If gross profit were to be 10 percent lower, or the Chilean peso were to devalue by 10 percent, the resulting fair value would be lower by 9 million euros or 1 million euros respectively. If gross profit were to be 10 percent higher, or the Chilean peso were to appreciate by 10 percent, the resulting fair value would be higher by 3 million euros or 1 million euros respectively. The changes would be included in full in the statement of income.

The fair value of the performance-related purchase price component relating to the acquisition in fiscal 2018 of the outstanding non-controlling shares in the United Arab Emirates, which is also stated in other financial liabilities, was determined on the basis of the expected trend in earnings before interest, taxes, depreciation and amortization (EBITDA) relevant for payment of the contingent purchase price component.

In addition to the EBITDA, the exchange rate of the UAE dirham is a further material valuation parameter.

If EBITDA were to be 10 percent lower, or the UAE dirham were to devalue by 10 percent, the resulting fair value would be lower by 3 million euros or 1 million euros respectively. If EBITDA were to be 10 percent higher, or the UAE dirham were to appreciate by 10 percent, the resulting fair value would be higher by 12 million euros or 2 million euros respectively. The changes would be included in full in the statement of income.

The fair value of the puttable instruments for minority shareholders arising from our acquisition in Nigeria, which are recognized in other financial liabilities, was determined using the discounted cash flow method, taking into account the free cash flow of the acquired company, based on a detailed planning horizon through to 2025. The assumptions upon which the material planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources. A discount rate was applied as derived from the capital costs in euros.

Material valuation parameters are the weighted average cost of capital (WACC) of 10.7 percent applied as the discount rate, and the exchange rate of the Nigerian naira. A rise in interest rates or a depreciation of the naira would result in a lower negative fair value of the liability. An interest rate reduction or an appreciation of the naira would result in a higher negative fair value.

Sensitivity analysis revealed that the carrying amount of the liability would differ by +8 million euros or –6 million euros if – as a supposition regarded as realistic – the parameters relevant for valuation were to have changed by 10 percent in each case as of the closing date. The changes would be included in full in other comprehensive income.

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Voting rights / Related party disclosures

The company has been notified that, on October 12, 2018, the proportion of voting rights held by the members of the Henkel family share-pooling agreement represented in total a share of 61.20 percent of the voting rights (158,999,015 votes) in Henkel AG & Co. KGaA.

Notes to the Group segment report

There have been no changes in the basis by which the segments are classified or in the presentation of the segment results as compared to the consolidated financial statements of December 31, 2018. For definitions of net operating assets, capital employed and ROCE, please refer to our Annual Report 2018, pages 213 to 216 and page 248.

Notes to the consolidated statement of cash flows

The main items of the consolidated statement of cash flows and the changes thereto are explained on page 32. The other changes in borrowings take into account a number of cash inflows and outflows, particularly arising from the issuance and redemption of commercial paper and current liabilities to banks. Of the dividend of 798 million euros paid to shareholders of Henkel AG & Co. KGaA, 475 million euros was paid on ordinary shares and 323 million euros on preferred shares.

Subsequent events

On July 2, 2019, we signed an agreement governing the acquisition of 51 percent of the shares in eSalon.com LLC, Los Angeles, USA. The acquisition will enable Henkel to further strengthen its leading Hair Colorants portfolio and to expand its digital business. In fiscal 2018, eSalon.com LLC generated sales of around 25 million euros. We do not expect any material impact from this acquisition on the net assets, financial position and results of operations of Henkel.

Düsseldorf, August 12, 2019

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

Management Board
Hans Van Bylen,
Jan-Dirk Auris, Carsten Knobel, Sylvie Nicol,
Bruno Piacenza, Jens-Martin Schwärzler

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To Henkel AG & Co. KGaA, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements of the Henkel AG & Co. KGaA – comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and selected notes – and the interim Group management report (pages 4 to 25) of Henkel AG & Co. KGaA, Düsseldorf, for the period from January 1, 2019 to June 30, 2019, which form part of the half-year financial report in accordance with Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's legal representatives. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed

interim consolidated financial statements have not been prepared, in material aspects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, August 12, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Becker
Wirtschaftsprüfer
[German Public Auditor]

Rohrbach
Wirtschaftsprüfer
[German Public Auditor]

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To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development, performance and results of the business and the position of the Group, together with a cogent description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the fiscal year.

Düsseldorf, August 12, 2019

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

Management Board
Hans Van Bylen,
Jan-Dirk Auris, Carsten Knobel, Sylvie Nicol,
Bruno Piacenza, Jens-Martin Schwärzler

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In the meeting of August 5, 2019, the interim consolidated financial report for the first six months of fiscal 2019 and the report prepared by KPMG AG, Wirtschaftsprüfungsgesellschaft, on its review of the condensed interim consolidated financial statements and the interim Group management report were presented to the Audit Committee, who also received verbal explanations from the Management Board and KPMG pertaining to the above. The Audit Committee has approved and endorses the interim consolidated financial report.

Düsseldorf, August 12, 2019

Chairman of the Audit Committee
Prof. Dr. Theo Siegert

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Multi-year summary

Second quarter 2015 to 2019

in million euros	2015	2016	2017	2018	2019
Sales	4,695	4,654	5,098	5,143	5,121
Adhesive Technologies	2,343	2,290	2,370	2,432	2,422
Beauty Care	1,006	988	997	1,035	1,002
Laundry & Home Care	1,314	1,345	1,703	1,644	1,666
Adjusted ¹ operating profit (EBIT)	768	819	909	926	846
Adjusted ¹ earnings per preferred share	1.29	1.40	1.55	1.58	1.43

¹ Adjusted for one-time charges / gains and restructuring expenses.

First half year 2015 to 2019

in million euros	2015	2016	2017	2018	2019
Sales	9,125	9,110	10,162	9,978	10,090
Adhesive Technologies	4,503	4,433	4,665	4,702	4,731
Beauty Care	1,946	1,938	2,007	2,000	1,962
Laundry & Home Care	2,612	2,678	3,429	3,213	3,334
Adjusted ¹ operating profit (EBIT)	1,475	1,570	1,763	1,768	1,641
Adjusted ¹ earnings per preferred share	2.47	2.67	2.96	3.01	2.77

¹ Adjusted for one-time charges / gains and restructuring expenses.

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may therefore differ materially from forward-looking statements. Many of these factors are outside Henkel’s control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.

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Publication of Statement for the Third Quarter 2019 / Nine Months 2019:

Thursday, November 14, 2019

Publication of Report for Fiscal 2019:

Thursday, March 5, 2020

Annual General Meeting Henkel AG & Co. KGaA 2020:

Monday, April 20, 2020