Q2 Quarterly financial report
Half-year financial report

April through June
January through June

2017

Henkel: Financial highlights

in million euros[1]	Q2/2016	Q2/2017	+/–	1–6/2016	1–6/2017	+/–
Sales	**4,654**	**5,098**	**9.6%**	**9,110**	**10,162**	**11.5%**
Adhesive Technologies	2,290	**2,370**	3.5%	4,433	**4,665**	5.2%
Beauty Care	988	**997**	0.9%	1,938	**2,007**	3.6%
Laundry & Home Care	1,345	**1,703**	26.6%	2,678	**3,429**	28.1%
Operating profit (EBIT)	**757**	**839**	**10.8%**	**1,474**	**1,662**	**12.7%**
Adjusted[2] operating profit (EBIT)	**819**	**909**	**11.0%**	**1,570**	**1,763**	**12.3%**
Return on sales (EBIT) in percent	**16.3**	**16.4**	**0.1pp**	**16.2**	**16.4**	**0.2pp**
Adjusted[2] return on sales (EBIT) in percent	**17.6**	**17.8**	**0.2pp**	**17.2**	**17.4**	**0.2pp**
Net income	**572**	**631**	**10.3%**	**1,110**	**1,238**	**11.5%**
Attributable to non-controlling interests	11	**7**	–36.4%	24	**17**	–29.2%
Attributable to shareholders of Henkel AG & Co. KGaA	561	**624**	11.2%	1,086	**1,221**	12.4%
Earnings per preferred share in euros	**1.30**	**1.44**	**10.8%**	**2.51**	**2.82**	**12.4%**
Adjusted[2] earnings per preferred share in euros	**1.40**	**1.55**	**10.7%**	**2.67**	**2.96**	**10.9%**
Return on capital employed (ROCE) in percent	**20.7**	**18.0**	**–2.7pp**	**20.1**	**17.8**	**–2.3pp**

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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Highlights second quarter 2017

Key financials

5,098 million euros

sales

+2.2 %

organic sales growth
+3.4 % Adhesive Technologies
+0.0 % Beauty Care
+2.1 % Laundry & Home Care

839 million euros

operating profit (EBIT)

909 million euros / **+11.0** %

adjusted[1] operating profit (EBIT) / year-on-year increase

1.44 euros

earnings per preferred share (EPS)

1.55 euros / **+10.7** %

adjusted[1] earnings per preferred share (EPS) / year-on-year increase

624 million euros

net income attributable to shareholders of Henkel AG & Co. KGaA

17.8 %

adjusted[1] return on sales (EBIT): up 0.2 percentage points
19.2 % Adhesive Technologies
18.0 % Beauty Care
17.5 % Laundry & Home Care

5.2 %

net working capital in percent of sales

Key facts

Significant sales growth to around 5.1 billion euros.

Continuous improvement in adjusted return on sales.

Double-digit growth in adjusted earnings per preferred share.

Acquisition of Darex Packaging Technologies and of Sonderhoff Holding GmbH successfully completed.

[1] Adjusted for one-time charges (36 million euros) / one-time gains (2 million euros) and restructuring expenses (36 million euros).

Major events

On April 6, 2017, the Annual General Meeting of Henkel AG & Co. KGaA approved a dividend of 1.60 euros per ordinary share and 1.62 euros per preferred share. The payout ratio was therefore 30.3 percent of net income after non-controlling interests and adjusted for exceptional items.

On June 1, 2017, Henkel held its Investor and Analyst Day, now in its ninth year. The event took place in Hamburg. Presenting under the theme "Agility to win," the international management team of the Beauty Care business unit provided comprehensive information regarding its strategy, markets and businesses to attendees from the capital markets. Guests were also given the opportunity to learn more about the newest technologies and innovations in Beauty Care on a visit to the Schwarzkopf Professional Academy.

On June 1, 2017, Henkel announced the placement of a 600 million US dollar bond in the Eurodollar market. The bond has a coupon of 2.0 percent and a term of three years. It matures on June 12, 2020.

Share performance

The share indices relevant to Henkel stagnated in the second quarter of 2017. The DAX closed at 12,325 points, a gain of 0.1 percent. The EURO STOXX® Consumer Goods Index recorded a slight decline of 0.7 percent.

The price of Henkel preferred shares increased in the second quarter 2017 by 0.3 percent to 120.50 euros. The price of Henkel ordinary shares increased to a somewhat stronger degree, gaining 1.7 percent to close at 105.90 euros.

The preferred shares traded at an average premium of 14.6 percent over the ordinary shares in the second quarter.

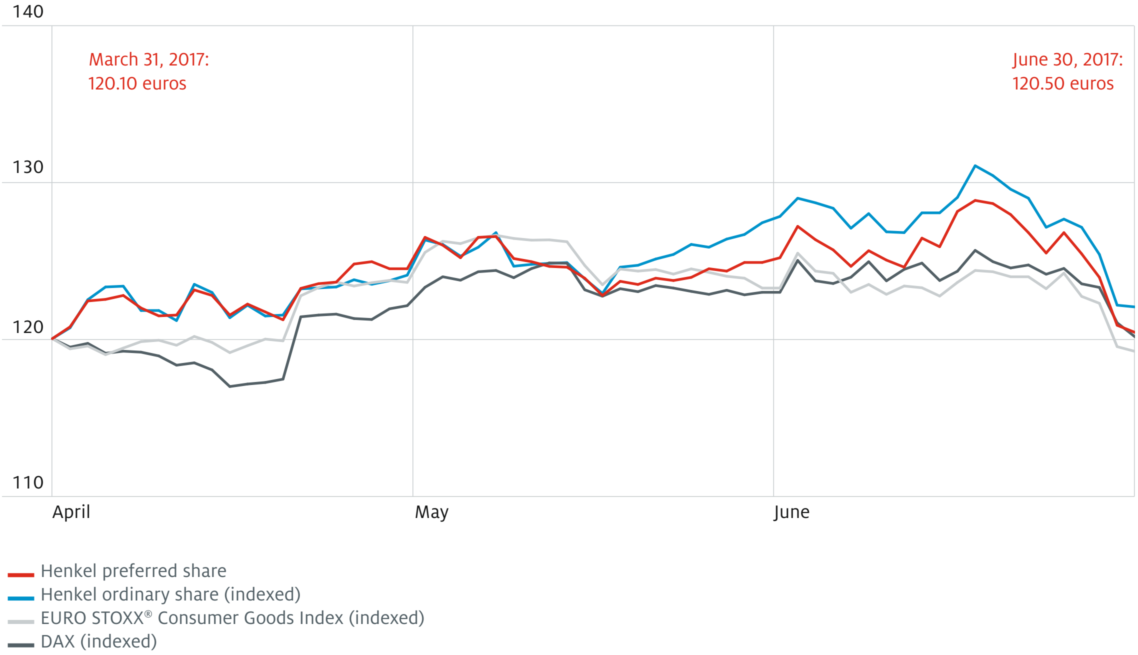
Key data on Henkel shares, second quarter

in euros	Q2/2016	Q2/2017
Earnings per share		
Ordinary share	1.30	**1.44**
Preferred share	1.30	**1.44**
Share price at period end[1]		
Ordinary share	96.87	**105.90**
Preferred share	109.55	**120.50**
High for the period[1]		
Ordinary share	96.87	**113.70**
Preferred share	109.55	**128.90**
Low for the period[1]		
Ordinary share	85.63	**104.15**
Preferred share	95.94	**120.10**
Market capitalization[1] in bn euros	**44.7**	**49.0**
Ordinary shares in bn euros	25.2	**27.5**
Preferred shares in bn euros	19.5	**21.5**

[1] Closing share prices, Xetra trading system.

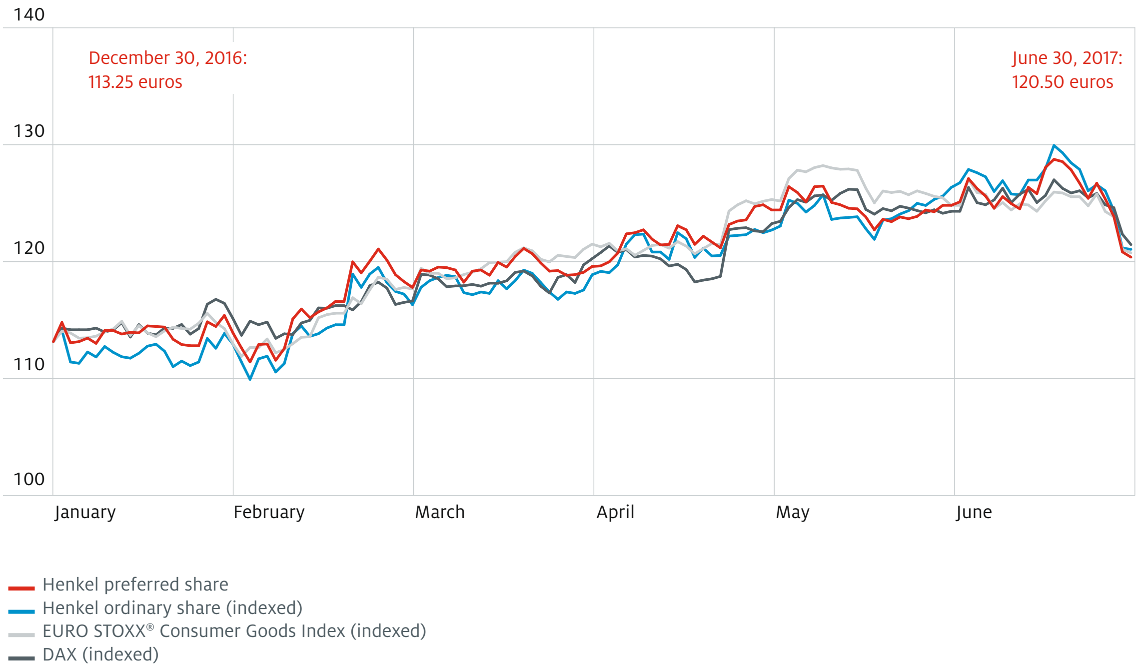
Performance of Henkel shares versus market Q2 2017

in euros



Performance of Henkel shares versus market January through June 2017

in euros



Report second quarter 2017

Business performance second quarter 2017

Key financials[1]

in million euros	Q2/2016	Q2/2017	+/–
Sales	4,654	**5,098**	9.6 %
Operating profit (EBIT)	757	**839**	10.8 %
Adjusted[2] operating profit (EBIT)	819	**909**	11.0 %
Return on sales (EBIT)	16.3 %	**16.4 %**	0.1 pp
Adjusted[2] return on sales (EBIT)	17.6 %	**17.8 %**	0.2 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	561	**624**	11.2 %
Adjusted[2] net income – attributable to shareholders of Henkel AG & Co. KGaA	607	**670**	10.4 %
Earnings per preferred share in euros	1.30	**1.44**	10.8 %
Adjusted[2] earnings per preferred share in euros	1.40	**1.55**	10.7 %

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.

Results of operations

We generated sales of 5,098 million euros in the second quarter of 2017, equivalent to a nominal increase of 9.6 percent compared to the figure of the prior-year quarter. Foreign exchange effects were negligible overall. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 2.2 percent. We improved adjusted return on sales (EBIT) by 0.2 percentage points to 17.8 percent. Compared to the prior-year quarter, adjusted earnings per preferred share rose by 10.7 percent.

Sales development[1]

in percent	Q2/2017
Change versus previous year	**9.6**
Foreign exchange	**0.0**
Adjusted for foreign exchange	**9.6**
Acquisitions / divestments	**7.4**
Organic	**2.2**
of which price	**0.0**
of which volume	**2.2**

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

The Adhesive Technologies business unit reported a strong increase in organic sales of 3.4 percent. Sales in the Beauty Care business unit were on a par with the level for the prior-year quarter after adjustment for foreign exchange and acquisitions/divestments. The Laundry & Home Care business unit recorded a good rate of organic sales growth of 2.1 percent.

Price and volume effects second quarter 2017

in percent	Organic sales growth	of which price	of which volume
Adhesive Technologies	**3.4**	0.0	3.4
Beauty Care	**0.0**	0.4	– 0.4
Laundry & Home Care	**2.1**	– 0.4	2.5
Henkel Group	**2.2**	**0.0**	**2.2**

The scope of our business activities and competitive positions as described in our Annual Report 2016 on page 57 did not change materially in the second quarter of 2017.

In order to adapt our structures to our markets and customers, we spent 36 million euros on restructuring (previous year: 41 million euros). A significant portion of this amount is attributable to the optimization of our sales and distribution structures, and the integration of our acquisitions.

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 32.

Reconciliation from sales to adjusted operating profit[1]

in million euros	Q2/2016	%	Q2/2017	%	+/–
Sales	**4,654**	**100.0**	**5,098**	**100.0**	**9.6 %**
Cost of sales	– 2,367	– 50.9	**– 2,670**	**– 52.4**	12.8 %
Gross profit	**2,287**	**49.1**	**2,428**	**47.6**	**6.2 %**
Marketing, selling and distribution expenses	– 1,151	– 24.8	**– 1,203**	**– 23.6**	4.5 %
Research and development expenses	– 117	– 2.5	**– 118**	**– 2.3**	0.9 %
Administrative expenses	– 211	– 4.5	**– 224**	**– 4.4**	6.2 %
Other operating income / expenses	11	0.3	**26**	**0.5**	–
Adjusted operating profit (EBIT)	**819**	**17.6**	**909**	**17.8**	**11.0 %**

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

Compared to the second quarter of 2016, cost of sales increased by 12.8 percent to 2,670 million euros. Gross profit increased by 6.2 percent to 2,428 million euros. Gross margin decreased by 1.5 percentage points to 47.6 percent. Savings from cost reduction measures and improvements in production and supply chain efficiency were only able to partially offset the impacts of higher prices for direct materials and acquisition effects.

Marketing, selling and distribution expenses increased to 1,203 million euros. Their ratio to sales declined by 1.2 percentage points to 23.6 percent. This decrease was partially attributable to the lower ratio of marketing, selling and distribution expenses to sales of the business added through the acquisition of The Sun Products Corporation. We spent a total of 118 million euros for research and development, which was on a par with the figure for the prior-year quarter. The corresponding ratio to sales was 2.3 percent. Administrative expenses increased from 211 million euros to 224 million euros. At 4.4 percent of sales, the ratio was slightly below the level of the second quarter of 2016.

At 26 million euros, the balance of adjusted other operating income and expenses increased year on year, mainly due to higher gains on disposals of non-current assets and higher public grants.

Adjusted operating profit (EBIT) increased by 11.0 percent from 819 million euros to 909 million euros. We were able to further improve adjusted return on sales for the Group from 17.6 percent to 17.8 percent. The Adhesive Technologies business unit registered a very strong margin improvement, with an increase from 18.6 percent to 19.2 percent. The Beauty Care business unit achieved a very strong margin improvement from 17.4 percent to 18.0 percent. The margin in the Laundry & Home Care business unit decreased from 18.1 percent to 17.5 percent as a result of acquisitions.

Our financial result decreased from –1 million euros to –6 million euros in the second quarter of 2017. The difference of –5 million euros is mainly attributable to higher interest expense as a result of financing the acquisition of The Sun Products Corporation. The tax rate was 24.2 percent (adjusted: 25.0 percent).

Net income for the quarter increased by 10.3 percent from 572 million euros to 631 million euros. After deducting 7 million euros attributable to non-controlling interests, net income for the quarter was 624 million euros (second quarter 2016: 561 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 670 million euros compared to 607 million euros in the prior-year quarter.

Earnings per preferred share (EPS) rose from 1.30 euros to 1.44 euros. Adjusted EPS amounted to 1.55 euros versus 1.40 euros in the second quarter of 2016.

Regional performance

Key figures by region[1] second quarter 2017

in million euros	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales April – June 2017	**1,541**	**749**	**334**	**1,310**	**291**	**845**	**29**	**5,098**
Sales April – June 2016	1,585	698	333	932	266	808	31	**4,654**
Change from previous year	– 2.8 %	7.3 %	0.2 %	40.6 %	9.2 %	4.5 %	–	**9.6 %**
Adjusted for foreign exchange	– 1.1 %	5.5 %	9.1 %	37.6 %	6.9 %	3.5 %	–	**9.6 %**
Organic	– 1.2 %	5.2 %	1.1 %	3.2 %	6.1 %	4.8 %	–	**2.2 %**
Proportion of Henkel sales April – June 2017	**30 %**	**15 %**	**6 %**	**26 %**	**6 %**	**16 %**	**1 %**	**100 %**
Proportion of Henkel sales April – June 2016	34 %	15 %	7 %	20 %	6 %	17 %	1 %	**100 %**
Operating profit (EBIT) April – June 2017	**398**	**82**	**20**	**181**	**30**	**154**	**– 27**	**839**
Operating profit (EBIT) April – June 2016	346	96	44	144	28	125	– 26	**757**
Change from previous year	15.1 %	– 15.2 %	– 53.5 %	26.1 %	8.5 %	23.6 %	–	**10.8 %**
Adjusted for foreign exchange	15.3 %	– 21.9 %	– 52.8 %	25.0 %	11.5 %	21.5 %	–	**9.4 %**
Return on sales (EBIT) April – June 2017	**25.8 %**	**10.9 %**	**6.1 %**	**13.8 %**	**10.5 %**	**18.2 %**	**–**	**16.4 %**
Return on sales (EBIT) April – June 2016	21.8 %	13.8 %	13.2 %	15.4 %	10.5 %	15.4 %	–	**16.3 %**

[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 2017:

In a highly competitive market environment, sales in the **Western Europe** region declined organically by 1.2 percent. Sales decreased in France and Italy, but showed a positive development in Germany.

Our operating profit in the region improved by 15.3 percent adjusted for foreign exchange. Return on sales in the region rose by 4.0 percentage points to 25.8 percent.

In the **Eastern Europe** region, we increased sales organically by 5.2 percent. The main contribution to this performance came from our business in Turkey.

Operating profit in the region declined by 21.9 percent adjusted for foreign exchange. Return on sales in the region decreased by 2.9 percentage points to 10.9 percent.

In the **Africa/Middle East** region, we increased sales organically by 1.1 percent.

Operating profit in the region decreased by 52.8 percent adjusted for foreign exchange. Return on sales decreased by 7.1 percentage points to 6.1 percent.

Regional performance

Key figures by region[1] first half year 2017

in million euros	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales January – June 2017	**3,080**	**1,444**	**690**	**2,648**	**568**	**1,672**	**60**	**10,162**
Sales January – June 2016	3,114	1,327	682	1,858	514	1,555	61	**9,110**
Change from previous year	– 1.1 %	8.8 %	1.2 %	42.5 %	10.7 %	7.5 %	–	**11.5 %**
Adjusted for foreign exchange	0.1 %	5.3 %	12.0 %	38.6 %	8.0 %	5.7 %	–	**11.0 %**
Organic	0.3 %	4.8 %	1.7 %	3.1 %	7.1 %	6.8 %	–	**3.1 %**
Proportion of Henkel sales January – June 2017	**30 %**	**14 %**	**7 %**	**26 %**	**6 %**	**16 %**	**1 %**	**100 %**
Proportion of Henkel sales January – June 2016	34 %	15 %	7 %	20 %	6 %	17 %	1 %	**100 %**
Operating profit (EBIT) January – June 2017	**833**	**138**	**47**	**361**	**64**	**277**	**– 58**	**1,662**
Operating profit (EBIT) January – June 2016	688	172	84	299	64	218	– 51	**1,474**
Change from previous year	21.1 %	– 19.6 %	– 44.3 %	20.6 %	– 0.8 %	26.8 %	–	**12.7 %**
Adjusted for foreign exchange	21.4 %	– 28.5 %	– 42.9 %	16.8 %	– 1.3 %	23.6 %	–	**10.8 %**
Return on sales (EBIT) January – June 2017	**27.1 %**	**9.6 %**	**6.8 %**	**13.6 %**	**11.2 %**	**16.6 %**	**–**	**16.4 %**
Return on sales (EBIT) January – June 2016	22.1 %	12.9 %	12.3 %	16.1 %	12.5 %	14.0 %	–	**16.2 %**

[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.

Sales in the **North America** region increased organically by 3.2 percent.

Operating profit in the region improved by 25.0 percent adjusted for foreign exchange. Return on sales in the region decreased by 1.6 percentage points to 13.8 percent.

Organic sales in the **Latin America** region increased by 6.1 percent, due in particular to the contribution from Mexico.

We were able to increase operating profit by 11.5 percent adjusted for foreign exchange. At 10.5 percent, return on sales in the region was unchanged year on year.

Sales in the **Asia-Pacific** region grew organically by 4.8 percent. This organic growth resulted primarily from business performance in China, South Korea and India.

We increased operating profit by 21.5 percent adjusted for foreign exchange. Return on sales increased year on year by 2.8 percentage points to 18.2 percent.

With an increase of 4.7 percent, our 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. Nominally, sales rose by 5.5 percent to 2,073 million euros. At 41 percent, the share of Group sales from emerging markets was slightly below the prior-year level, due mainly to acquisitions.

Adhesive Technologies

Key financials[1]

in million euros	Q2/2016	Q2/2017	+/–	1–6/2016	1–6/2017	+/–
Sales	2,290	**2,370**	+3.5%	4,433	**4,665**	+5.2%
Proportion of Henkel sales	49%	**46%**	–	49%	**46%**	–
Operating profit (EBIT)	403	**446**	+10.6%	766	**877**	+14.4%
Adjusted[2] operating profit (EBIT)	426	**455**	+6.6%	802	**870**	+8.4%
Return on sales (EBIT)	17.6%	**18.8%**	+1.2pp	17.3%	**18.8%**	+1.5pp
Adjusted[2] return on sales (EBIT)	18.6%	**19.2%**	+0.6pp	18.1%	**18.6%**	+0.5pp
Return on capital employed (ROCE)	20.7%	**22.6%**	+1.9pp	19.7%	**22.3%**	+2.6pp

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 development[1]

in percent	Q2/2017	1–6/2017
Change versus previous year	**3.5**	**5.2**
Foreign exchange	**0.6**	**1.3**
Adjusted for foreign exchange	**2.9**	**3.9**
Acquisitions / divestments	**–0.5**	**–0.5**
Organic	**3.4**	**4.4**
of which price	**0.0**	**–0.1**
of which volume	**3.4**	**4.5**

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

In the **Adhesive Technologies** business unit, sales increased nominally by 3.5 percent to 2,370 million euros in the second quarter of 2017.

Foreign exchange effects accounted for 0.6 percent of this increase in sales, while acquisitions/divestments reduced growth by 0.5 percent. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.4 percent.

Our businesses in the emerging markets continued their successful performance with very strong organic growth. The Latin America region recorded significant sales growth. In the Eastern Europe region, sales growth was very strong. Sales performance in the Africa/Middle East region was negative. Asia (excluding Japan) recorded significant sales growth.

Organic sales growth in the mature markets was positive overall. The businesses in Western Europe achieved positive sales growth, as did the North America region. In the mature markets of the Asia-Pacific region, sales were flat year on year.

The Electronics business area recorded double-digit organic sales growth. Sales performance by the General Industry business area was very strong. The Transport and Metal business area, and also the Packaging and Consumer Goods Adhesives business area each achieved positive sales growth. Sales in the Adhesives for Consumers, Craftsmen and Building business area declined slightly year on year.

Adjusted operating profit (EBIT) experienced a very strong increase to 455 million euros. Reaching a new high of 19.2 percent with an increase of 0.6 percentage points, adjusted return on sales showed very strong development versus the second quarter of 2016.

At 22.6 percent, return on capital employed (ROCE) rose by 1.9 percentage points year on year, driven by operating profit.

Net working capital as a percentage of sales improved compared to the second quarter of 2016. The figure of 11.1 percent was below the already low level of the prior-year quarter.

Beauty Care

Key financials[1]

in million euros	Q2/2016	Q2/2017	+/–	1–6/2016	1–6/2017	+/–
Sales	988	**997**	+0.9 %	1,938	**2,007**	+3.6 %
Proportion of Henkel sales	21 %	**20 %**	–	21 %	**20 %**	–
Operating profit (EBIT)	162	**155**	–4.1 %	304	**304**	–0.2 %
Adjusted[2] operating profit (EBIT)	172	**180**	+4.3 %	329	**348**	+5.8 %
Return on sales (EBIT)	16.4 %	**15.5 %**	–0.9 pp	15.7 %	**15.1 %**	–0.6 pp
Adjusted[2] return on sales (EBIT)	17.4 %	**18.0 %**	+0.6 pp	17.0 %	**17.4 %**	+0.4 pp
Return on capital employed (ROCE)	23.0 %	**21.0 %**	–2.0 pp	21.8 %	**20.5 %**	–1.3 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 development[1]

in percent	Q2/2017	1–6/2017
Change versus previous year	0.9	3.6
Foreign exchange	0.2	1.1
Adjusted for foreign exchange	0.7	2.5
Acquisitions / divestments	0.7	1.4
Organic	0.0	1.1
of which price	0.4	1.1
of which volume	–0.4	0.0

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

In the **Beauty Care** business unit, sales increased nominally by 0.9 percent to 997 million euros in the second quarter of 2017.

Foreign exchange effects accounted for 0.2 percent of this sales growth, while acquisitions/divestments increased sales by 0.7 percent. Adjusted for foreign exchange and acquisitions/divestments, sales were on par with the level of the prior-year quarter.

From a regional perspective, our business performance was once again successful in the emerging markets with a good organic growth rate. In particular, the Africa/Middle East region contributed double-digit sales growth to the good results achieved. Sales in the Eastern Europe and Latin America regions increased very strongly compared to the second quarter of 2016. Sales performance in Asia (excluding Japan) was negative year on year.

Organic sales in the mature markets were slightly below the level of the prior-year quarter overall. Due to persistently intense crowding-out competition and strong price pressure, sales performance in the Western Europe region was negative. Sales in the North America region increased very strongly. Sales in the mature markets of the Asia-Pacific region showed positive development.

Organic sales in our Branded Consumer Goods business declined slightly compared to the second quarter of the prior year. Sales growth was very strong in our Hair Salon business.

Adjusted operating profit experienced a very strong increase year on year, rising to 180 million euros. There was very strong growth in adjusted return on sales, taking this metric to a new high of 18.0 percent.

At 21.0 percent, return on capital employed (ROCE) was lower compared to the prior-year figure. Net working capital as a percentage of sales was above the previous year's level, but still low at 4.5 percent.

Laundry & Home Care

Key financials[1]

in million euros	Q2/2016	Q2/2017	+/–	1–6/2016	1–6/2017	+/–
Sales	1,345	**1,703**	+26.6%	2,678	**3,429**	+28.1%
Proportion of Henkel sales	29%	**33%**	–	29%	**33%**	–
Operating profit (EBIT)	218	**265**	+21.6%	454	**539**	+18.6%
Adjusted[2] operating profit (EBIT)	244	**298**	+22.2%	487	**596**	+22.5%
Return on sales (EBIT)	16.2%	**15.6%**	–0.6 pp	17.0%	**15.7%**	–1.3 pp
Adjusted[2] return on sales (EBIT)	18.1%	**17.5%**	–0.6 pp	18.2%	**17.4%**	–0.8 pp
Return on capital employed (ROCE)	22.4%	**13.8%**	–8.6 pp	23.0%	**13.9%**	–9.1 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 development[1]

in percent	Q2/2017	1–6/2017
Change versus previous year	**26.6**	**28.1**
Foreign exchange	**–1.3**	**–1.1**
Adjusted for foreign exchange	**27.9**	**29.2**
Acquisitions / divestments	**25.8**	**26.7**
Organic	**2.1**	**2.5**
of which price	**–0.4**	**–0.5**
of which volume	**2.5**	**3.0**

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

In the **Laundry & Home Care** business unit, sales increased nominally by 26.6 percent to 1,703 million euros in the second quarter of 2017.

Negative foreign exchange effects reduced sales growth by 1.3 percent, while acquisitions and divestments – particularly the acquisition of The Sun Products Corporation in the USA – increased sales by 25.8 percent. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales in the business unit increased by 2.1 percent.

This good organic sales growth was mainly driven by our strong sales performance in our emerging markets. We generated very strong growth in Asia (excluding Japan) and in Eastern Europe. Latin America contributed good sales growth, and the Africa/Middle East region achieved positive growth.

Organic sales performance in the mature markets was positive. Sales in the North America region experienced a strong increase year on year. In a highly competitive environment, sales performance in the Western Europe region remained flat.

In the Laundry Care business area, we recorded positive organic growth in the second quarter. The Home Care business area recorded very strong organic sales growth in the second quarter.

We increased adjusted operating profit (EBIT) versus the prior-year quarter by 22.2 percent to 298 million euros. Due to acquisitions, adjusted return on sales was lower year on year.

At 13.8 percent, return on capital employed (ROCE) was lower compared to the prior-year figure, due to acquisitions. At –2.2 percent, net working capital as a percentage of sales was above the level of the prior-year quarter due to acquisitions.

Financial report first half year 2017

Underlying economic conditions

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

The world economy grew by 3 percent in the first six months of 2017 compared to the prior-year period.

The mature markets registered robust economic growth. According to IHS Markit, the North American economy grew by around 2 percent in the first six months of 2017. Both the Western European and the German economies reported growth of around 2 percent.

The emerging markets of Asia (excluding Japan) grew by approximately 6 percent in the first six months of 2017. Compared to the first half year of 2016, economic output in Latin America increased by approximately 1 percent. Growth was approximately 3 percent in Eastern Europe, and approximately 2.5 percent in Africa/Middle East.

Global unemployment was approximately 7 percent. Around the world, consumer prices rose by approximately 3 percent.

Prices for raw materials, packaging and purchased goods and services increased moderately compared to the first six months of 2016.

On the currency markets, the US dollar strengthened in the first six months of 2017 compared to the prior-year period, to 1.08 US dollars versus the euro. By contrast, some major currencies in the emerging markets weakened.

Sectors of importance for Henkel

Private consumption increased by approximately 2.5 percent in the first six months of 2017. Consumers in North America increased their spending by approximately 3 percent; consumer spending in Western Europe grew by approximately 1.5 percent. According to IHS Markit, consumption in the emerging markets rose in the first six months by 3.5 percent.

The industrial production index (IPX) gained around 3 percent in the first six months of 2017. In the mature markets, IPX growth was approximately 2 percent, whereas the index showed an increase of 3.5 percent in the emerging markets.

Effects on Henkel

In conditions characterized by moderate private spending, we managed to achieve positive organic sales growth in our consumer businesses. Organic sales in the Adhesive Technologies business unit grew by 4.4 percent between January and June 2017, thus outperforming the industrial production index.

Adjusted gross margin decreased by 1.2 percentage points to 47.8 percent due to acquisitions. The impact of higher prices for direct materials was offset by savings from cost reduction measures and improvements in production and supply chain efficiency.

Business performance January – June 2017

Key financials[1]

in million euros	1–6/2016	1–6/2017	+/–
Sales	9,110	**10,162**	11.5%
Operating profit (EBIT)	1,474	**1,662**	12.7%
Adjusted[2] operating profit (EBIT)	1,570	**1,763**	12.3%
Return on sales (EBIT)	16.2%	**16.4%**	0.2 pp
Adjusted[2] return on sales (EBIT)	17.2%	**17.4%**	0.2 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	1,086	**1,221**	12.4%
Adjusted[2] net income – attributable to shareholders of Henkel AG & Co. KGaA	1,156	**1,283**	11.0%
Earnings per preferred share in euros	2.51	**2.82**	12.4%
Adjusted[2] earnings per preferred share in euros	2.67	**2.96**	10.9%

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.

Results of operations

In the first six months of 2017, sales increased compared to the prior-year period by 11.5 percent to 10,162 million euros. Adjusted for foreign exchange, sales improved by 11.0 percent. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments) sales increased by 3.1 percent versus the first half of 2016.

Sales development[1]

in percent	1–6/2017
Change versus previous year	**11.5**
Foreign exchange	**0.5**
Adjusted for foreign exchange	**11.0**
Acquisitions / divestments	**7.9**
Organic	**3.1**
of which price	**0.0**
of which volume	**3.1**

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

All business units contributed to this performance. The Adhesive Technologies business unit reported very strong organic growth of 4.4 percent. The Beauty Care business unit recorded a positive rate of organic sales growth of 1.1 percent. The Laundry & Home Care business unit achieved a good organic sales increase of 2.5 percent.

Price and volume effects first half year 2017

in percent	Organic sales growth	of which price	of which volume
Adhesive Technologies	**4.4**	–0.1	4.5
Beauty Care	**1.1**	1.1	0.0
Laundry & Home Care	**2.5**	–0.5	3.0
Henkel Group	**3.1**	**0.0**	**3.1**

There were no significant changes in the first half of 2017 with respect to the description of our business activities and competitive positions as presented in our Annual Report 2016 on page 57.

In order to adapt our structures to our markets and customers, we spent 47 million euros on restructuring (first half year 2016: 68 million euros). A significant portion of this amount is attributable to the optimization of our sales and distribution structures, and the integration of our acquisitions.

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 32.

Reconciliation from sales to adjusted operating profit[1]

in million euros	1–6/2016	%	1–6/2017	%	+/–
Sales	**9,110**	**100.0**	**10,162**	**100.0**	**11.5 %**
Cost of sales	– 4,650	– 51.0	**– 5,309**	**– 52.2**	14.2 %
Gross profit	**4,460**	**49.0**	**4,853**	**47.8**	**8.8 %**
Marketing, selling and distribution expenses	– 2,235	– 24.6	**– 2,412**	**– 23.7**	7.9 %
Research and development expenses	– 229	– 2.5	**– 238**	**– 2.4**	3.9 %
Administrative expenses	– 422	– 4.6	**– 467**	**– 4.6**	10.7 %
Other operating income / expenses	– 4	– 0.1	**27**	**0.3**	–
Adjusted operating profit (EBIT)	**1,570**	**17.2**	**1,763**	**17.4**	**12.3 %**

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

Compared to the first six months of 2016, cost of sales increased by 14.2 percent to 5,309 million euros. Gross profit increased by 8.8 percent to 4,853 million euros. Gross margin decreased by 1.2 percentage points to 47.8 percent due to acquisitions. The impact of higher prices for direct materials was offset by savings from cost reduction measures and improvements in production and supply chain efficiency.

Marketing, selling and distribution expenses increased by 7.9 percent from 2,235 million euros to 2,412 million euros. At 23.7 percent, the ratio to sales was lower year on year. This decrease was partially attributable to the lower ratio of marketing, selling and distribution expenses to sales of the business added through the acquisition of The Sun Products Corporation. We spent a total of 238 million euros for research and development. The ratio to sales, at 2.4 percent, was slightly lower versus the first half of 2016. Administrative expenses increased compared to the prior-year period from 422 million euros to 467 million euros. At 4.6 percent, administrative expenses in relation to sales were unchanged versus the first six months of 2016.

At 27 million euros, the balance of other operating income and expenses increased year on year, mainly due to higher gains on disposals of non-current assets and higher public grants.

Adjusted operating profit (EBIT) increased by 12.3 percent from 1,570 million euros to 1,763 million euros. We increased the adjusted return on sales of the Henkel Group from 17.2 to 17.4 percent. The Adhesive Technologies business unit registered a very strong margin improvement with an increase from 18.1 to 18.6 percent or 0.5 percentage points. The Beauty Care business unit achieved a strong increase in return on sales from 17.0 to 17.4 percent, an improvement of 0.4 percentage points. The margin in the Laundry & Home Care business unit decreased from 18.2 to 17.4 percent as a result of acquisitions.

Our financial result decreased from –8 million euros in the first six months of 2016 to –19 million euros in the first half of 2017. The difference of –11 million euros is mainly attributable to higher interest expense as a result of financing the acquisition of The Sun Products Corporation. The tax rate was 24.7 percent (adjusted: 25.5 percent).

Net income increased by 11.5 percent from 1,110 million euros to 1,238 million euros. After deducting 17 million euros attributable to non-controlling interests, net income for the first six months was 1,221 million euros (first six months 2016: 1,086 million euros). Adjusted net income for the first six months after deducting non-controlling interests was 1,283 million euros compared to 1,156 million euros in the first six months of 2016.

We increased earnings per preferred share (EPS) from 2.51 euros to 2.82 euros. Adjusted EPS amounted to 2.96 euros versus 2.67 euros in the comparable period of 2016.

Guidance versus performance 2017

	Guidance for 2017	Results first half year 2017
Organic sales growth	Henkel Group: 2–4 percent All business units within this range	Henkel Group: 3.1 percent Adhesive Technologies: 4.4 percent Beauty Care: 1.1 percent Laundry & Home Care: 2.5 percent
Adjusted[1] return on sales (EBIT)	Increase to more than 17 percent	Increase to 17.4 percent
Adjusted[1] earnings per preferred share	Increase of 7–9 percent	Increase of 10.9 percent

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

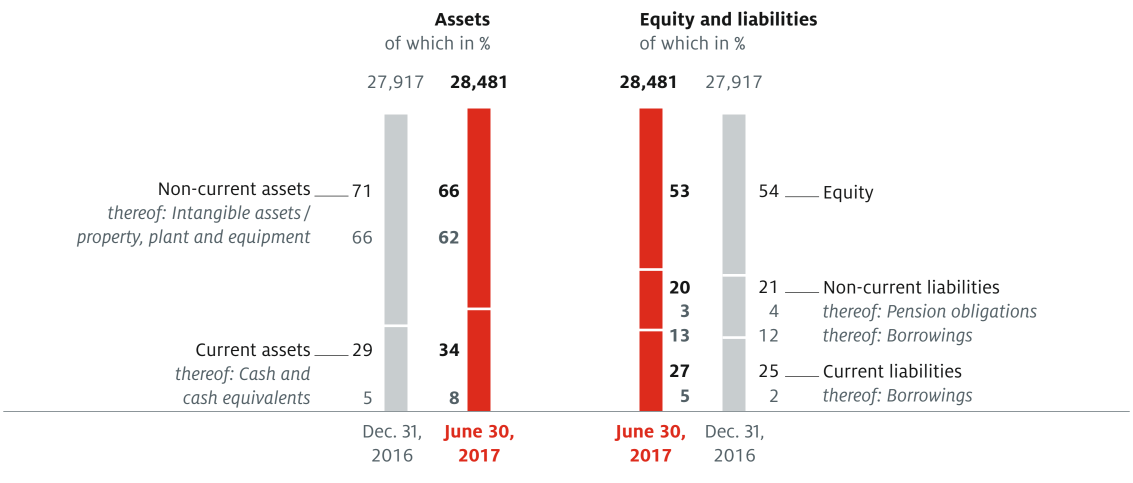
Comparison between actual business performance and guidance

In our report for fiscal 2016, we published guidance for fiscal 2017 indicating that we expected to achieve organic sales growth of between 2 and 4 percent. We furthermore expected an increase in adjusted return on sales (EBIT) to more than 17 percent. We anticipated an increase in adjusted earnings per preferred share of between 7 and 9 percent.

We confirm our guidance for fiscal 2017.

Financial structure

in million euros



Net assets

Compared to year-end 2016, total assets rose by 0.6 billion euros to 28.5 billion euros.

Under **non-current assets**, intangible assets decreased by 0.8 billion euros, primarily as a result of foreign exchange effects. Within property, plant and equipment – lower as a result of foreign exchange effects –, capital expenditures of 252 million euros were partially offset by scheduled depreciation of 199 million euros.

Current assets increased from 8.2 billion euros to 9.8 billion euros. This was attributable in particular to higher trade accounts receivable and an increase in cash and cash equivalents, the latter rising by 1 billion euros during the reporting period.

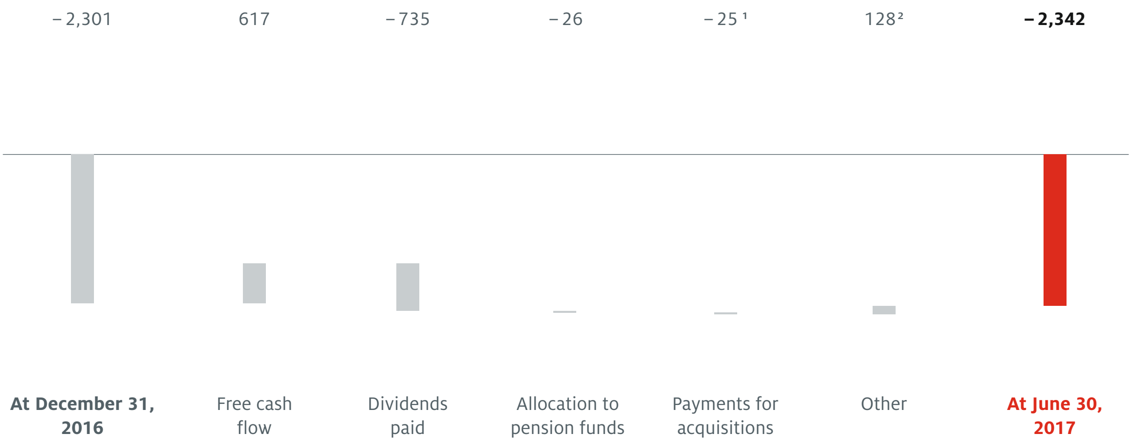
Compared to year-end 2016, **equity** including non-controlling interests declined by 48 million euros to 15,135 million euros. Equity rose with the addition of net income for the half year amounting to 1,238 million euros. The dividend distribution in April 2017 and negative foreign exchange effects of 764 million euros led to a reduction in equity. As a result of the changes mentioned, the equity ratio decreased compared to year-end 2016 by 1.3 percentage points to 53.1 percent. The individual components influencing equity development are shown in the consolidated statement of changes in equity on page 28.

Non-current liabilities increased by 0.1 billion euros to 5.8 billion euros, due in particular to higher borrowings following a bond placement. The increase was mitigated by decreased pension obligations as a result of higher discount rates and above-average returns on plan assets.

Current liabilities increased by 0.6 billion euros to 7.6 billion euros, primarily due to the increase in borrowings resulting from the issuance of commercial paper. The increase was partially offset by the reduction in other provisions.

Net financial position

in million euros



[1] Including purchase of non-controlling interests with no change of control.
[2] Primarily foreign exchange effects.

Effective June 30, 2017, our **net financial position** [1] amounted to –2,342 million euros (December 31, 2016: –2,301 million euros).

Net financial position

in million euros	
Q2/2016	– 118
Q3/2016	– 2,661
Q4/2016	– 2,301
Q1/2017	– 1,961
Q2/2017	**– 2,342**

Our operating debt coverage in the reporting period was significantly above the minimum value of 50 percent, as it was at year-end 2016. 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, 2016	June 30, 2017
Operating debt coverage (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations) / net borrowings and pension obligations	80.8 %	**101.2 %**
Interest coverage ratio EBITDA / interest result including interest element of pension obligations	107.9	**104.2**
Equity ratio equity / total assets	54.4 %	**53.1 %**

[1] Cash and cash equivalents plus readily monetizable financial instruments classified as "available for sale" or using the "fair value option," less borrowings, plus positive and less negative fair values of hedging transactions.

Financial position

The development of our financial position is indicated in detail in the consolidated statement of cash flows on page 29.

At 959 million euros, **cash flow from operating activities** in the first six months of 2017 was slightly below the comparable figure of the prior-year period (1,029 million euros). Higher operating profit and lower outflows for trade accounts receivable were thus more than offset by outflows for inventories, lower inflows for trade accounts payable and higher income tax payments. Year on year, the ratio of net working capital [1] to sales improved by 0.1 percentage points to 5.2 percent.

The cash outflow in **cash flow from investing activities** (–260 million euros) was below the figure of the prior-year period (–582 million euros) as a result of lower investments in subsidiaries and other business units.

The cash inflow in **cash flow from financing activities** of 366 million euros (prior-year period: 121 million euros) resulted mainly from the issuance of a bond. Higher dividend payments and higher payments for the purchase of short-term securities and time deposits had a countervailing effect.

Cash and cash equivalents rose compared to December 31, 2016 by 1,015 million euros to 2,404 million euros.

The decline in **free cash flow** from 766 million euros in the first six months of 2016 to 617 million euros was largely due to lower cash inflows from operating activities, and higher capital expenditures on intangible assets and property, plant and equipment, including payments on account.

Capital expenditures

Investments in property, plant and equipment for existing operations totaled 252 million euros, following 185 million euros in the first six months of 2016. We invested 31 million euros in intangible assets (prior-year period: 41 million euros). Around two-thirds of the expenditures were channeled into expansion projects, innovation, and rationalization measures, which included increasing our production capacity, introducing innovative product lines and optimizing our business processes.

Major individual projects in 2017 to date:
- Construction of a new production site for industrial adhesives and metal treatment products in India (Adhesive Technologies)
- Construction of a new production facility for products used in the aviation industry in Spain (Adhesive Technologies)
- Construction of a new production site for liquid products in Egypt (Laundry & Home Care)
- Expansion of warehousing and logistics capacities in Germany (Laundry & Home Care)
- Global optimization of our supply chain and consolidation and optimization of our IT system architecture for managing business processes

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

Capital expenditures first half year 2017

in million euros	Existing operations	Acquisitions	Total
Intangible assets	31	64	**95**
Property, plant and equipment	252	–	**252**
Total	**283**	**64**	**347**

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

Acquisitions and divestments

On March 9, 2017, we signed an agreement to acquire Nattura Laboratorios, S.A. de C.V., Mexico, and associated companies in the USA, Colombia and Spain. Through this acquisition, Henkel will further strengthen its Hair Professional business and expand its footprint in both the emerging and mature markets.

Effective July 3, 2017, we completed the acquisition of the global Darex Packaging Technologies business from GCP Applied Technologies. The transaction is in line with our strategy to strengthen our portfolio through targeted acquisitions, and reinforces the position of our Adhesive Technologies business as a global market and technology leader.

Effective July 3, 2017, we completed the acquisition of all shares of Sonderhoff Holding GmbH based in Cologne, Germany. This acquisition expands the sealant expertise of Henkel and reinforces the position of our Adhesive Technologies business as a global market and technology leader.

On January 1, 2017, Henkel sold its professional Western European building material business.

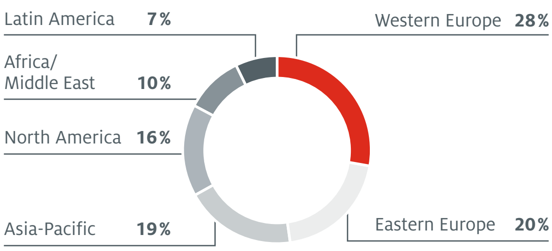
In the first half of 2017, we sold our global electronic mold compound business, including Henkel Huawei Electronics, our company in Lianyungang, China.

Further details can be found in the selected explanatory notes on page 34. 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 2016 on page 57.

Employees

As of June 30, 2017, we had around 50,900 employees (December 31, 2016: around 51,350). The number of employees decreased in the first six months following our divestments in the Adhesive Technologies business unit and as a result of adjustments to our structures.

Employees by region



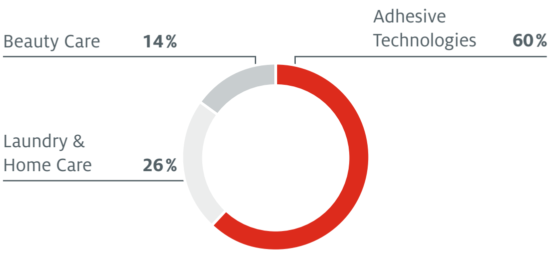
At June 30, 2017

Research and development

In the first six months of 2017, research and development expenditures amounted to 240 million euros (adjusted for restructuring expenses: 238 million euros) compared to 232 million euros (adjusted: 229 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 2.4 percent (adjusted: 2.4 percent).

The development of innovative products is of key importance to our business model. The research and development strategy as described in our Annual Report 2016 (starting on page 81) has remained unchanged.

R&D expenditures by business unit



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 2017. 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 2 percent, and for North America, IHS Markit predicts growth of around 2 percent for the full year. The Japanese economy is expected to grow by around 1 percent.

The emerging markets are likely to achieve economic growth of approximately 4.5 percent in 2017. IHS Markit expects economic output to increase by approximately 5.5 percent in Asia (excluding Japan) and by approximately 2.5 percent in the Africa/Middle East region. Growth of approximately 1 percent is forecasted in Latin America. In Eastern Europe, the economy is expected to grow by approximately 3 percent in 2017.

Global inflation of approximately 3 percent is predicted in 2017. IHS Markit anticipates an increase in price levels of around 2 percent in the mature markets, while inflation of approximately 5 percent is expected for the emerging markets.

We expect prices for raw materials, packaging and purchased goods and services to increase moderately compared to the previous year.

We expect continued high volatility in the currency markets. We do not anticipate any major change in the average US dollar exchange rate for 2017 compared to 2016. By contrast, major currencies in the emerging markets could weaken.

IHS Markit predicts that global private consumption will increase by around 3 percent in 2017. 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 2017.

Year on year, the industrial production index (IPX) is expected to gain approximately 3 percent worldwide. IHS Markit anticipates the IPX to increase by around 2 percent in the mature markets, and by approximately 3.5 percent in the emerging markets.

Opportunities and risks

Our evaluation of opportunities and risks is unchanged from the analysis provided in our Annual Report 2016. The presentation of the major risk and opportunity categories can be found on pages 104 to 111 of our Annual Report 2016.

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.

Outlook for the Henkel Group in 2017

We confirm our guidance for fiscal 2017.

We expect the Henkel Group to generate organic sales growth of 2 to 4 percent in fiscal 2017. Our expectation is that each business unit will generate organic sales growth within this range.

The starting point for our forecasted organic sales growth is our strong competitive position. We have consolidated and further developed this in recent years through our innovative strength, strong brands and leading market positions, as well as the quality of our portfolio.

We expect the contribution to the nominal sales growth of the Henkel Group from our acquisitions in 2016 to be in the mid-single-digit percentage range. The translation of sales in foreign currencies is expected to have a neutral or slightly negative effect.

In recent years we have introduced a number of measures that have had a positive effect on our cost structure. Again this year, we intend to continue adapting our structures to constantly changing market conditions, and to maintain our strict cost discipline. Through optimization and standardization of processes, we can further improve our efficiency while simultaneously enhancing the quality of our customer service. Moreover, the optimization of our production and logistics networks will contribute to improving our cost structures.

These factors, together with the expected increase in sales, will have a positive effect on our earnings performance. For adjusted return on sales (EBIT), we anticipate an increase year on year to more than 17.0 percent. All three business units are expected to contribute to this positive development. We anticipate an increase in adjusted earnings per preferred share of between 7 and 9 percent.

Furthermore, we have the following expectations for 2017:
- Restructuring expenses of 200 to 250 million euros
- Investments in property, plant and equipment and intangible assets of between 750 and 850 million euros

Interim consolidated financial statements

Consolidated statement of financial position

Assets

in million euros	June 30, 2016	%	Dec. 31, 2016	%	June 30, 2017	%
Intangible assets	11,939[1]	50.0	15,543	55.7	**14,710**	**51.6**
Property, plant and equipment	2,653[1]	11.2	2,887	10.3	**2,811**	**9.9**
Other financial assets	63	0.3	95	0.3	**63**	**0.2**
Income tax refund claims	7	–	7	–	**7**	**–**
Other assets	179	0.6	155	0.7	**171**	**0.6**
Deferred tax assets	1,020	4.3	1,017	3.6	**964**	**3.4**
Non-current assets	**15,861**	**66.4**	**19,704**	**70.6**	**18,726**	**65.7**
Inventories	1,723	7.2	1,938	6.9	**1,995**	**7.0**
Trade accounts receivable	3,425	14.4	3,349	12.0	**3,567**	**12.5**
Other financial assets	577	2.4	734	2.6	**978**	**3.5**
Income tax refund claims	152	0.7	274	1.0	**299**	**1.0**
Other assets	395	1.7	434	1.6	**429**	**1.6**
Cash and cash equivalents	1,728	7.2	1,389	5.0	**2,404**	**8.4**
Assets held for sale	10	–	95	0.3	**83**	**0.3**
Current assets	**8,010**	**33.6**	**8,213**	**29.4**	**9,755**	**34.3**
Total assets	**23,871**	**100.0**	**27,917**	**100.0**	**28,481**	**100.0**

[1] As of the reporting date, the allocation of the purchase price for the acquisition of the detergent business in Nigeria had not been finalized. If purchase price allocation had been finalized as of June 30, 2016, it would have resulted in the following amounts: Intangible assets: 11,974 million euros; Property, plant and equipment: 2,655 million euros.

Equity and liabilities

in million euros	June 30, 2016	%	Dec. 31, 2016	%	June 30, 2017	%
Issued capital	438	1.8	438	1.6	**438**	**1.5**
Capital reserve	652	2.7	652	2.3	**652**	**2.3**
Treasury shares	– 91	– 0.4	– 91	– 0.3	**– 91**	**– 0.3**
Retained earnings	13,154[1]	55.1	14,234	51.0	**14,981**	**52.6**
Other components of equity	– 486	– 2.0	– 188	– 0.7	**– 957**	**– 3.4**
Equity attributable to shareholders of Henkel AG & Co. KGaA	**13,667**	**57.2**	**15,045**	**53.9**	**15,023**	**52.7**
Non-controlling interests	138	0.6	138	0.5	**112**	**0.4**
Equity	**13,805**	**57.8**	**15,183**	**54.4**	**15,135**	**53.1**
Provisions for pensions and similar obligations	1,194	5.0	1,007	3.6	**743**	**2.6**
Income tax provisions	97	0.4	106	0.4	**109**	**0.4**
Other provisions	416[1]	1.8	347	1.2	**368**	**1.3**
Borrowings	4	–	3,300	11.8	**3,681**	**12.9**
Other financial liabilities	65[1]	0.4	114	0.4	**39**	**0.1**
Other liabilities	9	–	25	0.1	**21**	**0.1**
Deferred tax liabilities	724[1]	3.0	833	3.0	**818**	**2.9**
Non-current liabilities	**2,509**	**10.6**	**5,732**	**20.5**	**5,779**	**20.3**
Income tax provisions	311	1.3	358	1.3	**362**	**1.3**
Other provisions	1,529	6.4	1,966	7.0	**1,660**	**5.8**
Borrowings	1,881	7.9	425	1.5	**1,300**	**4.6**
Trade accounts payable	3,372	14.1	3,665	13.1	**3,672**	**12.9**
Other financial liabilities	98	0.4	164	0.6	**208**	**0.7**
Other liabilities	350	1.4	395	1.5	**345**	**1.2**
Income tax liabilities	16	0.1	16	0.1	**20**	**0.1**
Liabilities held for sale	–	–	13	–	**–**	**–**
Current liabilities	**7,557**	**31.6**	**7,002**	**25.1**	**7,567**	**26.6**
Total equity and liabilities	**23,871**	**100.0**	**27,917**	**100.0**	**28,481**	**100.0**

[1] As of the reporting date, the allocation of the purchase price for the acquisition of the detergent business in Nigeria had not been finalized. If purchase price allocation had been finalized as of June 30, 2016, it would have resulted in the following amount: Retained earnings: 13,164 million euros; Other provisions: 417 million euros; Other financial liabilities: 86 million euros; Deferred tax liabilities: 729 million euros.

Consolidated statement of income

in million euros	Q2/2016	%	Q2/2017	%	+/–
Sales	**4,654**	**100**	**5,098**	**100**	**9.6%**
Cost of sales	–2,373	–51.0	**–2,678**	**–52.5**	12.9%
Gross profit	**2,281**	**49.0**	**2,420**	**47.5**	**6.1%**
Marketing, selling and distribution expenses	–1,167	–25.1	**–1,242**	**–24.4**	6.4%
Research and development expenses	–118	–2.5	**–119**	**–2.3**	0.8%
Administrative expenses	–240	–5.1	**–248**	**–4.9**	3.3%
Other operating income	36	0.8	**36**	**0.7**	–
Other operating expenses	–35	–0.8	**–8**	**–0.2**	–77.1%
Operating profit (EBIT)	**757**	**16.3**	**839**	**16.4**	**10.8%**
Interest income	5	0.1	**6**	**0.1**	20.0%
Interest expense	–3	–0.1	**–13**	**–0.2**	–
Other financial result	–2	–	**1**	**–**	–
Investment result	–1	–	**–**	**–**	–
Financial result	**–1**	**–**	**–6**	**–0.1**	**–**
Income before tax	**756**	**16.3**	**833**	**16.3**	**10.2%**
Taxes on income	–184	–4.0	**–202**	**–3.9**	9.8%
Tax rate in %	24.3		**24.2**		
Net income	**572**	**12.3**	**631**	**12.4**	**10.3%**
Attributable to non-controlling interests	11	0.2	**7**	**0.1**	–36.4%
Attributable to shareholders of Henkel AG & Co. KGaA	561	12.1	**624**	**12.3**	11.2%
Earnings per ordinary share – basic and diluted in euros	1.30		**1.44**		**10.8%**
Earnings per preferred share – basic and diluted in euros	1.30		**1.44**		10.8%

Consolidated statement of income

in million euros	1–6/2016	%	1–6/2017	%	+/–
Sales	**9,110**	**100**	**10,162**	**100**	**11.5%**
Cost of sales	–4,666	–51.2	**–5,327**	**–52.4**	14.2%
Gross profit	**4,444**	**48.8**	**4,835**	**47.6**	**8.8%**
Marketing, selling and distribution expenses	–2,259	–24.8	**–2,479**	**–24.4**	9.7%
Research and development expenses	–232	–2.5	**–240**	**–2.4**	3.4%
Administrative expenses	–465	–5.1	**–506**	**–4.9**	8.8%
Other operating income	49	0.5	**73**	**0.7**	49.0%
Other operating expenses	–63	–0.7	**–21**	**–0.2**	–66.7%
Operating profit (EBIT)	**1,474**	**16.2**	**1,662**	**16.4**	**12.7%**
Interest income	9	0.1	**12**	**0.1**	33.3%
Interest expense	–5	–0.1	**–23**	**–0.2**	–
Other financial result	–11	–0.1	**–8**	**–0.1**	–27.3%
Investment result	–1	–	**–**	**–**	–
Financial result	**–8**	**–0.1**	**–19**	**–0.2**	**–**
Income before tax	**1,466**	**16.1**	**1,643**	**16.2**	**12.1%**
Taxes on income	–356	–3.9	**–405**	**–4.0**	13.8%
Tax rate in %	24.3		**24.7**		
Net income	**1,110**	**12.2**	**1,238**	**12.2**	**11.5%**
Attributable to non-controlling interests	24	0.3	**17**	**0.2**	–29.2%
Attributable to shareholders of Henkel AG & Co. KGaA	1,086	11.9	**1,221**	**12.0**	12.4%
Earnings per ordinary share – basic and diluted in euros	2.50		**2.81**		**12.4%**
Earnings per preferred share – basic and diluted in euros	2.51		**2.82**		12.4%

Consolidated statement of comprehensive income

in million euros	Q2/2016	Q2/2017	1–6/2016	1–6/2017
Net income	**572**	**631**	**1,110**	**1,238**
Components to be reclassified to income:				
Exchange differences on translation of foreign operations	192	**– 753**	– 169	**– 764**
Gains from derivative financial instruments (hedge reserve per IAS 39)	2	**– 10**	2	**– 10**
Gains from financial instruments in the available-for-sale category (available-for-sale reserve)	–	**–**	–	**–**
Components not to be reclassified to income:				
Remeasurement of net liability from defined benefit pension plans (net of taxes)	– 80	**124**	– 260	**208**
Other comprehensive income (net of taxes)	**114**	**– 639**	**– 427**	**– 566**
Total comprehensive income for the period	**686**	**– 8**	**683**	**672**
Attributable to non-controlling interests	15	**2**	21	**12**
Attributable to shareholders of Henkel AG & Co. KGaA	671	**– 10**	662	**660**

Consolidated statement of changes in equity

in million euros	Issued capital: Ordinary shares	Issued capital: Preferred shares	Capital reserve	Treasury shares	Retained earnings	Other components of equity: Currency translation	Other components of equity: Hedge reserve per IAS 39	Other components of equity: Available-for-sale reserve	Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At Dec. 31, 2015 / Jan. 1, 2016	**260**	**178**	**652**	**– 91**	**12,984**	**– 141**	**– 184**	**3**	**13,661**	**150**	**13,811**
Net income	–	–	–	–	1,086	–	–	–	1,086	24	**1,110**
Other comprehensive income	–	–	–	–	– 260	– 166	2	–	– 424	– 3	**– 427**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**826**	**– 166**	**2**	**–**	**662**	**21**	**683**
Dividends	–	–	–	–	– 633	–	–	–	– 633	– 18	**– 651**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Changes in ownership interest with no change in control	–	–	–	–	– 48	–	–	–	– 48	– 15	**– 63**
Other changes in equity	–	–	–	–	25[1]	–	–	–	25[1]	–	**25[1]**
At June 30, 2016	**260**	**178**	**652**	**– 91**	**13,154[1]**	**– 307**	**– 182**	**3**	**13,667[1]**	**138**	**13,805[1]**
At Dec. 31, 2016 / Jan. 1, 2017	**260**	**178**	**652**	**– 91**	**14,234**	**– 7**	**– 184**	**3**	**15,045**	**138**	**15,183**
Net income	**–**	**–**	**–**	**–**	**1,221**	**–**	**–**	**–**	**1,221**	**17**	**1,238**
Other comprehensive income	–	–	–	–	208	– 759	– 10	–	– 561	– 5	**– 566**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,429**	**– 759**	**– 10**	**–**	**660**	**12**	**672**
Dividends	–	–	–	–	– 698	–	–	–	– 698	– 37	**– 735**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Changes in ownership interest with no change in control	–	–	–	–	– 8	–	–	–	– 8	– 1	**– 9**
Other changes in equity	–	–	–	–	24	–	–	–	24	–	**24**
At June 30, 2017	**260**	**178**	**652**	**– 91**	**14,981**	**– 766**	**– 194**	**3**	**15,023**	**112**	**15,135**

[1] As of the reporting date, the allocation of the purchase price for the acquisition of the detergent business in Nigeria had not been finalized. If purchase price allocation had been finalized as of June 30, 2016, the retained earnings, the share attributable to shareholders of Henkel AG & Co. KGaA, and total equity would have been 10 million euros higher in each case.

Consolidated statement of cash flows

in million euros	Q2/2016	Q2/2017	1–6/2016	1–6/2017
Operating profit (EBIT)	**757**	**839**	**1,474**	**1,662**
Income taxes paid	–165	**–249**	–278	**–386**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment[1]	118	**153**	232	**318**
Net gains / losses on disposal of intangible assets and property, plant and equipment, and from divestments	1	**–2**	1	**–26**
Change in inventories	36	**–17**	2	**–133**
Change in trade accounts receivable	–220	**–81**	–535	**–355**
Change in other assets	–47	**42**	–11	**26**
Change in trade accounts payable	180	**24**	199	**130**
Change in other liabilities, provisions and equity	–54	**–192**	–55	**–277**
Cash flow from operating activities	**606**	**517**	**1,029**	**959**
Purchase of intangible assets and property, plant and equipment including payments on account	–115	**–177**	–223	**–295**
Acquisition of subsidiaries and other business units	–359	**–11**	–367	**–11**
Purchase of associated companies and joint ventures held at equity	–	**–3**	–	**–3**
Proceeds on disposal of subsidiaries and other business units	–	**1**	–	**48**
Proceeds on disposal of intangible assets and property, plant and equipment	6	**–**	8	**1**
Cash flow from investing activities	**–468**	**–190**	**–582**	**–260**
Dividends paid to shareholders of Henkel AG & Co. KGaA	–633	**–698**	–633	**–698**
Dividends paid to non-controlling shareholders	–5	**–15**	–18	**–37**
Interest received	7	**7**	12	**13**
Interest paid	–5	**–12**	–8	**–21**
Dividends and interest paid and received	–636	**–718**	–647	**–743**
Issuance of bonds	–	**535**	–	**535**
Other changes in borrowings	358	**–105**	1,051	**911**
Allocations to pension funds	–11	**–10**	–153	**–26**
Other changes in pension obligations	–23	**–18**	–52	**–40**
Purchase of non-controlling interests with no change of control	–74	**–14**	–75	**–14**
Other financing transactions[2]	28	**–33**	–3	**–257**
Cash flow from financing activities	**–358**	**–363**	**121**	**366**
Net change in cash and cash equivalents	–220	**–36**	568	**1,065**
Effect of exchange rates on cash and cash equivalents	15	**–52**	–16	**–50**
Change in cash and cash equivalents	**–205**	**–88**	**552**	**1,015**
Cash and cash equivalents at January 1 / April 1	1,933	**2,492**	1,176	**1,389**
Cash and cash equivalents at June 30	**1,728**	**2,404**	**1,728**	**2,404**

[1] Of which: Impairment, second quarter 2017: 1 million euros (second quarter 2016: 4 million euros); first half year 2017: 5 million euros (first half year 2016: 4 million euros).

[2] Other financing transactions in the second quarter of 2017 include payments of –40 million euros for the purchase of short-term securities and time deposits as well as for the provision of financial collateral (second quarter 2016: 0 million euros). The figure for the first half year 2017 includes payments of –264 million euros (first half year 2016: –32 million euros).

Additional voluntary information
Reconciliation to free cash flow

in million euros	Q2/2016	Q2/2017	1–6/2016	1–6/2017
Cash flow from operating activities	606	**517**	1,029	**959**
Purchase of intangible assets and property, plant and equipment including payments on account	–115	**–177**	–223	**–295**
Proceeds on disposal of intangible assets and property, plant and equipment	6	**–**	8	**1**
Net interest paid	2	**–5**	4	**–8**
Other changes in pension obligations	–23	**–18**	–52	**–40**
Free cash flow	**476**	**317**	**766**	**617**

Selected explanatory notes

Group segment report by business unit[1]

Second quarter 2017 in million euros	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales April–June 2017	**491**	**1,879**	**2,370**	**997**	**1,703**	**5,070**	**29**	**5,098**
Proportion of Henkel sales	10 %	37 %	46 %	20 %	33 %	**99 %**	1 %	**100 %**
Sales April–June 2016	485	1,805	2,290	988	1,345	**4,623**	31	**4,654**
Change from previous year	1.2 %	4.1 %	3.5 %	0.9 %	26.6 %	**9.7 %**	– 7.0 %	**9.6 %**
Adjusted for foreign exchange	– 1.3 %	4.0 %	2.9 %	0.7 %	27.9 %	**9.7 %**	–	**9.6 %**
Organic	– 1.3 %	4.7 %	3.4 %	0.0 %	2.1 %	**2.3 %**	–	**2.2 %**
EBIT April–June 2017	**82**	**364**	**446**	**155**	**265**	**866**	**– 27**	**839**
EBIT April–June 2016	76	327	403	162	218	**783**	– 26	**757**
Change from previous year	8.1 %	11.2 %	10.6 %	– 4.1 %	21.6 %	**10.7 %**	–	**10.8 %**
Return on sales (EBIT) April–June 2017	**16.7 %**	**19.4 %**	**18.8 %**	**15.5 %**	**15.6 %**	**17.1 %**	**–**	**16.4 %**
Return on sales (EBIT) April–June 2016	15.6 %	18.1 %	17.6 %	16.4 %	16.2 %	**16.9 %**	–	**16.3 %**
Adjusted EBIT April–June 2017	**81**	**373**	**455**	**180**	**298**	**932**	**– 23**	**909**
Adjusted EBIT April–June 2016	84	342	426	172	244	**842**	– 23	**819**
Change from previous year	– 3.8 %	9.2 %	6.6 %	4.3 %	22.2 %	**10.7 %**	–	**11.0 %**
Adjusted return on sales (EBIT) April–June 2017	**16.5 %**	**19.9 %**	**19.2 %**	**18.0 %**	**17.5 %**	**18.4 %**	**–**	**17.8 %**
Adjusted return on sales (EBIT) April–June 2016	17.4 %	19.0 %	18.6 %	17.4 %	18.1 %	**18.2 %**	–	**17.6 %**
Capital employed April–June 2017[2]	**838**	**7,039**	**7,877**	**2,949**	**7,705**	**18,531**	**72**	**18,603**
Capital employed April–June 2016[2]	758	7,034	7,792	2,808	3,902	**14,502**	130	**14,632**
Change from previous year	10.6 %	0.1 %	1.1 %	5.0 %	97.1 %	**27.7 %**	–	**27.1 %**
Return on capital employed (ROCE) April–June 2017	**39.0 %**	**20.7 %**	**22.6 %**	**21.0 %**	**13.8 %**	**18.7 %**	**–**	**18.0 %**
Return on capital employed (ROCE) April–June 2016	39.9 %	18.6 %	20.7 %	23.0 %	22.4 %	**21.6 %**	–	**20.7 %**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment April–June 2017	**9**	**53**	**62**	**24**	**64**	**150**	**3**	**153**
of which impairment losses 2017	**–**	**1**	**1**	**–**	**–**	**1**	**–**	**1**
of which write-ups 2017	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment April–June 2016	12	53	65	17	33	**115**	3	**118**
of which impairment losses 2016	1	1	2	–	2	**4**	–	**4**
of which write-ups 2016	–	–	–	–	–	**–**	–	**–**
Capital expenditures (excluding financial assets) April–June 2017	**26**	**41**	**67**	**27**	**140**	**234**	**3**	**237**
Capital expenditures (excluding financial assets) April–June 2016	34	38	72	228	232	**532**	2	**534**
Operating assets April–June 2017[3]	**1,454**	**8,766**	**10,220**	**4,392**	**10,626**	**25,237**	**540**	**25,777**
Operating liabilities April–June 2017	**653**	**2,223**	**2,876**	**1,632**	**2,723**	**7,231**	**468**	**7,699**
Net operating assets April–June 2017[3]	**801**	**6,543**	**7,343**	**2,761**	**7,902**	**18,006**	**72**	**18,078**
Operating assets April–June 2016[3]	1,364	8,639	10,003	4,147	6,297	**20,447**	453	**20,900**
Operating liabilities April–June 2016	647	2,104	2,751	1,524	2,201	**6,476**	322	**6,799**
Net operating assets April–June 2016[3]	717	6,535	7,252	2,623	4,096	**13,971**	130	**14,102**

[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.

Group segment report by business unit[1]

First half year 2017 in million euros	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales January–June 2017	**925**	**3,740**	**4,665**	**2,007**	**3,429**	**10,101**	**60**	**10,162**
Proportion of Henkel sales	9%	36%	46%	20%	33%	**99%**	1%	**100%**
Sales January–June 2016	899	3,535	4,433	1,938	2,678	**9,049**	61	**9,110**
Change from previous year	2.9%	5.8%	5.2%	3.6%	28.1%	**11.6%**	−0.7%	**11.5%**
Adjusted for foreign exchange	−0.2%	4.9%	3.9%	2.5%	29.2%	**11.1%**	–	**11.0%**
Organic	0.3%	5.4%	4.4%	1.1%	2.5%	**3.1%**	–	**3.1%**
EBIT January–June 2017	**167**	**710**	**877**	**304**	**539**	**1,720**	**−58**	**1,662**
EBIT January–June 2016	133	634	766	304	454	**1,525**	−51	**1,474**
Change from previous year	26.2%	11.9%	14.4%	−0.2%	18.6%	**12.7%**	–	**12.7%**
Return on sales (EBIT) January–June 2017	**18.1%**	**19.0%**	**18.8%**	**15.1%**	**15.7%**	**17.0%**	**–**	**16.4%**
Return on sales (EBIT) January–June 2016	14.7%	17.9%	17.3%	15.7%	17.0%	**16.9%**	–	**16.2%**
Adjusted EBIT January–June 2017	**147**	**722**	**870**	**348**	**596**	**1,814**	**−51**	**1,763**
Adjusted EBIT January–June 2016	144	658	802	329	487	**1,618**	−49	**1,570**
Change from previous year	2.5%	9.7%	8.4%	5.8%	22.5%	**12.1%**	–	**12.3%**
Adjusted return on sales (EBIT) January–June 2017	**15.9%**	**19.3%**	**18.6%**	**17.4%**	**17.4%**	**18.0%**	**–**	**17.4%**
Adjusted return on sales (EBIT) January–June 2016	16.0%	18.6%	18.1%	17.0%	18.2%	**17.9%**	–	**17.2%**
Capital employed January–June 2017[2]	**814**	**7,065**	**7,879**	**2,960**	**7,740**	**18,579**	**65**	**18,644**
Capital employed January–June 2016[2]	756	7,038	7,794	2,789	3,954	**14,538**	117	**14,654**
Change from previous year	7.7%	0.4%	1.1%	6.1%	95.6%	**27.8%**	–	**27.2%**
Return on capital employed (ROCE) January–June 2017	**41.1%**	**20.1%**	**22.3%**	**20.5%**	**13.9%**	**18.5%**	**–**	**17.8%**
Return on capital employed (ROCE) January–June 2016	35.1%	18.0%	19.7%	21.8%	23.0%	**21.0%**	–	**20.1%**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment January–June 2017	**23**	**110**	**133**	**49**	**129**	**311**	**7**	**318**
of which impairment losses 2017	**–**	**5**	**5**	**–**	**–**	**5**	**–**	**5**
of which write-ups 2017	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment January–June 2016	22	106	128	34	64	**226**	6	**232**
of which impairment losses 2016	1	1	2	–	2	**4**	–	**4**
of which write-ups 2016	–	–	–	–	–	**–**	–	**–**
Capital expenditures (excluding financial assets) January–June 2017	**39**	**78**	**117**	**41**	**185**	**343**	**4**	**347**
Capital expenditures (excluding financial assets) January–June 2016	50	78	128	242	269	**639**	4	**643**
Operating assets January–June 2017[3]	**1,416**	**8,824**	**10,240**	**4,431**	**10,683**	**25,355**	**549**	**25,904**
Operating liabilities January–June 2017	**639**	**2,260**	**2,898**	**1,659**	**2,742**	**7,299**	**484**	**7,783**
Net operating assets January–June 2017[3]	**777**	**6,565**	**7,342**	**2,772**	**7,941**	**18,056**	**65**	**18,121**
Operating assets January–June 2016[3]	1,332	8,633	9,966	4,111	6,323	**20,400**	446	**20,846**
Operating liabilities January–June 2016	617	2,096	2,713	1,505	2,172	**6,390**	330	**6,720**
Net operating assets January–June 2016[3]	716	6,537	7,253	2,606	4,152	**14,010**	117	**14,127**

[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.

Reconciliation of adjusted earnings

Reconciliation of adjusted net income

in million euros		Q2/2016	Q2/2017	+/–	1–6/2016	1–6/2017	+/–
EBIT (as reported)		**757**	**839**	**10.8 %**	**1,474**	**1,662**	**12.7 %**
One-time gains		– 1	**– 2**	–	– 1	**– 21**	–
One-time charges		22	**36**	–	29	**75**	–
Restructuring expenses		41	**36**	–	68	**47**	–
Adjusted EBIT		**819**	**909**	**11.0 %**	**1,570**	**1,763**	**12.3 %**
Adjusted return on sales	in %	17.6	**17.8**	0.2 pp	17.2	**17.4**	0.2 pp
Financial result		– 1	**– 6**	–	– 8	**– 19**	–
Taxes on income (adjusted)		– 200	**– 226**	13.0 %	– 382	**– 444**	16.2 %
Adjusted tax rate	in %	24.4	**25.0**	0.6 pp	24.5	**25.5**	1.0 pp
Adjusted net income		**618**	**677**	**9.5 %**	**1,180**	**1,300**	**10.2 %**
Attributable to non-controlling interests		11	**7**	– 36.4 %	24	**17**	– 29.2 %
Attributable to shareholders of Henkel AG & Co. KGaA		607	**670**	10.4 %	1,156	**1,283**	11.0 %
Adjusted earnings per ordinary share	in euros	**1.40**	**1.55**	**10.7 %**	**2.66**	**2.95**	**10.9 %**
Adjusted earnings per preferred share	in euros	**1.40**	**1.55**	**10.7 %**	**2.67**	**2.96**	**10.9 %**

Of the one-time gains recognized in the second quarter of 2017, 1 million euros is attributable to performance-related purchase price components (second quarter 2016: 1 million euros), and 1 million euros to a release of provisions for legal disputes (second quarter 2016: 0 million euros).

The adjusted charges for the second quarter of 2017 include expenses of 29 million euros relating to the integration of The Sun Products Corporation (second quarter 2016: 0 million euros), 4 million euros related to the optimization of our IT system architecture for managing business processes (second quarter 2016: 6 million euros) and 3 million euros for acquisition-related costs (second quarter 2016: 4 million euros).

Of the restructuring expenses in the second quarter of 2017, 8 million euros is attributable to cost of sales (second quarter 2016: 6 million euros) and 19 million euros to marketing, selling and distribution expenses (second quarter 2016: 16 million euros). A further 1 million euros is attributable to research and development expenses (second quarter 2016: 1 million euros), and 8 million euros to administrative expenses (second quarter 2016: 18 million euros).

Of the one-time gains recognized in the first half year 2017, 19 million euros is attributable to the sale of Henkel's professional Western European building material business (first half year 2016: 0 million euros), 1 million euros to performance-related purchase price components (first half year 2016: 1 million euros) and 1 million euros to a release of provisions for legal disputes (first half year 2016: 0 million euros).

The adjusted charges for the first half year 2017 include expenses of 60 million euros relating to the integration of The Sun Products Corporation (first half year 2016: 0 million euros), 12 million euros related to the optimization of our IT system architecture for managing business processes (first half year 2016: 13 million euros) and 3 million euros for acquisition-related costs (first half year 2016: 4 million euros).

Of the restructuring expenses in the first half year 2017, 9 million euros is attributable to cost of sales (first half year 2016: 12 million euros) and 25 million euros to marketing, selling and distribution expenses (first half year 2016: 24 million euros). A further 2 million euros is attributable to research and development expenses (first half year 2016: 3 million euros), and 11 million euros to administrative expenses (first half year 2016: 29 million euros).

Earnings per share

In calculating earnings per share for the period January through June 2017, 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 proportional basis.

Earnings per share

	1–6/2016		1–6/2017	
	Reported	Adjusted	Reported	Adjusted
Net income **Attributable to shareholders of Henkel AG & Co. KGaA in million euros**	**1,086**	**1,156**	**1,221**	**1,283**
Number of outstanding ordinary shares	259,795,875	259,795,875	**259,795,875**	**259,795,875**
Earnings per ordinary share (basic) in euros	**2.50**	**2.66**	**2.81**	**2.95**
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	**2.51**	**2.67**	**2.82**	**2.96**
Earnings per ordinary share (diluted) in euros	**2.50**	**2.66**	**2.81**	**2.95**
Earnings per preferred share (diluted) in euros	**2.51**	**2.67**	**2.82**	**2.96**

[1] Weighted average of preferred shares.

Changes in treasury shares

Treasury shares held by the Group at June 30, 2017 remained unchanged at 3,680,552 preferred shares. This represents 0.84 percent of the capital stock and a proportional nominal value of 3.7 million euros.

Recognition and measurement methods

The interim financial report of the Henkel Group has been prepared in accordance with Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), 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 2016 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in fiscal 2017, which are explained on pages 129 and 130 of our Annual Report 2016. These pronouncements do not exert any material influence on the presentation of the interim financial report for the half year.

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. In calculating 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.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the scope of consolidation at June 30, 2017 includes nine German and 203 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, or 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 in fiscal 2017 compared to December 31, 2016:

Scope of consolidation

At January 1, 2017	**208**
Additions	6
Mergers	–
Disposals	– 1
At June 30, 2017	**213**

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

Acquisitions and divestments

On March 9, 2017, we signed an agreement to acquire Nattura Laboratorios, S.A. de C.V., Mexico, and associated companies in the USA, Colombia and Spain. Through this acquisition, Henkel will further strengthen its Hair Professional business and expand its footprint in both the emerging and mature markets.

Effective July 3, 2017, we completed the acquisition of the global Darex Packaging Technologies business from GCP Applied Technologies. The acquisition was structured in various share and asset deals. The purchase price was 1,050 million US dollars, settled in cash. The transaction is in line with our strategy to strengthen our portfolio through targeted acquisitions and reinforces the position of our Adhesive Technologies business as a global market and technology leader.

Effective July 3, 2017, we completed the acquisition of all shares of Sonderhoff Holding GmbH based in Cologne, Germany. This acquisition expands the sealant expertise of Henkel and reinforces the position of our Adhesive Technologies business as a global market and technology leader.

Because the acquisitions of the Darex Packaging Technologies business and of Sonderhoff Holding GmbH were only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 Business Combinations is provisional. Furthermore, purchase price allocation of last year's acquisition of The Sun Products Corporation has not yet been finalized.

On January 1, 2017, Henkel sold its professional Western European building material business. This transaction resulted in one-time gains of 19 million euros.

In the first half of 2017, we sold our global electronic mold compound business, including Henkel Huawei Electronics, our company in Lianyungang, China. The sale price was around 34 million euros.

In the second quarter of 2017, we spent around 8 million euros for the acquisition of the outstanding non-controlling shares in Shanghai Henkel Xianghua Adhesives Co. Ltd based in Shanghai, China, increasing our ownership interest to 100 percent.

Consolidated statement of comprehensive income

Of the components included in other comprehensive income, tax expenses relating to actuarial gains amount to 65 million euros (June 30, 2016: tax income of 93 million euros) and tax income from cash flow hedges amounts to 2 million euros (June 30, 2016: tax income of 0 million euros).

Financial instruments

Financial instruments assigned to the valuation categories "Available for sale" and "Held for trading" are generally measured at fair value. Other securities and time deposits, financial collateral provided, and other investments which are not measured using the equity method, all of which form part of other financial assets in the statement of financial position, are categorized as "Available for sale." Only the derivative financial instruments held by the Henkel Group which are not included in hedge accounting are designated as "Held for trading."

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

- Level 1: Fair values which are determined on the basis of quoted, unadjusted prices in active markets.
- Level 2: Fair values which are determined on the basis of parameters for which either directly or indirectly derived market prices are available.

- Level 3: Fair values which are determined on the basis of parameters for which the input factors are not derived from observable market data.

Of the securities and time deposits measured at fair value in the Henkel Group in the category "Available for sale" recognized in the amount of 215 million euros (June 30, 2016: 12 million euros), 213 million euros (June 30, 2016: 10 million euros) are allocated to level 1. The fair value of financial collateral provided in the "Available for sale" category allocated to level 1 is 49 million euros (June 30, 2016: 10 million euros). All financial derivatives are classified as level 2. Derivative financial instruments with a positive fair value recognized under other financial assets have a reported fair value of 56 million euros (June 30, 2016: 42 million euros). The amount recognized under other financial liabilities in respect of derivative financial instruments with a negative fair value is 85 million euros (June 30, 2016: 25 million euros).

Henkel issued a further bond in May 2017. The 600 million US dollar bond has a term of three years and matures on June 12, 2020. The bond pays a coupon of 2 percent.

As of the reporting date, the carrying amount (including accrued interest) of all bonds issued and reported under borrowings was 2,726 million euros. Their fair value was 2,719 million euros.

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. For forward exchange contracts, we determine the fair value on the basis of the reference exchange rates of the European Central Bank prevailing at the reporting date, after allowing for forward premiums and discounts on the contracted exchange rate for the remaining term of the contract. Foreign exchange options are measured using price quotations or recognized models for the determination of option prices. We measure interest rate hedging instruments 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	Euro		US dollar	
Term	2016	2017	2016	2017
1 month	−0.37	**−0.37**	0.77	**1.22**
3 months	−0.32	**−0.33**	1.00	**1.30**
6 months	−0.22	**−0.27**	1.32	**1.37**
1 year	−0.08	**−0.23**	1.69	**1.46**
2 years	−0.16	**−0.12**	1.46	**1.62**
5 years	0.08	**0.29**	1.96	**1.96**
10 years	0.66	**0.91**	2.32	**2.28**

Due to the complexities involved, financial derivatives for hedging commodity price risks are primarily measured on the basis of simulation models derived from market quotations. We perform regular plausibility checks in order to safeguard valuation correctness.

In measuring derivative financial instruments, counterparty credit risk is taken into account with an adjustment to the fair values concerned determined on the basis of credit risk premiums.

Determination of the fair value of the contingent purchase price liability resulting from our acquisition in Nigeria is assignable to level 3. At December 31, 2016, the fair value of the contingent purchase price liability was 75 million euros. At June 30, 2017, this value had dropped by 12 million euros to 63 million euros, primarily as a result of remeasurement in the first half year 2017. The measurement effects were recognized directly in equity and reported in the statement of changes in equity as other changes in equity. The fair value was determined using the discounted cash flow method, taking into account the key financial figures of the acquired company based on a detailed planning horizon up to 2025. A discount rate was applied as derived from the capital costs in euros.

A further material valuation parameter – in addition to the long-term growth rate reflected in the perpetual annuity of 1.5 percent and the weighted average cost of capital (WACC) of 6.5 percent that was used as the discount rate – is 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.

Voting rights/Related party disclosures

The company has been notified that, on December 17, 2015, the proportion of voting rights held by the members of the Henkel family share-pooling agreement represented in total a share of 61.02 percent of the voting rights (158,535,741 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, 2016. For definitions of net operating assets, capital employed and ROCE, please refer to our Annual Report 2016, pages 173 and 193.

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 29. 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 698 million euros paid to shareholders of Henkel AG & Co. KGaA, an amount of 416 million euros was paid on ordinary shares, while an amount of 282 million euros was paid on preferred shares.

Subsequent events

Apart from the two acquisitions completed on July 3 (see page 34), there were no reportable events of particular significance for the net assets, financial position and results of operations of the Henkel Group after June 30, 2017.

Düsseldorf, August 3, 2017

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

Management Board
Hans Van Bylen,
Jan-Dirk Auris, Pascal Houdayer, Carsten Knobel,
Kathrin Menges, Bruno Piacenza

Independent review report

To Henkel AG & Co. KGaA, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements – 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 6 to 23) of Henkel AG & Co. KGaA, Düsseldorf, for the period from January 1, 2017 to June 30, 2017, which form part of the half-year financial report in accordance with Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to 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 the IFRS applicable to 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 the IFRS applicable to 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 3, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klaus Becker	Simone Fischer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements for the half year 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 3, 2017

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

Management Board
Hans Van Bylen,
Jan-Dirk Auris, Pascal Houdayer, Carsten Knobel,
Kathrin Menges, Bruno Piacenza

Report of the Audit Committee of the Supervisory Board

In the meeting of August 3, 2017, the interim consolidated financial report for the first six months of fiscal 2017 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 3, 2017

Chairman of the Audit Committee
Prof. Dr. Theo Siegert

Multi-year summary

Second quarter 2013 to 2017

in million euros	2013	2014	2015	2016	2017
Sales	**4,286**	**4,137**	**4,695**	**4,654**	**5,098**
Adhesive Technologies	2,138	2,069	2,343	2,290	**2,370**
Beauty Care	923	897	1,006	988	**997**
Laundry & Home Care	1,186	1,139	1,314	1,345	**1,703**
Adjusted[1] operating profit (EBIT)	660	674	768	819	**909**
Adjusted[1] earnings per preferred share in euros	1.07	1.16	1.29	1.40	**1.55**

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

First half year 2013 to 2017

in million euros	2013	2014	2015	2016	2017
Sales	**8,319**	**8,066**	**9,125**	**9,110**	**10,162**
Adhesive Technologies	4,082	3,962	4,503	4,433	**4,665**
Beauty Care	1,796	1,753	1,946	1,938	**2,007**
Laundry & Home Care	2,363	2,286	2,612	2,678	**3,429**
Adjusted[1] operating profit (EBIT)	1,260	1,293	1,475	1,570	**1,763**
Adjusted[1] earnings per preferred share in euros	2.03	2.20	2.47	2.67	**2.96**

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

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Financial calendar

Publication of Statement for the Third Quarter / Nine Months 2017:
Tuesday, November 14, 2017

Publication of Report for Fiscal 2017:
Thursday, February 22, 2018

Annual General Meeting Henkel AG & Co. KGaA 2018:
Monday, April 9, 2018

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

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