



Q3 Quarterly statement

July through September 2018

January through September 2018



Summary: third quarter results

- Sales: 5,037 million euros: organic sales growth of +2.7 percent, nominal increase +1.1 percent (foreign exchange effects –3.2 percent).
- Increase in adjusted¹ operating profit: +3.3 percent to 926 million euros.
- Improvement in adjusted¹ return on sales (EBIT): +40 basis points to 18.4 percent.
- Increase in adjusted¹ earnings per preferred share: +2.6 percent to 1.58 euros.

Major events

- On September 12, 2018, the foundation stone for the Adhesive Technologies business unit's new global Innovation Center was laid at company headquarters in Düsseldorf. Due for completion by the end of 2020.

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

Sales and earnings performance

Henkel Group

Key financials¹

in million euros	Q3/2017	Q3/2018	+/-	1-9/2017	1-9/2018	+/-
Sales	4,981	5,037	1.1%	15,143	15,015	-0.8%
Operating profit (EBIT)	750	833	11.1%	2,412	2,386	-1.1%
Adjusted ² operating profit (EBIT)	897	926	3.3%	2,660	2,694	1.3%
Return on sales (EBIT)	15.1%	16.5%	1.4 pp	15.9%	15.9%	0.0 pp
Adjusted ² return on sales (EBIT)	18.0%	18.4%	0.4 pp	17.6%	17.9%	0.3 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	564	614	8.9%	1,785	1,755	-1.7%
Adjusted ² net income – attributable to shareholders of Henkel AG & Co. KGaA	666	686	3.0%	1,949	1,989	2.1%
Earnings per preferred share in euros	1.30	1.42	9.2%	4.12	4.05	-1.7%
Adjusted ² earnings per preferred share in euros	1.54	1.58	2.6%	4.50	4.59	2.0%

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	Q3/2018	1-9/2018
Change versus previous year	1.1	-0.8
Foreign exchange	-3.2	-6.0
Adjusted for foreign exchange	4.3	5.2
Acquisitions / divestments	1.6	2.8
Organic	2.7	2.4
of which price	2.3	1.5
of which volume	0.4	0.9

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

Sales development¹ by region third quarter 2018

Western Europe	0.6%
Eastern Europe	7.1%
Africa / Middle East	13.1%
North America	-0.8%
Latin America	11.5%
Asia-Pacific	1.2%

¹ Organic.

In the third quarter of 2018, **sales of the Henkel Group** reached 5,037 million euros.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 2.7 percent. Acquisitions and divestments accounted for an increase in sales of 1.6 percent. Foreign exchange effects reduced sales by -3.2 percent. Nominally, sales increased by 1.1 percent.

Emerging markets continued to make an above-average contribution to sales growth of the Henkel Group, with sales increasing organically by 6.8 percent. At -0.1 percent, organic sales development in the mature markets was virtually on a par with the prior-year quarter.

Organic sales growth was 0.6 percent in the Western Europe region and 7.1 percent in the Eastern Europe region. In the Africa / Middle East region, we

achieved organic sales growth of 13.1 percent in the third quarter of 2018. In the North America region, organic sales growth was slightly negative at -0.8 percent. We increased sales organically by 11.5 percent in the Latin America region. Sales in the Asia-Pacific region grew organically by 1.2 percent.

Adjusted operating profit (EBIT) increased by 3.3 percent from 897 million euros to 926 million euros.

Adjusted return on sales (EBIT) improved by 0.4 percentage points to 18.4 percent.

Adjusted earnings per preferred share increased by 2.6 percent, rising from 1.54 euros in the third quarter of 2017 to 1.58 euros in the third quarter of 2018.

Adhesive Technologies

Key financials¹

in million euros	Q3/2017	Q3/2018	+/-	1-9/2017	1-9/2018	+/-
Sales	2,373	2,373	0.0%	7,039	7,075	0.5%
Proportion of Henkel sales	47%	47%	-	46%	47%	-
Operating profit (EBIT)	427	444	4.0%	1,304	1,271	-2.5%
Adjusted ² operating profit (EBIT)	454	466	2.7%	1,323	1,338	1.1%
Return on sales (EBIT)	18.0%	18.7%	0.7 pp	18.5%	18.0%	-0.5 pp
Adjusted ² return on sales (EBIT)	19.1%	19.6%	0.5 pp	18.8%	18.9%	0.1 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.

Sales development¹

in percent	Q3/2018	1-9/2018
Change versus previous year	0.0	0.5
Foreign exchange	-3.4	-6.0
Adjusted for foreign exchange	3.4	6.5
Acquisitions / divestments	-0.4	1.9
Organic	3.8	4.6
of which price	3.6	2.4
of which volume	0.2	2.2

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

In the third quarter of 2018, the Adhesive Technologies business unit generated **sales** of 2,373 million euros.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.8 percent. Acquisitions/divestments accounted for a decrease in sales of -0.4 percent. Foreign exchange effects reduced sales by -3.4 percent. Nominally, sales were on a par with the prior-year quarter.

Our businesses in the emerging markets generated very strong organic sales growth. We posted significant organic growth in the Eastern Europe region. The Latin America region recorded double-digit growth. Sales development in Asia (excluding Japan) was good. Sales performance in the Africa / Middle East region was positive.

Organic sales growth in the mature markets was good. Sales in the North America region increased very strongly. Sales performance in the Western Europe region was good. In the mature markets of the Asia-Pacific region, quarterly sales were lower year on year.

All business areas contributed to the strong organic sales growth. The Electronics and the General Industry business areas recorded very strong organic sales growth. Sales increased strongly in the Transport and Metal and the Packaging and Consumer Goods Adhesives business areas. Compared to the third quarter of 2017, sales growth in the Adhesives for Consumers, Craftsmen and Building business was good.

Adjusted operating profit (EBIT) increased versus the prior-year quarter by 2.7 percent to 466 million euros.

Adjusted return on sales (EBIT) showed very strong development against the third quarter of 2017, increasing by 0.5 percentage points to 19.6 percent.

Beauty Care

Key financials¹

in million euros	Q3/2017	Q3/2018	+/-	1-9/2017	1-9/2018	+/-
Sales	941	993	5.5%	2,948	2,993	1.5%
Proportion of Henkel sales	19%	20%	-	20%	20%	-
Operating profit (EBIT)	121	158	29.8%	425	461	8.3%
Adjusted ² operating profit (EBIT)	171	182	6.7%	519	531	2.2%
Return on sales (EBIT)	12.9%	15.9%	3.0 pp	14.4%	15.4%	1.0 pp
Adjusted ² return on sales (EBIT)	18.1%	18.3%	0.2 pp	17.6%	17.7%	0.1 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.

Sales development¹

in percent	Q3/2018	1-9/2018
Change versus previous year	5.5	1.5
Foreign exchange	-2.3	-5.6
Adjusted for foreign exchange	7.8	7.1
Acquisitions / divestments	7.3	8.3
Organic	0.5	-1.2
of which price	0.4	0.2
of which volume	0.1	-1.4

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

In the third quarter of 2018, the Beauty Care business unit generated **sales** of 993 million euros.

Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales increased by 0.5 percent. Acquisitions / divestments accounted for an increase in sales of 7.3 percent. Foreign exchange effects reduced sales by -2.3 percent. Nominally, sales increased by 5.5 percent.

In regional terms, the organic sales performance of our businesses in the emerging markets was very strong versus the third quarter of 2017. Sales growth in the Africa / Middle East region was significant. The Eastern Europe, Latin America and Asia (excluding Japan) regions achieved very strong organic growth.

Organic sales growth in our businesses in the mature markets was negative. Sales in the North America region were below the level of the prior-year quarter and slightly negative in the Western Europe region. Sales in the mature markets of the Asia-Pacific region were lower compared to the third quarter of 2017.

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

Adjusted operating profit (EBIT) came in at 182 million euros, 6.7 percent higher than in the third quarter of 2017.

Adjusted return on sales (EBIT) showed good development, increasing to 18.3 percent.

Laundry & Home Care

Key financials¹

in million euros	Q3/2017	Q3/2018	+/-	1-9/2017	1-9/2018	+/-
Sales	1,636	1,641	0.3%	5,065	4,854	-4.2%
Proportion of Henkel sales	33%	32%	-	33%	32%	-
Operating profit (EBIT)	227	248	9.2%	766	713	-6.9%
Adjusted ² operating profit (EBIT)	294	294	0.0%	890	879	-1.2%
Return on sales (EBIT)	13.9%	15.1%	1.2pp	15.1%	14.7%	-0.4pp
Adjusted ² return on sales (EBIT)	17.9%	17.9%	0.0pp	17.6%	18.1%	0.5pp

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	Q3/2018	1-9/2018
Change versus previous year	0.3	-4.2
Foreign exchange	-3.3	-6.3
Adjusted for foreign exchange	3.6	2.1
Acquisitions / divestments	1.1	0.5
Organic	2.5	1.6
of which price	1.4	1.0
of which volume	1.1	0.6

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

In the third quarter of 2018, the Laundry & Home Care business unit generated **sales** of 1,641 million euros.

Organically (i.e. adjusted for foreign exchange and acquisitions / divestments), sales increased by 2.5 percent. Acquisitions / divestments accounted for an increase in sales of 1.1 percent. Foreign exchange effects reduced sales by -3.3 percent. Nominally, sales increased by 0.3 percent.

This good organic sales performance was mainly driven by double-digit sales growth in our emerging markets. We posted very strong organic growth in the Eastern Europe region. The Africa / Middle East and Latin America regions both achieved double-digit growth. Sales in Asia (excluding Japan) declined.

Organic sales growth in the mature markets was negative due to a decline in the North America region. The mature markets in the Asia-Pacific region achieved very strong organic growth. Sales growth in the Western Europe region was positive.

In the third quarter of 2018, organic sales growth was strong in our Home Care business and good in our Laundry Care business.

Both **adjusted operating profit (EBIT)** of 294 million euros and **adjusted return on sales (EBIT)** of 17.9 percent were on a par with the prior-year quarter.

Net assets and financial position of the Henkel Group

Compared to year-end 2017, **total assets** rose by 1.3 billion euros to 29.6 billion euros.

The **equity ratio** was 55.9 percent (December 31, 2017: 55.3 percent).

Effective September 30, 2018, our **net financial position** amounted to –3,248 million euros (December 31, 2017: –3,225 million euros).

The ratio of **net working capital** to sales increased to 6.6 percent, following 5.6 percent in the prior-year quarter.

At 1,123 million euros, **free cash flow** in the first nine months of 2018 was virtually on a par with the first nine months of 2017 (1,153 million euros).

Our **long-term ratings** remain at “A flat” (Standard & Poor’s) and “A2” (Moody’s).

Outlook

Guidance for 2018¹

Organic sales growth	Henkel Group: 2–4 percent Adhesive Technologies: 4–5 percent Beauty Care: 0–2 percent Laundry & Home Care: 2–4 percent
Adjusted ² return on sales (EBIT)	Increase to around 18 percent
Adjusted ² earnings per preferred share	Increase of 3–6 percent

¹ Issued on August 16, 2018.

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

We confirm our guidance for fiscal 2018.

Selected financial information

Consolidated statement of financial position

Assets

in million euros	Sept. 30, 2017	%	Dec. 31, 2017	%	Sept. 30, 2018	%
Intangible assets	15,626	54.9	15,690 ¹	55.3	16,198	54.7
Property, plant and equipment	2,925	10.3	3,005	10.6	3,040	10.3
Other financial assets	69	0.2	50	0.2	63	0.2
Income tax refund claims	9	–	8	–	8	–
Other assets	164	0.6	169	0.6	206	0.7
Deferred tax assets	993	3.5	949	3.4	921	3.1
Non-current assets	19,786	69.5	19,871	70.1	20,436	69.0
Inventories	2,055	7.2	2,080	7.3	2,215	7.5
Trade accounts receivable	3,652	12.8	3,544	12.5	3,954	13.3
Other financial assets	1,099	3.9	1,072	3.8	1,063	3.6
Income tax refund claims	331	1.2	329	1.2	339	1.1
Other assets	463	1.5	451	1.6	389	1.3
Cash and cash equivalents	1,016	3.6	916	3.2	1,132	3.8
Assets held for sale	81	0.3	81	0.3	106	0.4
Current assets	8,697	30.5	8,473	29.9	9,198	31.0
Total assets	28,483	100.0	28,344	100.0	29,634	100.0

¹ Adjusted following updated allocation of the purchase price for the acquisition of Zotos International Inc.

Equity and liabilities

in million euros	Sept. 30, 2017	%	Dec. 31, 2017	%	Sept. 30, 2018	%
Issued capital	438	1.5	438	1.5	438	1.5
Capital reserve	652	2.3	652	2.3	652	2.2
Treasury shares	-91	-0.3	-91	-0.3	-91	-0.3
Retained earnings	15,364	53.9	16,104	56.9	16,947	57.1
Other components of equity	-1,340	-4.7	-1,527	-5.4	-1,455	-4.9
Equity attributable to shareholders of Henkel AG & Co. KGaA	15,023	52.7	15,576	55.0	16,491	55.6
Non-controlling interests	73	0.3	74	0.3	78	0.3
Equity	15,096	53.0	15,650	55.3	16,569	55.9
Provisions for pensions and similar obligations	809	2.8	760	2.7	717	2.4
Income tax provisions	105	0.4	27	0.1	128	0.4
Other provisions	353	1.2	338	1.2	275	0.9
Borrowings	3,112	10.9	3,076	10.8	1,552	5.3
Other financial liabilities	82	0.3	85	0.3	63	0.2
Other liabilities	25	0.1	17	0.1	18	0.1
Deferred tax liabilities	882	3.1	644 ¹	2.2	751	2.5
Non-current liabilities	5,368	18.8	4,947	17.4	3,504	11.8
Income tax provisions	403	1.4	437	1.5	373	1.3
Other provisions	1,729	6.1	1,766 ¹	6.2	1,811	6.1
Borrowings	1,486	5.2	1,268	4.5	3,062	10.4
Trade accounts payable	3,723	13.1	3,717	13.1	3,800	12.8
Other financial liabilities	289	1.0	214	0.8	175	0.6
Other liabilities	373	1.3	340	1.2	336	1.1
Income tax liabilities	16	0.1	5	-	4	-
Current liabilities	8,019	28.2	7,747	27.3	9,561	32.3
Total equity and liabilities	28,483	100.0	28,344	100.0	29,634	100.0

¹ Adjusted following updated allocation of the purchase price for the acquisition of Zotos International Inc.

Consolidated statement of income

in million euros	Q3/2017	%	Q3/2018	%	+/-
Sales	4,981	100.0	5,037	100.0	1.1%
Cost of sales	-2,674	-53.7	-2,698	-53.6	0.9%
Gross profit	2,307	46.3	2,339	46.4	1.4%
Marketing, selling and distribution expenses	-1,154	-23.2	-1,142	-22.7	-1.0%
Research and development expenses	-114	-2.3	-116	-2.3	1.8%
Administrative expenses	-251	-5.0	-244	-4.8	-2.8%
Other operating income	13	0.3	39	0.8	>100%
Other operating expenses	-51	-1.0	-43	-0.9	-15.7%
Operating profit (EBIT)	750	15.1	833	16.5	11.1%
Interest income	3	0.1	2	-	-33.3%
Interest expense	-16	-0.4	-16	-0.3	-
Other financial result	-6	-0.1	-1	-	-83.3%
Investment result	-1	-	-1	-	-
Financial result	-20	-0.4	-16	-0.3	-20.0%
Income before tax	730	14.7	817	16.2	11.9%
Taxes on income	-166	-3.4	-198	-3.9	19.3%
Tax rate in %	22.7		24.2		
Net income	564	11.3	619	12.3	9.8%
Attributable to non-controlling interests	-	-	5	0.1	-
Attributable to shareholders of Henkel AG & Co. KGaA	564	11.3	614	12.2	8.9%
Earnings per ordinary share – basic and diluted	in euros	1.29	1.42		10.1%
Earnings per preferred share – basic and diluted	in euros	1.30	1.42		9.2%

Consolidated statement of income

in million euros	1-9/2017	%	1-9/2018	%	+/-
Sales	15,143	100.0	15,015	100.0	-0.8%
Cost of sales	-8,001	-52.8	-8,024	-53.4	0.3%
Gross profit	7,142	47.2	6,991	46.6	-2.1%
Marketing, selling and distribution expenses	-3,633	-24.1	-3,518	-23.4	-3.2%
Research and development expenses	-354	-2.3	-369	-2.5	4.2%
Administrative expenses	-757	-5.0	-753	-5.0	-0.5%
Other operating income	86	0.6	104	0.7	20.9%
Other operating expenses	-72	-0.5	-69	-0.5	-4.2%
Operating profit (EBIT)	2,412	15.9	2,386	15.9	-1.1%
Interest income	15	0.1	7	-	-53.3%
Interest expense	-39	-0.3	-55	-0.3	41.0%
Other financial result	-14	-0.1	7	-	>-100%
Investment result	-1	-	1	-	>-100%
Financial result	-39	-0.3	-40	-0.3	2.6%
Income before tax	2,373	15.6	2,346	15.6	-1.1%
Taxes on income	-571	-3.7	-577	-3.8	1.1%
Tax rate in %	24.1		24.6		
Net income	1,802	11.9	1,769	11.8	-1.8%
Attributable to non-controlling interests	17	0.1	14	0.1	-17.6%
Attributable to shareholders of Henkel AG & Co. KGaA	1,785	11.8	1,755	11.7	-1.7%
Earnings per ordinary share – basic and diluted	in euros	4.10	4.04		-1.5%
Earnings per preferred share – basic and diluted	in euros	4.12	4.05		-1.7%

Consolidated statement of cash flows

in million euros	Q3/2017	Q3/2018	1–9/2017	1–9/2018
Operating profit (EBIT)	750	833	2,412	2,386
Income taxes paid	-138	-142	-524	-435
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment ¹	169	144	487	428
Net gains / losses on disposal of intangible assets and property, plant and equipment, and from divestments	-6	-4	-32	-5
Change in inventories	-30	-17	-163	-199
Change in trade accounts receivable	-61	36	-416	-473
Change in other assets	-41	66	-15	67
Change in trade accounts payable	67	-142	197	125
Change in other liabilities, provisions and equity	61	-86	-216	-136
Cash flow from operating activities	771	688	1,730	1,758
Purchase of intangible assets and property, plant and equipment, including payments on account	-193	-172	-488	-643
Acquisition of subsidiaries and other business units	-1,403	-1	-1,414	-88
Purchase of associated companies and joint ventures held at equity	-	-1	-3	-8
Proceeds on disposal of subsidiaries and other business units	4	3	52	10
Proceeds on disposal of intangible assets and property, plant and equipment	11	8	12	12
Cash flow from investing activities	-1,581	-163	-1,841	-717
Dividends paid to shareholders of Henkel AG & Co. KGaA	-	-	-698	-772
Dividends paid to non-controlling shareholders	2	-4	-35	-9
Interest received	3	1	16	15
Interest paid	-36	-16	-57	-60
Dividends and interest paid and received	-31	-19	-774	-826
Issuance of bonds	-	-	535	-
Repayment of bonds	-	-500	-	-500
Repayment of non-current liabilities to banks	-	-	-	-947
Other changes in borrowings	-292	-132	619	1,646
Allocations to pension funds	-37	-88	-63	-137
Other changes in pension obligations ²	-20	-25	-60	41
Purchase of treasury shares	-	-	-	-33
Purchase of non-controlling interests with no change of control	-140	-	-154	-
Other financing transactions ³	-18	-18	-275	-58
Cash flow from financing activities	-538	-782	-172	-814
Net change in cash and cash equivalents	-1,348	-257	-283	227
Effect of exchange rates on cash and cash equivalents	-40	-13	-90	-11
Change in cash and cash equivalents	-1,388	-270	-373	216
Cash and cash equivalents at January 1 / July 1	2,404	1,402	1,389	916
Cash and cash equivalents at September 30	1,016	1,132	1,016	1,132

¹ Of which: Impairment, third quarter 2018: 5 million euros (third quarter 2017: 15 million euros); first nine months 2018: 17 million euros (first nine months 2017: 20 million euros).

² Other changes in pension obligations include payment receipts of 100 million euros in the first nine months of 2018 constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. No reimbursements were paid in 2017.

³ Other financing transactions in the third quarter of 2018 include payments of -3 million euros for the purchase of short-term securities and time deposits as well as for the provision of financial collateral (third quarter 2017: -21 million euros). The figure for the first nine months of 2018 includes payments of -26 million euros (first nine months 2017: -285 million euros).

Additional voluntary information:

Reconciliation to free cash flow

in million euros	Q3/2017	Q3/2018	1–9/2017	1–9/2018
Cash flow from operating activities	771	688	1,730	1,758
Purchase of intangible assets and property, plant and equipment, including payments on account	-193	-172	-488	-643
Proceeds on disposal of intangible assets and property, plant and equipment	11	8	12	12
Net interest paid	-33	-15	-41	-45
Other changes in pension obligations	-20	-25	-60	41
Free cash flow	536	484	1,153	1,123

Performance by region

Key figures by region¹ third quarter 2018

	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate ²	Henkel Group
in million euros								
Sales July – September 2018	1,518	730	321	1,305	292	841	30	5,037
Sales July – September 2017	1,511	763	302	1,243	280	850	31	4,981
Change from previous year	0.4%	-4.3%	6.0%	5.0%	4.1%	-1.1%	-	1.1%
Adjusted for foreign exchange	1.0%	7.1%	13.1%	4.1%	16.4%	1.1%	-	4.3%
Organic	0.6%	7.1%	13.1%	-0.8%	11.5%	1.2%	-	2.7%
Proportion of Henkel sales July – September 2018	30%	14%	6%	26%	6%	17%	1%	100%
Proportion of Henkel sales July – September 2017	30%	15%	6%	25%	6%	17%	1%	100%

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.

Key figures by region¹ first nine months 2018

	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate ²	Henkel Group
in million euros								
Sales January – September 2018	4,672	2,164	963	3,749	872	2,502	94	15,015
Sales January – September 2017	4,591	2,207	992	3,890	849	2,522	91	15,143
Change from previous year	1.8%	-2.0%	-3.0%	-3.6%	2.8%	-0.8%	-	-0.8%
Adjusted for foreign exchange	1.9%	7.7%	9.1%	4.8%	17.3%	3.8%	-	5.2%
Organic	0.3%	7.6%	8.6%	-0.9%	8.3%	2.4%	-	2.4%
Proportion of Henkel sales January – September 2018	31%	14%	6%	25%	6%	17%	1%	100%
Proportion of Henkel sales January – September 2017	30%	14%	6%	26%	6%	17%	1%	100%

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.

Recognition and measurement methods

Apart from the required disclosures in the notes, the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of cash flows for the Henkel Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and consequently in compliance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The same accounting principles have been applied as for the 2017 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in fiscal 2018, which are explained on pages 122 to 124 of our Annual Report 2017. The effects of application of these pronouncements are discussed in our half-year financial report 2018 on pages 30 to 32.

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, 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. 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.

Reconciliation of adjusted earnings

Reconciliation from sales to adjusted operating profit¹ third quarter 2018

in million euros	Q3/2017	%	Q3/2018	%	+/-
Sales	4,981	100.0	5,037	100.0	1.1%
Cost of sales	-2,645	-53.1	-2,680	-53.2	1.3%
Gross profit	2,336	46.9	2,357	46.8	0.9%
Marketing, selling and distribution expenses	-1,106	-22.2	-1,127	-22.4	1.9%
Research and development expenses	-113	-2.3	-115	-2.3	1.8%
Administrative expenses	-203	-4.1	-209	-4.1	3.0%
Other operating income / expenses	-17	-0.3	20	0.4	-
Adjusted operating profit (EBIT)	897	18.0	926	18.4	3.3%

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

Reconciliation of adjusted net income third quarter 2018

in million euros	Q3/2017	Q3/2018	+/-
EBIT (as reported)	750	833	11.1%
One-time gains	-	-	-
One-time charges	56	46	-
Restructuring expenses	91	47	-
Adjusted EBIT	897	926	3.3%
Adjusted return on sales	in % 18.0	18.4	0.4 pp
Financial result	-20	-16	-20.0%
Taxes on income (adjusted)	-211	-218	3.3%
Adjusted tax rate	in % 24.1	24.0	-0.1 pp
Adjusted net income	666	692	3.9%
Attributable to non-controlling interests	-	6	-
Attributable to shareholders of Henkel AG & Co. KGaA	666	686	3.0%
Adjusted earnings per ordinary share	in euros 1.53	1.57	2.6%
Adjusted earnings per preferred share	in euros 1.54	1.58	2.6%

The adjusted charges for the third quarter of 2018 include expenses of 38 million euros relating to the integration of The Sun Products Corporation (third quarter 2017: 31 million euros), and 8 million euros relating to the optimization of our IT system architecture for managing business processes (third quarter 2017: 4 million euros).

Of the restructuring expenses in the third quarter of 2018, 18 million euros is attributable to cost of sales (third quarter 2017: 33 million euros) and 12 million euros to marketing, selling and distribution expenses (third quarter 2017: 21 million euros). A further 1 million euros is attributable to research and development expenses (third quarter 2017: 1 million euros), and 16 million euros to administrative expenses (third quarter 2017: 36 million euros).

Reconciliation of adjusted earnings

Reconciliation from sales to adjusted operating profit¹ first nine months 2018

in million euros	1-9/2017	%	1-9/2018	%	+/-
Sales	15,143	100.0	15,015	100.0	-0.8%
Cost of sales	-7,954	-52.5	-7,943	-52.9	-0.1%
Gross profit	7,189	47.5	7,072	47.1	-1.6%
Marketing, selling and distribution expenses	-3,518	-23.2	-3,426	-22.8	-2.6%
Research and development expenses	-351	-2.3	-354	-2.4	0.9%
Administrative expenses	-670	-4.4	-657	-4.4	-1.9%
Other operating income / expenses	10	-	59	0.4	-
Adjusted operating profit (EBIT)	2,660	17.6	2,694	17.9	1.3%

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

Reconciliation of adjusted net income first nine months 2018

in million euros	1-9/2017	1-9/2018	+/-
EBIT (as reported)	2,412	2,386	-1.1%
One-time gains	-21	-11	-
One-time charges	131	108	-
Restructuring expenses	138	211	-
Adjusted EBIT	2,660	2,694	1.3%
Adjusted return on sales	in % 17.6	17.9	0.3 pp
Financial result	-39	-40	2.6%
Taxes on income (adjusted)	-655	-649	-0.9%
Adjusted tax rate	in % 25.0	24.5	-0.5 pp
Adjusted net income	1,966	2,005	2.0%
Attributable to non-controlling interests	17	16	-5.9%
Attributable to shareholders of Henkel AG & Co. KGaA	1,949	1,989	2.1%
Adjusted earnings per ordinary share	in euros 4.48	4.57	2.0%
Adjusted earnings per preferred share	in euros 4.50	4.59	2.0%

The one-time gains for the first nine months of 2018 relate to the successful renegotiation of an acquired unfavorable supply contract (first nine months 2017: 0 million euros).

The adjusted charges for the first nine months of 2018 include expenses of 79 million euros relating to the integration of The Sun Products Corporation (first nine months 2017: 91 million euros), 17 million euros relating to the optimization of our IT system architecture for managing business processes (first nine months 2017: 16 million euros), 11 million euros relating to provisions for litigations, and 1 million euros in acquisition-related costs (first nine months 2017: 7 million euros).

Of the restructuring expenses in the first nine months of 2018, 71 million euros is attributable to cost of sales (first nine months 2017: 42 million euros) and 71 million euros to marketing, selling and distribution expenses (first nine months 2017: 46 million euros). A further 15 million euros is attributable to research and development expenses (first nine months 2017: 3 million euros), and 54 million euros to administrative expenses (first nine months 2017: 47 million euros).

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Financial calendar

Publication of Report

for Fiscal 2018:

Thursday, February 21, 2019

Annual General Meeting

Henkel AG & Co. KGaA 2019:

Monday, April 8, 2019

Publication of Statement

for the First Quarter 2019:

Tuesday, May 7, 2019

Publication of Report for the

Second Quarter 2019 / Half Year 2019:

Tuesday, August 13, 2019

Publication of Statement for the

Third Quarter 2019 / Nine Months 2019:

Thursday, November 14, 2019

Up-to-date facts and figures on Henkel also available on the internet:

 www.henkel.com

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