Q3

Quarterly financial report
July through September 2016

Financial report
January through September 2016

Henkel Excellence is our Passion

Henkel: Financial highlights

in million euros[1]	Q3/2015	Q3/2016	+/–	1–9/2015	1–9/2016	+/–
Sales	**4,590**	**4,748**	**3.4 %**	**13,715**	**13,858**	**1.0 %**
Laundry & Home Care	1,314	**1,479**	12.6 %	3,926	**4,157**	5.9 %
Beauty Care	964	**968**	0.4 %	2,910	**2,906**	– 0.1 %
Adhesive Technologies	2,279	**2,272**	– 0.3 %	6,783	**6,705**	– 1.1 %
Operating profit (EBIT)	**666**	**775**	**16.4 %**	**2,029**	**2,249**	**10.8 %**
Adjusted[2] operating profit (EBIT)	**778**	**837**	**7.6 %**	**2,253**	**2,407**	**6.9 %**
Return on sales (EBIT) in percent	**14.5**	**16.3**	**1.8 pp**	**14.8**	**16.2**	**1.4 pp**
Adjusted[2] return on sales (EBIT) in percent	**16.9**	**17.6**	**0.7 pp**	**16.4**	**17.4**	**1.0 pp**
Net income	**494**	**584**	**18.2 %**	**1,507**	**1,694**	**12.4 %**
Attributable to non-controlling interests	10	**8**	– 20.0 %	32	**32**	0.0 %
Attributable to shareholders of Henkel AG & Co. KGaA	484	**576**	19.0 %	1,475	**1,662**	12.7 %
Earnings per preferred share in euros	**1.12**	**1.33**	**18.8 %**	**3.41**	**3.84**	**12.6 %**
Adjusted[2] earnings per preferred share in euros	**1.30**	**1.42**	**9.2 %**	**3.77**	**4.09**	**8.5 %**
Return on capital employed (ROCE) in percent	**18.7**	**19.3**	**0.6 pp**	**18.8**	**19.8**	**1.0 pp**

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges / gains and restructuring charges.

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Key financials

4,748 million euros
sales

+2.8 %
organic sales growth
+4.0 % Laundry & Home Care
+2.6 % Beauty Care
+2.5 % Adhesive Technologies

775 million euros
operating profit (EBIT)

837 million euros / **+7.6** %
adjusted[1] operating profit (EBIT) / year-on-year increase

1.33 euros
earnings per preferred share (EPS)

1.42 euros / **+9.2** %
adjusted[1] earnings per preferred share (EPS) / year-on-year increase

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

17.6 %
adjusted[1] return on sales (EBIT): up 0.7 percentage points
17.9 % Laundry & Home Care
17.5 % Beauty Care
18.9 % Adhesive Technologies

5.2 %
net working capital in percent of sales

Key facts

Strong organic sales growth in emerging markets.

Very strong increase in adjusted operating profit.

Adjusted earnings per preferred share with high single-digit growth.

Acquisition of The Sun Products Corporation in the USA completed.

[1] Adjusted for one-time charges (27 million euros) and restructuring charges (35 million euros).

You will find our annual reports, our quarterly financial reports, the latest data on Henkel's shares and bonds, and also news, reports and presentations relating to the company, on our Investor Relations website:
www.henkel.com/ir

Major events

The acquisition of the laundry and home care company The Sun Products Corporation, which was agreed in June 2016, was completed on September 1, 2016. The value of the transaction, including debt, was around 3.2 billion euros. With this, Henkel has now become the second largest company in the US laundry care market.

On September 7, 2016, Henkel successfully placed bonds with a value of 2.2 billion euros. Their purpose is to refinance the short-term bank loan used to fund the acquisition of The Sun Products Corporation. A total of four fixed-rate tranches in three different currencies were placed.

In renewed recognition of our sustainability performance, Henkel was listed on several sustainability indices in France, Italy, the UK and the US, including the most recent Dow Jones Sustainability Index (DJSI World). In addition, Henkel is represented in the FTSE4Good ethics index for the 15th consecutive year, and listed in the Ethibel Sustainability Indices, Euronext Vigeo Eiris Indices and Global Equity ECPI Indices.

Share performance

The share indices relevant to Henkel posted positive performance in the third quarter of 2016. The DAX closed at 10,511 points, an increase of 8.6 percent. The EURO STOXX® Consumer Goods Index also performed well, gaining 6.0 percent.

The price of Henkel preferred shares increased significantly, by 10.5 percent in the third quarter of 2016, from 109.55 euros to 121.00 euros. The price of our ordinary shares also increased, ending the period up 6.9 percent at 103.60 euros. Both shares were quoted at their highest ever prices in the third quarter: preferred shares at 122.85 euros and ordinary shares at 104.40 euros. The preferred shares traded at an average premium of 16.0 percent over the ordinary shares in the third quarter.

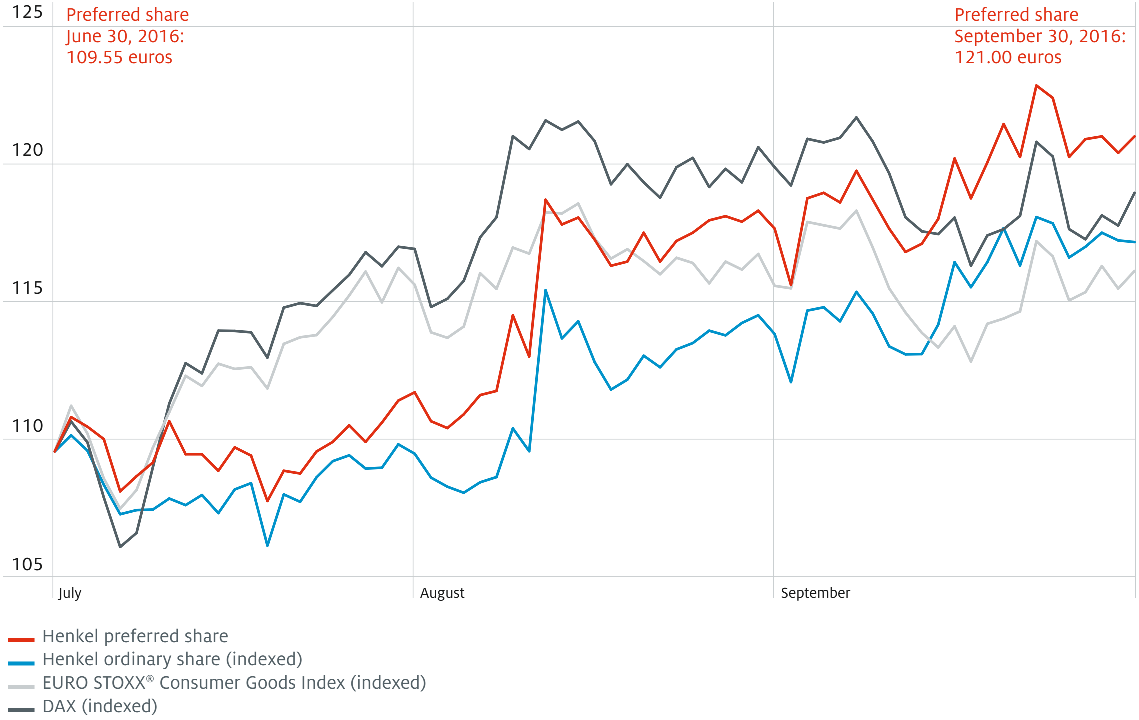
Key data on Henkel shares, third quarter

in euros	Q3/2015	Q3/2016
Earnings per share		
Ordinary share	1.11	**1.32**
Preferred share	1.12	**1.33**
Share price at period end [1]		
Ordinary share	78.94	**103.60**
Preferred share	91.97	**121.00**
High for the period [1]		
Ordinary share	95.24	**104.40**
Preferred share	112.15	**122.85**
Low for the period [1]		
Ordinary share	76.32	**93.85**
Preferred share	87.75	**107.75**
Market capitalization [1] in bn euros	**36.9**	**48.5**
Ordinary shares in bn euros	20.5	**26.9**
Preferred shares in bn euros	16.4	**21.6**

[1] Closing share prices, Xetra trading system.

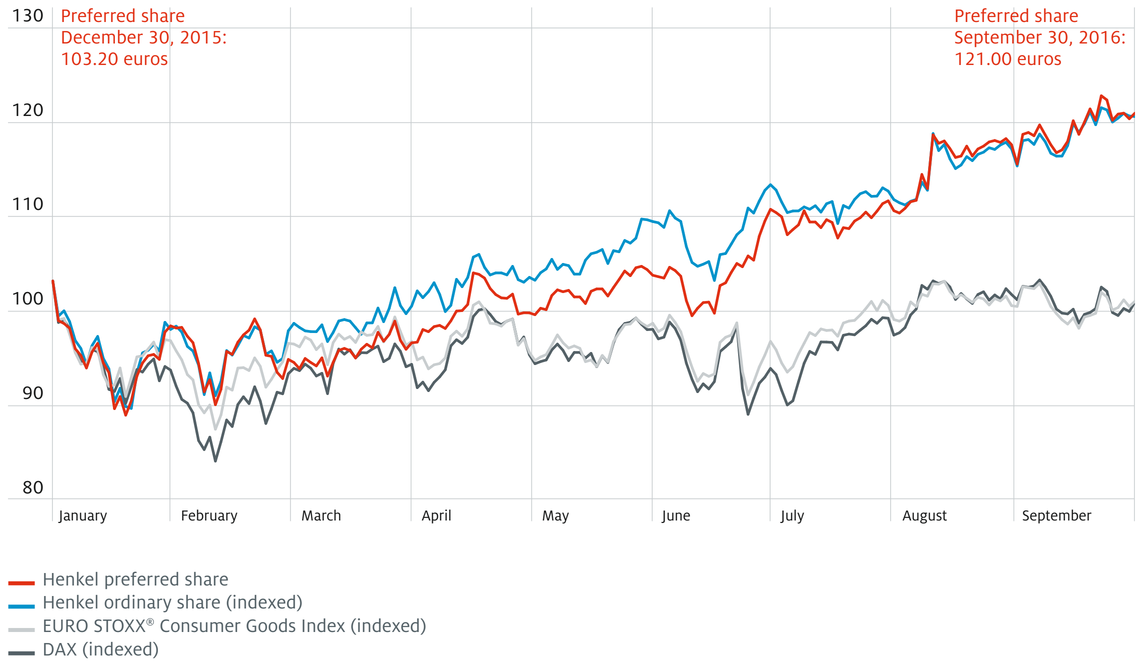
Performance of Henkel shares versus market third quarter 2016

in euros (Henkel preferred share)
all other figures indexed



Performance of Henkel shares versus market January through September 2016

in euros (Henkel preferred share)
all other figures indexed



Report third quarter 2016

Business performance third quarter 2016

Key financials[1]

in million euros	Q3/2015	Q3/2016	+/–
Sales	4,590	**4,748**	3.4 %
Operating profit (EBIT)	666	**775**	16.4 %
Adjusted[2] operating profit (EBIT)	778	**837**	7.6 %
Return on sales (EBIT)	14.5 %	**16.3 %**	1.8 pp
Adjusted[2] return on sales (EBIT)	16.9 %	**17.6 %**	0.7 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	484	**576**	19.0 %
Adjusted[2] net income – attributable to shareholders of Henkel AG & Co. KGaA	564	**616**	9.2 %
Earnings per preferred share in euros	1.12	**1.33**	18.8 %
Adjusted[2] earnings per preferred share in euros	1.30	**1.42**	9.2 %

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 charges.

Results of operations

We increased sales by 3.4 percent to 4,748 million euros in the third quarter of 2016. Adjusted for negative foreign exchange effects of 3.3 percent, sales improved by 6.7 percent. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 2.8 percent. We improved adjusted return on sales (EBIT) by 0.7 percentage points to 17.6 percent. Compared to the prior-year quarter, adjusted earnings per preferred share rose by 9.2 percent.

Sales development[1]

in percent	Q3/2016
Change versus previous year	**3.4**
Foreign exchange	**– 3.3**
Adjusted for foreign exchange	**6.7**
Acquisitions/divestments	**3.9**
Organic	**2.8**
of which price	**0.2**
of which volume	**2.6**

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

The Laundry & Home Care business unit recorded solid organic sales growth of 4.0 percent, primarily based on volume increases. The solid organic sales growth of 2.6 percent in the Beauty Care business unit was also largely driven by volume. The Adhesive Technologies business unit posted solid organic sales growth of 2.5 percent, which was also attributable to volume increases.

Price and volume effects third quarter 2016

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	**4.0**	0.4	3.6
Beauty Care	**2.6**	0.8	1.8
Adhesive Technologies	**2.5**	– 0.1	2.6
Henkel Group	**2.8**	**0.2**	**2.6**

The scope of our business activities and competitive positions as described in our Annual Report 2015 on page 57 did not change materially in the third quarter of 2016.

In order to adapt our structures to our markets and customers, we spent 35 million euros on restructuring (prior-year quarter: 78 million euros). To build a scalable business model, we are expanding our shared services and progressing with the combination of our supply chain and sourcing activities into one integrated global supply chain organization. We also continued to integrate 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 charges. The reconciliation statement and the allocation of the restructuring charges between the

Reconciliation from sales to adjusted operating profit[1]

in million euros	Q3/2015	%	Q3/2016	%	+/–
Sales	**4,590**	**100.0**	**4,748**	**100.0**	**3.4%**
Cost of sales	–2,351	–51.2	**–2,433**	**–51.2**	3.5%
Gross profit	**2,239**	**48.8**	**2,315**	**48.8**	**3.4%**
Marketing, selling and distribution expenses	–1,136	–24.8	**–1,149**	**–24.2**	1.1%
Research and development expenses	–114	–2.5	**–116**	**–2.4**	1.8%
Administrative expenses	–212	–4.6	**–212**	**–4.5**	0.0%
Other operating income/expenses	1	0.0	**–1**	**–0.1**	–
Adjusted operating profit (EBIT)	**778**	**16.9**	**837**	**17.6**	**7.6%**

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

various expense items of the consolidated statement of income can be found on page 28.

Compared to the third quarter of 2015, cost of sales increased by 3.5 percent to 2,433 million euros. Gross profit rose by 3.4 percent to 2,315 million euros. Gross margin remained stable compared to the third quarter of 2015, at 48.8 percent. Savings from cost reduction measures and efficiency improvements, selective price increases and slightly lower prices for direct materials offset the impact of negative foreign exchange rate movements and acquisition effects.

Marketing, selling and distribution expenses increased slightly year on year to 1,149 million euros. Their ratio to sales declined by 0.6 percentage points to 24.2 percent. We spent a total of 116 million euros on research and development. The ratio to sales, at 2.4 percent, was slightly lower year on year. Administrative expenses remained unchanged year on year, at 212 million euros. The ratio to sales of 4.5 percent was slightly below the level of the third quarter of 2015.

At –1 million euros, the balance of operating income and charges was unchanged year on year.

Adjusted operating profit (EBIT) increased by 7.6 percent from 778 million euros to 837 million euros. We were able to further improve adjusted return on sales for the Group from 16.9 percent to 17.6 percent. The margin in the Laundry & Home Care business unit – at 17.9 percent – was 0.3 percentage points lower year on year, due to acquisitions. Excluding the acquisitions made in 2016, adjusted return on sales showed a strong increase. In the Beauty Care business unit, we achieved an excellent margin improvement from 16.1 percent to 17.5 percent. The Adhesive Technologies business unit was able to grow its return on sales very strongly with an increase of 0.8 percentage points to 18.9 percent. The margin developments in all three business units were attributable in part to solid organic sales performance combined with strict cost management.

Due to acquisitions, the financial result was lower year on year, at –15 million euros. The tax rate was 23.2 percent (adjusted: 24.1 percent).

Net income for the quarter increased by 18.2 percent from 494 million euros to 584 million euros. After deducting 8 million euros attributable to non-controlling interests, net income for the quarter was 576 million euros (third quarter 2015: 484 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 616 million euros compared to 564 million euros in the prior-year quarter. Earnings per preferred share (EPS) rose from 1.12 euros to 1.33 euros. After adjustment, EPS increased from 1.30 euros in the third quarter of 2015 to 1.42 euros in the third quarter of 2016.

Regional performance

Key figures by region[1] third quarter 2016

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales July – September 2016	**1,473**	**733**	**348**	**1,067**	**268**	**830**	**29**	**4,748**
Sales July – September 2015	1,508	733	320	940	280	777	33	**4,590**
Change from previous year	– 2.4 %	0.1 %	9.0 %	13.5 %	– 4.4 %	6.9 %	–	**3.4 %**
Adjusted for foreign exchange	– 0.5 %	5.2 %	16.4 %	14.0 %	14.8 %	7.3 %	–	**6.7 %**
Organic	– 0.5 %	4.5 %	6.9 %	1.6 %	13.9 %	4.3 %	–	**2.8 %**
Proportion of Henkel sales July – September 2016	**31 %**	**15 %**	**7 %**	**22 %**	**6 %**	**18 %**	**1 %**	**100 %**
Proportion of Henkel sales July – September 2015	33 %	16 %	7 %	20 %	6 %	17 %	1 %	**100 %**
Operating profit (EBIT) July – September 2016	**342**	**99**	**27**	**174**	**32**	**133**	**– 31**	**775**
Operating profit (EBIT) July – September 2015	289	109	22	161	35	105	– 54	**666**
Change from previous year	18.3 %	– 9.3 %	25.5 %	7.8 %	– 8.8 %	26.9 %	–	**16.4 %**
Adjusted for foreign exchange	19.4 %	– 3.6 %	39.8 %	8.3 %	36.2 %	27.4 %	–	**20.3 %**
Return on sales (EBIT) July – September 2016	**23.2 %**	**13.5 %**	**7.8 %**	**16.3 %**	**11.8 %**	**16.0 %**	**–**	**16.3 %**
Return on sales (EBIT) July – September 2015	19.2 %	14.8 %	6.8 %	17.2 %	12.4 %	13.5 %	–	**14.5 %**

[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 third quarter 2016:

In highly competitive markets, organic sales in the **Western Europe** region were 0.5 percent lower compared to the prior-year quarter. Performance varied across the region. While organic sales in Germany showed a degree of positive development and there was solid growth in Spain, sales in France and Italy were lower versus the prior-year quarter.

Operating profit in the region increased by 19.4 percent adjusted for foreign exchange. Return on sales in the region rose by 4.0 percentage points to 23.2 percent.

In the **Eastern Europe** region, we increased sales organically by 4.5 percent in a challenging market environment, mainly helped by our business performance in Russia and Turkey.

Operating profit in the region decreased by 3.6 percent adjusted for foreign exchange. Return on sales in the region declined by 1.3 percentage points to 13.5 percent.

In the **Africa/Middle East** region, we were able to achieve strong organic sales growth of 6.9 percent in the third quarter of 2016, despite the impacts of geopolitical unrest in some countries.

Our operating profit in the region improved by 39.8 percent adjusted for foreign exchange. Year on year, return on sales improved by 1.0 percentage points, to 7.8 percent.

Key figures by region[1] first nine months 2016

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales January – September 2016	**4,586**	**2,061**	**1,030**	**2,925**	**781**	**2,385**	**90**	**13,858**
Sales January – September 2015	4,604	2,065	1,011	2,759	846	2,334	97	**13,715**
Change from previous year	– 0.4 %	– 0.2 %	1.9 %	6.0 %	– 7.6 %	2.2 %	–	**1.0 %**
Adjusted for foreign exchange	0.3 %	8.5 %	8.6 %	6.6 %	13.6 %	5.3 %	–	**5.0 %**
Organic	0.0 %	8.2 %	4.9 %	1.9 %	11.0 %	2.3 %	–	**3.0 %**
Proportion of Henkel sales January – September 2016	**33 %**	**15 %**	**7 %**	**21 %**	**6 %**	**17 %**	**1 %**	**100 %**
Proportion of Henkel sales January – September 2015	34 %	15 %	7 %	20 %	6 %	17 %	1 %	**100 %**
Operating profit (EBIT) January – September 2016	**1,030**	**270**	**111**	**473**	**96**	**351**	**– 83**	**2,249**
Operating profit (EBIT) January – September 2015	925	294	104	400	87	322	– 105	**2,029**
Change from previous year	11.3 %	– 8.1 %	6.5 %	18.1 %	9.7 %	8.9 %	–	**10.8 %**
Adjusted for foreign exchange	12.0 %	1.2 %	17.4 %	18.6 %	57.2 %	13.4 %	–	**14.9 %**
Return on sales (EBIT) January – September 2016	**22.5 %**	**13.1 %**	**10.8 %**	**16.2 %**	**12.3 %**	**14.7 %**	**–**	**16.2 %**
Return on sales (EBIT) January – September 2015	20.1 %	14.2 %	10.3 %	14.5 %	10.3 %	13.8 %	–	**14.8 %**

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

Organic sales in the **North America** region increased by 1.6 percent.

We were able to grow operating profit in the region by 8.3 percent adjusted for foreign exchange. Year on year, return on sales in the region declined by 0.9 percentage points to 16.3 percent.

Organic sales growth in the **Latin America** region amounted to 13.9 percent. Business performance in Mexico made a significant contribution to this improvement.

Operating profit increased by 36.2 percent adjusted for foreign exchange. The return on sales in the region fell versus the prior-year quarter by 0.6 percentage points to 11.8 percent.

Organic sales in the **Asia-Pacific** region grew by 4.3 percent, mainly as a result of business performance in India, South Korea and China. By contrast, Japan registered a decline in sales.

We were able to increase operating profit by 27.4 percent adjusted for foreign exchange. Return on sales rose year on year by 2.5 percentage points to 16.0 percent.

With an increase of 6.7 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 increased by 1.8 percent to 2,031 million euros. At 43 percent, the share of Group sales from emerging markets was unchanged compared to the third quarter of 2015.

Laundry & Home Care

Key financials[1]

in million euros	Q3/2015	Q3/2016	+/–	1–9/2015	1–9/2016	+/–
Sales	1,314	**1,479**	+12.6 %	3,926	**4,157**	+5.9 %
Proportion of Henkel sales	29 %	**31 %**	–	29 %	**30 %**	–
Operating profit (EBIT)	211	**228**	+8.0 %	600	**682**	+13.6 %
Adjusted[2] operating profit (EBIT)	239	**265**	+11.0 %	685	**751**	+9.6 %
Return on sales (EBIT)	16.0 %	**15.4 %**	–0.6 pp	15.3 %	**16.4 %**	+1.1 pp
Adjusted[2] return on sales (EBIT)	18.2 %	**17.9 %**	–0.3 pp	17.5 %	**18.1 %**	+0.6 pp
Return on capital employed (ROCE)	24.9 %	**17.7 %**	–7.2 pp	22.2 %	**20.9 %**	–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 charges.

Sales development[1]

in percent	Q3/2016	1–9/2016
Change versus previous year	**12.6**	**5.9**
Foreign exchange	–3.3	–4.1
Adjusted for foreign exchange	**15.9**	**10.0**
Acquisitions/divestments	11.9	5.3
Organic	**4.0**	**4.7**
of which price	0.4	0.3
of which volume	3.6	4.4

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

The **Laundry & Home Care** business unit recorded solid organic sales growth in the third quarter. Year on year, adjusted operating profit showed double-digit growth. Adjusted return on sales reached 17.9 percent and came in slightly below the high level of the third quarter of 2015 due to the acquisitions in 2016. Acquisitions include The Sun Products Corporation, purchase of the majority of shares in Expand Global Industries UK Limited, and the take-over of the detergent business and the associated brands of Behdad Chemical Company (see also page 22). By increasing sales and profits we were able to successfully continue our path of profitable growth in the third quarter.

In the following, we comment on our organic sales performance.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), we increased sales by 4.0 percent year on year.

The solid organic improvement was mainly driven by our emerging markets. Growth was in the double digits in Asia (excluding Japan) and the Africa/Middle East region. The regions of Eastern Europe and

Innovation

Bref Power Aktiv

Bref Power Aktiv is the number one in the WC rim block segment of our active markets. In addition to its tried and trusted combination of four active agents, it now also features a stronger and longer-lasting fresh fragrance. The formula has been enriched with a unique "power core" loaded with 40 percent more perfume. It ensures a long-lasting and fresh scent, thus addressing a relevant consumer concern. New Bref Power Aktiv with "fragrance boost" is being launched in 60 countries across the world.

www.breftoiletcare.com.au

Further information on product innovations in the Laundry & Home Care business unit can be found on the website: www.henkel.com/brands-and-businesses

Latin America contributed solid sales growth to the strong performance.

We posted solid sales growth in the mature markets. The North America region recorded a solid increase in sales. In the Western Europe region, we achieved positive sales performance in an environment of intense competition.

We increased adjusted operating profit (EBIT) versus the prior-year quarter by 11.0 percent to 265 million euros. Both adjusted return on sales and gross margin were slightly lower year on year due to acquisitions. Excluding the acquisitions in 2016, adjusted return on sales exhibited strong growth, with gross margin also above the level of the prior-year quarter. At 17.7 percent, return on capital employed (ROCE) was lower year on year, mainly due to the acquisitions in 2016. Due to acquisitions, net working capital as a percentage of sales was higher, compared to the third quarter of 2015, at –2.9 percent. Excluding the acquisitions in 2016, net working capital in percent of sales improved year on year.

Numerous innovations strengthened our two business areas:

In the *Laundry Care* business area, we recorded strong organic growth in the third quarter. Our heavy-duty detergents made a significant contribution to this performance, particularly our top brand Persil, which posted very strong growth.

In the premium detergent category, we strengthened Persil ProClean in North America by expanding distribution. We advanced Persil's market leadership in South Korea with the launch of a new variant: Persil Hygiene Gel with the power of eucalyptus removes not only the most stubborn stains, but also dust mite residue, which has been known to cause allergies – for hygienically clean laundry.

In the category of value-for-money detergents, we launched the Aromatherapy series in Australia and New Zealand. This new range under the Fab brand features intense, sensual fragrances.

In the fabric softeners category, we improved the formulations of the variants available under the Vernel and Silan brands. As a result, the concentrates now keep laundry fresh and fragrant for up to ten weeks. The sensual scent of the Aromatherapy range was enriched by floral nectar essences. The formula and fragrant appeal of the successful Soft&Oils range were further improved. We also added a new variant – Inspiring Orange Oil featuring a seductive fragrance – to the Soft&Oils range. The new formulations and the new variant were rolled out in more than 20 countries in Eastern and Western Europe.

The *Home Care* business area recorded positive organic growth in the third quarter. Among the growth drivers were our WC products and our automatic dishwashing products.

In the hand dishwashing category, we launched the new "double decruster" formula of Pril in 18 Eastern European countries following its successful introduction in Western Europe. New Pril "double decruster" features for the first time two enzymes and impressively removes residues including both dried-on starches and protein-based substances such as egg, milk, meat and fish. In Africa/Middle East, we built on the success of the latest Pril innovation in Egypt by launching it in other countries in the region, including Tunisia, Algeria and Iran. The new Pril is the first liquid hand dishwashing product in the region to feature a formula containing enzymes that can break down and dissolve starch residues.

In the household cleaners category, we launched our successful spray surface cleaners in the countries around the Persian Gulf and in South Korea. Their innovative formula acts immediately on even stubborn stains, removing them effortlessly without leaving any residue. The products also have a pleasantly fresh smell.

In the WC products category, we optimized the formula of our rim blocks sold under the Bref Power Aktiv brand. Bref Power Aktiv is number one in the WC rim block segment of our active markets. The products in the range are now available with an innovative "power core" loaded with 40 percent more perfume for a longer-lasting, fresh fragrance boost. The new formula has already been introduced in more than 35 countries in Western and Eastern Europe.

Top brands

Persil

Purex

Pril

Beauty Care

Key financials[1]

in million euros	Q3/2015	Q3/2016	+/–	1–9/2015	1–9/2016	+/–
Sales	964	**968**	+0.4 %	2,910	**2,906**	–0.1 %
Proportion of Henkel sales	21 %	**20 %**	–	21 %	**21 %**	–
Operating profit (EBIT)	142	**155**	+9.1 %	433	**459**	+6.0 %
Adjusted[2] operating profit (EBIT)	155	**170**	+9.7 %	471	**499**	+6.1 %
Return on sales (EBIT)	14.7 %	**16.0 %**	+1.3 pp	14.9 %	**15.8 %**	+0.9 pp
Adjusted[2] return on sales (EBIT)	16.1 %	**17.5 %**	+1.4 pp	16.2 %	**17.2 %**	+1.0 pp
Return on capital employed (ROCE)	20.2 %	**20.6 %**	+0.4 pp	21.2 %	**21.4 %**	+0.2 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 charges.

Sales development[1]

in percent	Q3/2016	1–9/2016
Change versus previous year	**0.4**	**–0.1**
Foreign exchange	**–3.7**	**–3.9**
Adjusted for foreign exchange	**4.1**	**3.8**
Acquisitions/divestments	**1.5**	**1.3**
Organic	**2.6**	**2.5**
of which price	**0.8**	**0.5**
of which volume	**1.8**	**2.0**

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

The **Beauty Care** business unit recorded solid organic sales growth in the third quarter. Adjusted operating profit showed very strong growth compared to the prior-year quarter. There was an excellent increase in adjusted return on sales, taking it to a new high of 17.5 percent. Thus, we were able to continue our long-established path of profitable growth.

In the following, we comment on our organic sales performance.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), we increased sales by 2.6 percent compared to the prior-year quarter.

From a regional perspective, our business performance showed continued success in the emerging markets with a very strong growth rate recorded. In particular, the regions of Eastern Europe and Latin America contributed double-digit sales growth to the good results achieved. Sales in Asia (excluding Japan) came in below the level of the third quarter of the previous year, while in the Africa/Middle East region we were able to achieve very strong growth.

Sales development in the mature markets was flat. Due to persistently intense crowding-out competition and strong price pressure, sales in both the

Innovation

Fa Dry Protect

New Fa Dry Protect has been specifically developed for reliable protection to give increased confidence in the face of everyday challenges. Its innovative Micro-Absorber Technology absorbs and evaporates perspiration for an instant dry feeling and long-lasting 48 hours wetness protection. For a perfect fresh feeling around the clock accompanied by a delicate, powdery-fresh scent of Cotton Mist or Linen Touch.

www.int.fa.com

Further information on product innovations in the Beauty Care business unit can be found on the website:
www.henkel.com/brands-and-businesses

Western Europe region and the mature markets of the Asia-Pacific region were down on the third quarter of 2015. In the North America region we were able to continue our successful growth trajectory with a solid increase in sales.

We again saw adjusted operating profit improve significantly, to 170 million euros. Adjusted return on sales reached 17.5 percent. Due to our ongoing measures to reduce costs and enhance our production and supply chain efficiency, gross margin came in at the level of the prior-year quarter. At 20.6 percent, return on capital employed (ROCE) was above the figure for the third quarter of 2015. Net working capital as a percentage of sales was, at 3.3 percent, below the already low level of the prior-year quarter.

Numerous innovations strengthened our businesses:

Our *Branded Consumer Goods* business area again posted a solid sales performance in the third quarter, supported by a number of successful innovations.

In the strategically important Hair Colorants business, Syoss Oleo Intense made a positive impression on the market with its new Smoky Blonde nuances. These contain activating oil boosters and ashy micropigments to give the hair natural glossy, elegant blond tones with cool reflexes. Palette Permanent Natural Colors Creme has been reformulated with precious argan oil for intensive hair care and an exceptional, natural-looking coloration result with multi-color reflexes.

In the Hair Care business, we profited from the launch of Gliss Kur Oil-In-Shampoo. Thanks to the innovative micro-oil emulsion technology for weightless care and suppleness, these shampoos provide a completely new hair-washing experience. In addition, our successful line Syoss Oleo 21 for intensive nutritious care has been revised so that now, with a complex of 21 oils, it can offer 100 percent, deep-down nutritious care combined with an anti-straw effect for up to 24 hours. Under the Schauma brand we launched the new line Heavenly Long with Cherry Blossom Essence, especially developed for long hair.

In the Styling business, we further strengthened our Taft brand with the introduction of Taft Ultra Control, Taft Restyler and Taft Chaos Styler. Taft Ultra Control provides 24 hours of ultra-strong hold while protecting against hair static and flyaways. Taft Restyler and Chaos Styler have been especially developed for creating individual, trendy looks.

The Body Care business saw the launch of the Fa Dry Protect series. The formula based on Micro-Absorber technology offers an immediate feeling of dryness and 48 hours of protection from underarm wetness. In addition, the aerosol portfolio has been improved through the introduction of Soft & Precise spray technology. Fa Men has been expanded with the new lines Fa Men Sport Energy Boost and Fa Men Sport Recharge. In North America, the new body wash Dial For Men Maximum Moisture with a vitamin complex comprising Vitamin E and Vitamin B has proven popular. It thoroughly cleanses the skin and prevents it from dehydrating.

The Skin Care business was strengthened through the introduction of Diadermine Lift+ Super Corrector, our first anti-aging innovation capable of combating both existing and future pigmentation spots. In the cleansing segment we also launched Diadermine Essentials Micellar Waters onto the market – a mild yet effective facial water.

Within the Oral Care business, we have strengthened the Freshness variants of the Theramed 2in1 line with improved formulations. The new technology creates a three times fresher feel while also ensuring a thorough antibacterial clean.

Our *Hair Salon* business area posted positive sales growth in the third quarter of 2016 versus the prior-year quarter. We stimulated strong growth momentum with our innovations in the professional coloration and hair care categories.

With new Igora Royal Highlifts, Schwarzkopf Professional has introduced onto the market the first blonding products in which the innovative Fibre Bond technology is already integrated in the colorant cream without the need for additional mixing – for minimized hair breakage and the coolest blonde tones of all time from Igora. In the Care category, BC Fibre Force offers the first strengthening hair care system with patent-pending Bond Connector technology for ten times more resistance to hair breakage. Meanwhile, the Strong Sexy Hair line of our North American professional brand Sexy Hair imparts strength and flexibility to damaged and mature hair.

Top brands

Schwarzkopf

Dial

syoss

Adhesive Technologies

Key financials[1]

in million euros	Q3/2015	Q3/2016	+/–	1–9/2015	1–9/2016	+/–
Sales	2,279	**2,272**	– 0.3 %	6,783	**6,705**	– 1.1 %
Proportion of Henkel sales	49 %	**48 %**	–	49 %	**48 %**	–
Operating profit (EBIT)	367	**423**	+ 15.3 %	1,100	**1,190**	+ 8.1 %
Adjusted[2] operating profit (EBIT)	412	**430**	+ 4.4 %	1,163	**1,232**	+ 5.9 %
Return on sales (EBIT)	16.1 %	**18.6 %**	+ 2.5 pp	16.2 %	**17.7 %**	+ 1.5 pp
Adjusted[2] return on sales (EBIT)	18.1 %	**18.9 %**	+ 0.8 pp	17.2 %	**18.4 %**	+ 1.2 pp
Return on capital employed (ROCE)	18.5 %	**21.6 %**	+ 3.1 pp	18.4 %	**20.3 %**	+ 1.9 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 charges.

Sales development[1]

in percent	Q3/2016	1–9/2016
Change versus previous year	**– 0.3**	**– 1.1**
Foreign exchange	**– 3.1**	**– 4.0**
Adjusted for foreign exchange	**2.8**	**2.9**
Acquisitions/divestments	**0.3**	**0.5**
Organic	**2.5**	**2.4**
of which price	**– 0.1**	**0.3**
of which volume	**2.6**	**2.1**

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

The **Adhesive Technologies** business unit recorded solid organic sales growth in the third quarter. Adjusted operating profit showed a solid increase compared to the prior-year quarter. There was a very strong improvement in adjusted return on sales, taking it to a new high of 18.9 percent.

In the following, we comment on our organic sales performance.

Organic sales growth (i.e. sales growth adjusted for foreign exchange and acquisitions/divestments) amounted to 2.5 percent, generated by volume increases.

Our businesses in emerging markets produced strong sales growth with a double-digit increase in the Latin America region. We achieved solid sales growth in the Eastern Europe region, while sales in the Africa/Middle East region were lower year on year. Sales in Asia (excluding Japan) grew very strongly.

Sales in the mature markets declined slightly. They were down year on year in the Western Europe and

Innovation

Bonderite solutions for Metal Packaging

Our new lubricants and cooling agents in the Bonderite L-FM series enable our Metal Packaging customers to raise both their productivity and sustainability. With an improved biostable formulation, the products increase machine capacities to 3,000 cans per minute. At the same time, their use reduces scrap rates, which means less waste. Together with our Bonderite cleaners, we offer leading solutions to this globally growing market.

www.henkel-adhesives.com/metal-packaging-solutions

Further information on product innovations in the Adhesive Technologies business unit can be found on the website:
www.henkel.com/brands-and-businesses

Asia-Pacific regions, and flat in the North America region.

Adjusted operating profit (EBIT) showed a solid increase to 430 million euros. At 18.9 percent – up 0.8 percentage points – adjusted return on sales increased very strongly versus the third quarter of 2015. We were able to improve gross margin through, among other things, our ongoing measures to reduce costs and enhance production and supply chain efficiency. At 21.6 percent, return on capital employed (ROCE) rose by 3.1 percentage points year on year, driven by operating profit. Net working capital as a percentage of sales improved compared to the third quarter of 2015. The figure of 11.7 percent was below the already low level of the prior-year quarter.

Sales growth was positive in the *Packaging and Consumer Goods Adhesives* business area. We were able to expand our business in the packaging adhesives category, especially with globally positioned brand manufacturers in North America. In flexible food packaging, for example, not just our safe, high-performance laminating adhesives made a positive impression but also the underlying test methods adopted to ensure qualification of the packaging under the various global food safety regulations.

Sales growth in the *Transport and Metal* business area was very strong, driven consistently by our products and solutions for global automotive manufacturers and suppliers. We also generated growth in the Metal Packaging category, where our technologies and comprehensive service portfolio enable faster machine runtimes and improved efficiency. By acquiring new customers for these products, we were able to further extend our market leadership.

Sales growth in the *General Industry* business area was solid, with key momentum coming from our polyurethane-based two-component structural adhesives for high-performance equipment and machinery in various industries, ranging from medical technology to household appliances. For example, our innovative glass bonding solutions have led to an alliance with a leading household appliance manufacturer. Apart from increasing the performance capabilities of the final products, customers also benefit from improved efficiency during the manufacturing process.

Sales growth in the *Electronics* business area was very strong, driven mainly by our innovative Consumer Electronics products. For example, our smartphone solutions enable manufacturers to bring devices to market that are increasingly faster, smaller and better performing. Nowadays, as many as 50 different products and solutions provided by Henkel are incorporated into a single smartphone. Our solutions for the semiconductor industry also generated strong business performance.

Sales in the *Adhesives for Consumers, Craftsmen and Building* business area were below the level of the prior-year quarter, mainly due to lower sales from the building segment in the Africa/Middle East region. However, the relaunch of our Loctite superglue product range provided positive stimulus. The Perfect Pen – our innovative pen-shaped household adhesive – played a key role in further expanding our market leadership in this segment.

Top brands

LOCTITE

TECHNOMELT

TEROSON

Financial report January through September 2016

Underlying economic conditions

The general economic conditions described here are based on data published by IHS Global Insight.

The world economy grew by approximately 2.5 percent in the first nine months of 2016 compared to the prior-year period. Industrial production increased in the same period by approximately 1.5 percent. Growth in private consumption was moderate at approximately 2.5 percent.

The mature markets registered robust economic growth. According to IHS, the North American economy grew by approximately 1.5 percent in the first nine months of 2016. Both the Western European and the German economies reported growth of around 1.5 percent.

The emerging markets of Asia (excluding Japan) grew by approximately 5.5 percent in the first nine months of 2016. Compared to the first nine months of 2015, economic performance in Latin America declined by approximately 1 percent, while the Eastern European economy grew by approximately 1.5 percent.

Year on year, the euro depreciated slightly against the US dollar in the first nine months of 2016 to 1.12 US dollars. Around the world, consumer prices rose by approximately 3 percent. Global unemployment was approximately 7 percent.

Sectors of importance for Henkel

Private consumption increased by approximately 2.5 percent in the first nine months of 2016. Consumers in North America increased their spending by approximately 2.5 percent; consumer spending in Western Europe grew by approximately 2 percent. Consumption in the emerging markets grew in the first nine months by approximately 3.5 percent, according to IHS.

At approximately 1.5 percent, industrial production expanded in the first nine months of 2016 at a slower pace than the economy as a whole. Production growth in the transport sector was approximately 1.5 percent for the first nine months of 2016; growth in the automotive industry was below this figure and remained on the level of prior year. IHS reported an increase of approximately 3 percent for the electronics sector, whereas the metals industry remained at the level recorded in the first nine months of 2015. Growth in consumer-related sectors such as the global packaging industry was sluggish at approximately 0.5 percent. Global construction grew by approximately 2 percent in the first nine months of this year.

Effects on Henkel

Despite conditions characterized by modest private spending, we managed to achieve organic growth in our consumer businesses. Organic sales in the Adhesive Technologies business unit grew by 2.4 percent between January and September 2016, thus outpacing industrial production overall.

Year on year, gross margin increased by 0.2 percentage points to 48.9 percent for the first nine months of 2016, helped by savings from cost reduction measures and efficiency improvements, selective price increases and lower prices for direct materials, all of which more than offset the impact of negative foreign exchange rate movements and the effect of acquisitions.

Business performance January through September 2016

Key financials[1]

in million euros	1–9/2015	1–9/2016	+/–
Sales	13,715	**13,858**	1.0 %
Operating profit (EBIT)	2,029	**2,249**	10.8 %
Adjusted[2] operating profit (EBIT)	2,253	**2,407**	6.9 %
Return on sales (EBIT)	14.8 %	**16.2 %**	1.4 pp
Adjusted[2] return on sales (EBIT)	16.4 %	**17.4 %**	1.0 pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA	1,475	**1,662**	12.7 %
Adjusted[2] net income – attributable to shareholders of Henkel AG & Co. KGaA	1,632	**1,772**	8.6 %
Earnings per preferred share in euros	3.41	**3.84**	12.6 %
Adjusted[2] earnings per preferred share in euros	3.77	**4.09**	8.5 %

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 charges.

Results of operations

We increased sales by 1.0 percent to 13,858 million euros in the first nine months of fiscal 2016. Adjusted for foreign exchange, sales improved by 5.0 percent. With growth of 3.0 percent, organic sales, i.e. adjusted for foreign exchange and acquisitions/divestments, showed a solid rate of increase compared to the first nine months of 2015.

Sales development[1]

in percent	1–9/2016
Change versus previous year	**1.0**
Foreign exchange	**–4.0**
Adjusted for foreign exchange	**5.0**
Acquisitions/divestments	**2.0**
Organic	**3.0**
of which price	**0.3**
of which volume	**2.7**

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

All business units contributed to this performance. The Laundry & Home Care business unit recorded solid organic sales growth of 4.7 percent. Organic sales growth was also solid in the Beauty Care business unit, at 2.5 percent, Adhesive Technologies achieved solid organic growth of 2.4 percent.

Price and volume effects first nine months 2016

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	**4.7**	0.3	4.4
Beauty Care	**2.5**	0.5	2.0
Adhesive Technologies	**2.4**	0.3	2.1
Henkel Group	**3.0**	**0.3**	**2.7**

There were no significant changes in the first nine months of 2016 with respect to the description of our business activities and competitive position as presented in our Annual Report 2015 on page 57.

In order to adapt our structures to our markets and customers, we spent 103 million euros on restructuring (prior-year period: 161 million euros). To build a scalable business model, we are expanding our shared services and progressing with the combination of our supply chain and sourcing activities into one integrated global supply chain organization. We are also advancing with 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 charges. The reconciliation statement and the allocation of the restructuring charges between the various expense items of the consolidated statement of income can be found on page 29.

Reconciliation from sales to adjusted operating profit [1]

in million euros	1–9/2015	%	1–9/2016	%	+/–
Sales	**13,715**	**100.0**	**13,858**	**100.0**	**1.0 %**
Cost of sales	– 7,034	– 51.3	**– 7,083**	**– 51.1**	0.7 %
Gross profit	**6,681**	**48.7**	**6,775**	**48.9**	**1.4 %**
Marketing, selling and distribution expenses	– 3,448	– 25.1	**– 3,384**	**– 24.4**	– 1.9 %
Research and development expenses	– 351	– 2.6	**– 345**	**– 2.5**	– 1.7 %
Administrative expenses	– 662	– 4.8	**– 634**	**– 4.5**	– 4.2 %
Other operating income/expenses	33	0.2	**– 5**	**– 0.1**	–
Adjusted operating profit (EBIT)	**2,253**	**16.4**	**2,407**	**17.4**	**6.9 %**

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

Compared to the first nine months of 2015, cost of sales increased by 0.7 percent to 7,083 million euros. Gross profit increased by 1.4 percent to 6,775 million euros. Savings from cost reduction measures and efficiency improvements, selective price increases and lower prices for direct materials more than offset the impact of negative foreign exchange rate movements and the effect of acquisitions, enabling us to increase gross margin by 0.2 percentage points to 48.9 percent.

Compared to the first nine months of 2015, marketing, selling and distribution expenses declined to 3,384 million euros. At 24.4 percent, the ratio to sales was lower year on year. We spent a total of 345 million euros on research and development. The ratio to sales, at 2.5 percent, was slightly lower year on year. Administrative expenses declined compared to the prior-year period, from 662 million euros to 634 million euros. At 4.5 percent, administrative expenses in relation to sales were slightly below the level of the first nine months of 2015.

At –5 million euros, the balance of other operating income and charges was lower year on year, due mainly to lower gains on disposals of non-current assets.

Adjusted operating profit (EBIT) increased by 6.9 percent from 2,253 million euros to 2,407 million euros. We increased the adjusted return on sales of the Henkel Group from 16.4 percent to 17.4 percent. The Laundry & Home Care business unit recorded a strong margin improvement with an increase of 0.6 percentage points, from 17.5 percent to 18.1 percent. The performance of the Beauty Care business unit was excellent, with return on sales increasing by 1.0 percentage points to 17.2 percent. The Adhesive Technologies business unit also registered an excellent increase in margin of 1.2 percentage points, taking it from 17.2 percent to 18.4 percent.

Our financial result improved from –31 million euros in the first nine months of 2015 to –23 million euros in the first nine months of 2016. This is attributable both to the improvement in the net interest result and an improvement in the foreign exchange result. The tax rate was 23.9 percent (adjusted: 24.3 percent).

Net income for the first nine months increased by 12.4 percent from 1,507 million euros to 1,694 million euros. After deducting 32 million euros attributable to non-controlling interests, net income for the period was 1,662 million euros (prior-year period: 1,475 million euros). Adjusted net income after deducting non-controlling interests was 1,772 million euros compared to 1,632 million euros in the first nine months of 2015.

We increased earnings per preferred share (EPS) from 3.41 euros to 3.84 euros. After adjustment, EPS amounted to 4.09 euros versus 3.77 euros in the comparable period of 2015.

Guidance versus performance 2016

	Guidance for 2016[1]	Results first nine months 2016
Organic sales growth	Henkel Group: 2–4 percent	Henkel Group: 3.0 percent
	All business units within this range	Laundry & Home Care: 4.7 percent Beauty Care: 2.5 percent Adhesive Technologies: 2.4 percent
Percentage of sales from emerging markets	Slight decrease compared to prior-year level	Slight decrease compared to prior-year level
Adjusted return on sales (EBIT)	Increase to more than 16.5 percent	Increase to 17.4 percent
Adjusted earnings per preferred share	Increase of 8–11 percent	Increase of 8.5 percent

[1] Updated in August 2016.

Comparison between actual business performance and guidance

We updated our guidance for full fiscal 2016 in August of this year:

We expect the Henkel Group to generate organic sales growth of 2 to 4 percent. We furthermore anticipate a slight decrease in the share of sales from our emerging markets due to foreign exchange effects. For adjusted return on sales (EBIT), we forecast an increase to more than 16.5 percent for fiscal 2016 and anticipate that the adjusted return on sales of each individual business unit will be above the level of the previous year. We expect an increase in adjusted earnings per preferred share of between 8 and 11 percent.

We confirm this guidance for fiscal 2016.

Net assets

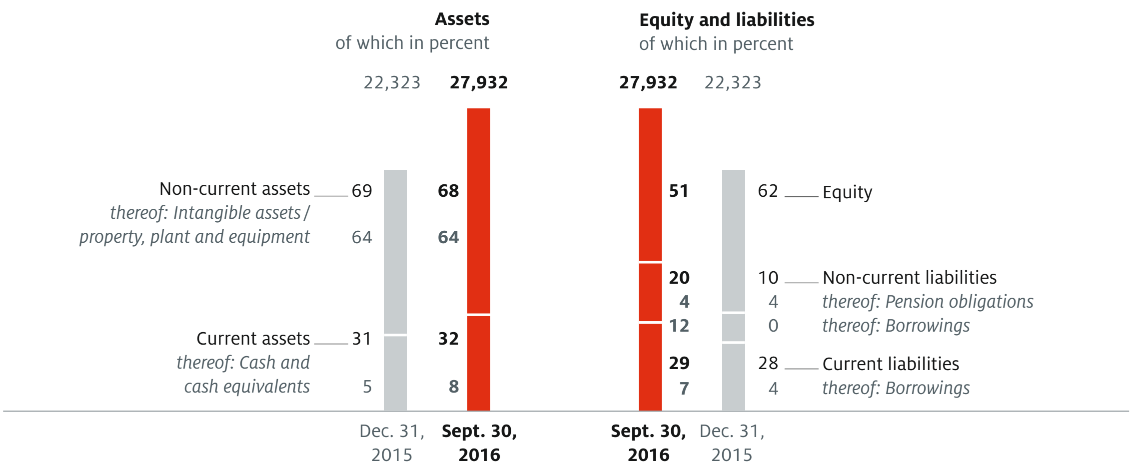
Compared to year-end 2015, total assets rose by 5.6 billion euros to 27.9 billion euros.

Under **non-current assets**, intangible assets increased by 3.1 billion euros while the value of property, plant and equipment rose by 0.3 billion euros, mainly as a result of acquisitions. Capital expenditures of 307 million euros on property, plant and equipment were partially offset by depreciation of 265 million euros.

Current assets increased from 6.9 billion euros to 9.0 billion euros. This was attributable in particular to higher trade accounts receivable and a higher volume of cash and cash equivalents, which increased by 1.2 billion euros in the reporting period.

Compared to year-end 2015, **equity** including non-controlling interests increased by 485 million euros to 14,296 million euros. The individual components influencing equity development are shown in the consolidated statement of changes in equity on page 30. Equity rose with the addition of net income for the first nine months amounting to 1,694 million euros. The dividend distribution in April 2016, negative effects amounting to 241 million euros from the remeasurement of the net liability from defined benefit pension plans, and negative foreign exchange effects of 251 million euros led to a reduction in equity. The debt-financed acquisition of the shares in The Sun Products Corporation caused the equity ratio to decrease to 51.2 percent, 10.7 percentage points lower than the level as of the end of 2015.

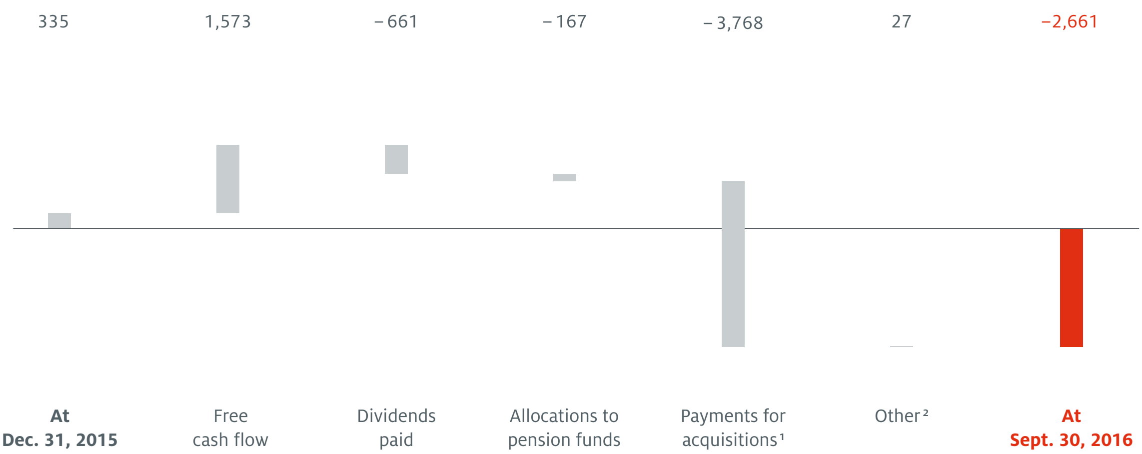
Financial structure
in million euros



Non-current liabilities increased by 3.4 billion euros to 5.6 billion euros, mainly due to the acquisition of the shares in The Sun Products Corporation. This item was also affected by our pension obligations, which rose compared to year-end 2015 as a consequence of lower discount rates. The increase was mitigated by an above-average return on plan assets and by our allocations to pension funds.

Current liabilities increased by 1.6 billion euros to 8.0 billion euros, primarily due to the increase in borrowings resulting from the issuance of commercial paper. We also recorded an increase in trade accounts payable.

Net financial position
in million euros



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

Effective September 30, 2016, our **net financial position**[1] amounted to −2,661 million euros (December 31, 2015: 335 million euros). The change compared to the end of the previous year was primarily due to the dividends paid and payments for acquisitions.

Net financial position

in million euros	
Q3/2015	–336
Q4/2015	335
Q1/2016	452
Q2/2016	–118
Q3/2016	**–2,661**

Our operating debt coverage in the reporting period was above the target of 50 percent, as it was at year-end 2015. The reduction in operating debt coverage is primarily due to the decrease in net financial position following financing of the acquisitions in 2016. The interest coverage ratio improved further, benefiting from a strong interest result in the first nine months of 2016.

Key financial ratios

	Dec. 31, 2015	Sept. 30, 2016
Operating debt coverage (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations) / net borrowings and pension obligations	375.2%	**72.0%**
Interest coverage ratio EBITDA / interest result including interest element of pension obligations	75.7	**116.7**
Equity ratio equity / total assets	61.9%	**51.2%**

Financial position

The development of our financial position is indicated in detail in the consolidated statement of cash flows on page 31.

At 2,048 million euros, **cash flow from operating activities** in the first nine months of 2016 was significantly higher than the comparable figure of the prior-year period (1,392 million euros). Apart from the increase in operating profit, this rise was attributable to lower outflows for income taxes and inventories and higher inflows from trade accounts payable compared to the first nine months of 2015. The higher cash flow from operating activities is also reflected in net working capital[2] relative to sales, which improved by 0.8 percentage points to 5.2 percent year on year.

The cash outflow in **cash flow from investing activities** (–4,043 million euros) was significantly higher versus the prior-year period (–678 million euros), primarily due to higher investments in subsidiaries and other business units compared to the first nine months of 2015.

The cash inflow in **cash flow from financing activities** of 3,191 million euros (prior-year period: –699 million euros) resulted mainly from borrowings in connection with acquisitions. Higher dividend payments and allocation to pension funds reduced this figure.

Cash and cash equivalents rose compared to December 31, 2015 by 1,166 million euros to 2,342 million euros.

The increase in **free cash flow** to 1,573 million euros in the first nine months of 2016 (prior-year period: 908 million euros) largely resulted from significantly higher cash flow from operating activities.

[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.

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

Capital expenditures

Investments in property, plant and equipment for existing operations totaled 307 million euros, following 351 million euros in the first nine months of 2015. We invested 63 million euros in intangible assets (prior-year period: 82 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 production structure and business processes.

Major individual projects in 2016 to date:

- Expansion of production capacity and optimization of the logistics structure in Russia (Laundry & Home Care)
- Expansion of production capacity in Italy (Laundry & Home Care)
- Expansion of warehousing and logistics capacities in Germany (Laundry & Home Care)
- Consolidation of our production footprint and expansion of production capacities in China (Adhesive Technologies)
- Global optimization of the 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 Asia-Pacific.

Capital expenditures first nine months 2016

in million euros	Existing operations	Acquisitions	Total
Intangible assets	63	3,353	**3,416**
Property, plant and equipment	307	341	**648**
Total	**370**	**3,694**	**4,064**

Acquisitions and divestments

Effective May 31, 2016, we acquired 57.5 percent of the shares in Expand Global Industries UK Limited, London, UK. Expand Global Industries UK Limited holds nearly 100 percent of the shares in Expand Global Industries Ltd. headquartered in Ibadan, Nigeria, which has a strong presence in the detergent market in Nigeria. With this acquisition, the Laundry & Home Care business unit has expanded its detergent business.

Effective June 1, 2016, we completed the acquisition of a range of hair care brands and the associated hair care business of Procter & Gamble in the Africa/Middle East and Eastern Europe regions.

Effective June 30, 2016, we acquired the tile adhesives business and the associated brands of the Colombian company Alfagres S.A. With this, the Adhesive Technologies business unit has expanded its business in the segment Adhesives for Consumers, Craftsmen and Building.

Effective August 15, 2016, we completed the acquisition of all shares of Zhejiang Golden Roc Chemicals Co. Ltd., China, expanding our superglue business in the Adhesive Technologies business unit.

Effective August 21, 2016, we completed the acquisition of the detergent business and the associated brands of Behdad Chemical Company PJSC in Iran.

Effective September 1, 2016, we completed the acquisition of all shares of The Sun Products Corporation, a laundry and home care company based in Wilton, Connecticut, USA.

Further details can be found in the selected explanatory notes on pages 35 to 37. There were no changes resulting to our business and organizational structure. For detailed information on our organization and business activities, please refer to the disclosures in our Annual Report 2015 on page 57.

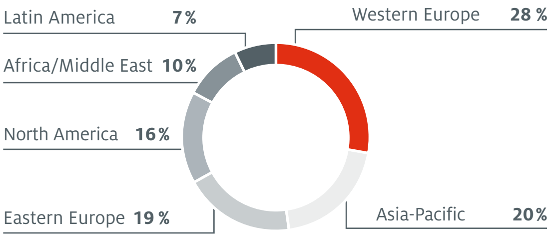
Our long-term ratings remain at "A flat" (Standard & Poor's) and "A2" (Moody's). These are also our target ratings. Looking forward, we intend not to jeopardize these when assessing possible acquisitions.

Employees

As of September 30, 2016, we had around 51,700 employees (December 31, 2015: around 49,450).

The increase compared to year-end 2015 is largely due to the acquisitions in our Laundry & Home Care business unit – and especially to the acquisition of laundry and home care company The Sun Products Corporation in the USA.

Employees by region



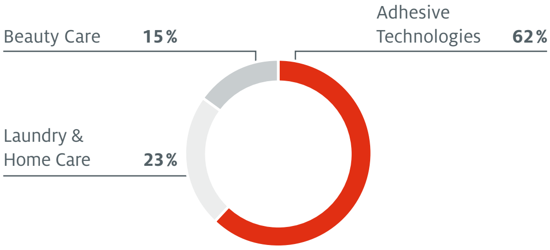
At September 30, 2016

Research and development

In the first nine months of 2016, research and development expenditures amounted to 348 million euros (adjusted for restructuring charges: 345 million euros) compared to 361 million euros (adjusted: 351 million euros) in the prior-year period. Relative to sales, research and development expenditures declined by 0.1 percentage points year on year. The ratio was 2.5 percent (adjusted: 2.5 percent).

The development of innovative products is of key importance to our business model. The research and development strategy described in our Annual Report 2015 (starting on page 83) has remained unchanged.

R&D expenditures by business unit



Subsequent events

After September 30, 2016, there were no reportable events of particular significance for the net assets, financial position and results of operations of the Group.

Outlook

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

Global economic growth is expected to remain no more than moderate in 2016. IHS expects gross domestic product to rise by approximately 2.5 percent. For the mature markets, IHS anticipates growth of approximately 1.5 percent. For Western Europe, the expected increase is approximately 1.5 percent, and for North America, IHS also expects growth of 1.5 percent for the full year. The Japanese economy is expected to grow by approximately 0.5 percent.

The emerging markets are expected to achieve economic growth of approximately 4 percent in 2016. IHS expects economic output to increase by approximately 5.5 percent in Asia (excluding Japan) and by approximately 2 percent in the Africa/Middle East region. A decline in the economy in Latin America of approximately 1 percent is forecasted. In Eastern Europe, the economy is expected to grow by approximately 1.5 percent in 2016.

We expect continued high volatility in the currency markets. We anticipate a roughly constant average US dollar rate for 2016 compared to 2015. By contrast, major currencies in the emerging markets could weaken.

Global inflation of around 5 percent is predicted in 2016. IHS anticipates an increase in price levels of approximately 1 percent in the mature markets, while inflation of around 11 percent is expected for the emerging markets.

IHS predicts that global private consumption will increase by approximately 2.5 percent in 2016. In the mature markets, consumers are likely 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 3.5 percent in 2016.

Global industrial production should expand moderately by around 2 percent year on year, less than the world economy as a whole. In the transport and automotive sector, IHS expects growth of around 2 percent, while the metal industry is projected to grow by around 1 percent. Growth of approximately 4 percent is expected in the electronics sector. In consumer-related sectors, such as the global packaging industry, growth is forecasted to again be in the low single-digit range in 2016. For global construction output, IHS expects an increase of approximately 3 percent.

Opportunities and risks

Our evaluation of opportunities and risks and our current assessment of the risks arising from legal disputes are unchanged from the analysis provided in our Annual Report 2015. The presentation of the major risk and opportunity categories can be found on pages 108 to 113 of our Annual Report 2015.

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 2016

We updated our guidance for full fiscal 2016 in August of this year: We expect the Henkel Group to generate organic sales growth of 2 to 4 percent. We anticipate that each business unit will generate growth within this range.

Regarding the share of sales from our emerging markets, we expect a slight decrease compared to the prior-year level due to foreign exchange effects.

The starting point for our expected 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.

For adjusted return on sales (EBIT), we forecast an increase to more than 16.5 percent for fiscal 2016 and anticipate that the adjusted return on sales of each individual business unit will be above the level of the previous year. We expect an increase in adjusted earnings per preferred share of between 8 and 11 percent.

We confirm this guidance for fiscal 2016.

Furthermore, we have updated the following expectations for 2016:
- Prices for raw materials, packaging, and purchased goods and services approximately at the level of the previous year (unchanged)
- Restructuring charges of 250 to 300 million euros (previously: 150 to 200 million euros); increase due to adaptation of structures in North America as a result of the acquisition of The Sun Products Corporation
- Investments in property, plant and equipment and intangible assets of between 550 and 600 million euros (previously: 650 to 700 million euros)

Interim consolidated financial statements

Consolidated statement of financial position

Assets

in million euros	Sept. 30, 2015	%	Dec. 31, 2015	%	Sept. 30, 2016	%
Intangible assets	11,221	50.1	11,682	52.3	**14,761**	**52.8**
Property, plant and equipment	2,579	11.5	2,661	11.9	**2,990**	**10.8**
Other financial assets	61	0.3	63	0.3	**65**	**0.2**
Income tax refund claims	6	–	7	–	**7**	**–**
Other assets	152	0.7	177	0.8	**166**	**0.6**
Deferred tax assets	846	3.8	816	3.7	**982**	**3.5**
Non-current assets	**14,865**	**66.4**	**15,406**	**69.0**	**18,971**	**67.9**
Inventories	1,759	7.9	1,721	7.7	**1,922**	**6.9**
Trade accounts receivable	3,212	14.3	2,944	13.2	**3,471**	**12.4**
Other financial assets	621	2.8	540	2.4	**683**	**2.4**
Income tax refund claims	187	0.8	196	0.9	**165**	**0.6**
Other assets	480	2.1	330	1.5	**361**	**1.3**
Cash and cash equivalents	1,266	5.7	1,176	5.3	**2,342**	**8.4**
Assets held for sale	11	–	10	–	**17**	**0.1**
Current assets	**7,536**	**33.6**	**6,917**	**31.0**	**8,961**	**32.1**
Total assets	**22,401**	**100.0**	**22,323**	**100.0**	**27,932**	**100.0**

Equity and liabilities

in million euros	Sept. 30, 2015	%	Dec. 31, 2015	%	Sept. 30, 2016	%
Issued capital	438	2.0	438	2.0	**438**	**1.6**
Capital reserve	652	2.9	652	2.9	**652**	**2.3**
Treasury shares	– 91	– 0.4	– 91	– 0.4	**– 91**	**– 0.3**
Retained earnings	12,389	55.3	12,984	58.1	**13,731**	**49.1**
Other components of equity	– 515	– 2.3	– 322	– 1.4	**– 565**	**– 2.0**
Equity attributable to shareholders of Henkel AG & Co. KGaA	**12,873**	**57.5**	**13,661**	**61.2**	**14,165**	**50.7**
Non-controlling interests	135	0.6	150	0.7	**131**	**0.5**
Equity	**13,008**	**58.1**	**13,811**	**61.9**	**14,296**	**51.2**
Pension obligations	1,144	5.1	988	4.4	**1,167**	**4.2**
Income tax provisions	68	0.3	89	0.4	**97**	**0.3**
Other provisions	376	1.7	396	1.8	**374**	**1.3**
Borrowings	1,311	5.8	4	–	**3,201**	**11.5**
Other financial liabilities	–	–	1	–	**96**	**0.3**
Other liabilities	19	0.1	16	0.1	**28**	**0.1**
Deferred tax liabilities	620	2.8	670	3.0	**663**	**2.4**
Non-current liabilities	**3,538**	**15.8**	**2,164**	**9.7**	**5,626**	**20.1**
Income tax provisions	313	1.4	263	1.2	**343**	**1.2**
Other provisions	1,481	6.6	1,564	7.0	**1,767**	**6.3**
Borrowings	463	2.1	880	3.9	**1,859**	**6.7**
Trade accounts payable	3,189	14.2	3,176	14.2	**3,558**	**12.7**
Other financial liabilities	66	0.3	109	0.5	**120**	**0.4**
Other liabilities	337	1.5	351	1.6	**331**	**1.3**
Income tax liabilities	6	–	5	–	**32**	**0.1**
Liabilities held for sale	–	–	–	–	**–**	**–**
Current liabilities	**5,855**	**26.1**	**6,348**	**28.4**	**8,010**	**28.7**
Total equity and liabilities	**22,401**	**100.0**	**22,323**	**100.0**	**27,932**	**100.0**

Consolidated statement of income

in million euros	Q3/2015	%	Q3/2016	%	+/–
Sales	**4,590**	**100.0**	**4,748**	**100.0**	**3.4%**
Cost of sales [1]	–2,361	–51.4	**–2,453**	**–51.7**	3.9%
Gross profit	**2,229**	**48.6**	**2,295**	**48.3**	**3.0%**
Marketing, selling and distribution expenses [1]	–1,158	–25.2	**–1,171**	**–24.7**	1.1%
Research and development expenses [1]	–120	–2.6	**–116**	**–2.4**	–3.3%
Administrative expenses [1]	–278	–6.1	**–232**	**–4.8**	–16.5%
Other operating income	21	0.4	**26**	**0.5**	23.8%
Other operating charges	–28	–0.6	**–27**	**–0.6**	–3.6%
Operating profit (EBIT)	**666**	**14.5**	**775**	**16.3**	**16.4%**
Interest income	5	0.1	**7**	**0.1**	40.0%
Interest expense	–13	–0.2	**–11**	**–0.2**	–15.4%
Other financial result	–3	–0.1	**–11**	**–0.2**	266.7%
Investment result	–	–	**–**	**–**	–
Financial result	**–11**	**–0.2**	**–15**	**–0.3**	**36.4%**
Income before tax	**655**	**14.3**	**760**	**16.0**	**16.0%**
Taxes on income	–161	–3.5	**–176**	**–3.7**	9.3%
Tax rate in %	24.6		**23.2**		
Net income	**494**	**10.8**	**584**	**12.3**	**18.2%**
Attributable to non-controlling interests	10	0.2	**8**	**0.2**	–20.0%
Attributable to shareholders of Henkel AG & Co. KGaA	484	10.6	**576**	**12.1**	19.0%
Earnings per ordinary share – basic and diluted in euros	1.11		**1.32**		18.9%
Earnings per preferred share – basic and diluted in euros	1.12		**1.33**		18.8%

Additional voluntary information

in million euros	Q3/2015	Q3/2016	+/–
EBIT (as reported)	**666**	**775**	**16.4%**
One-time gains	–	–	–
One-time charges	34	**27 [2]**	–
Restructuring charges [1]	78	**35**	–
Adjusted EBIT	**778**	**837**	**7.6%**
Adjusted return on sales in %	16.9	**17.6**	0.7 pp
Adjusted tax rate in %	24.9	**24.1**	–0.8 pp
Adjusted net income – attributable to shareholders of Henkel AG & Co. KGaA	**564**	**616**	**9.2%**
Adjusted earnings per ordinary share in euros	**1.29**	**1.41**	**9.3%**
Adjusted earnings per preferred share in euros	**1.30**	**1.42**	**9.2%**

[1] Restructuring charges, third quarter 2016: 35 million euros (third quarter 2015: 78 million euros), of which: cost of sales 11 million euros (third quarter 2015: 10 million euros), marketing, selling and distribution expenses 22 million euros (third quarter 2015: 22 million euros), research and development expenses 0 million euros (third quarter 2015: 6 million euros), administrative expenses 2 million euros (third quarter 2015: 40 million euros).

[2] Includes 8 million euros related to the optimization of our IT system architecture for managing business processes (third quarter 2015: 26 million euros), 6 million euros for the integration of acquisitions (third quarter 2015: 0 million euros) and 13 million euros for incidental acquisition costs (third quarter 2015: 8 million euros).

Consolidated statement of income

in million euros	1–9/2015	%	1–9/2016	%	+/–
Sales	**13,715**	**100.0**	**13,858**	**100.0**	**1.0%**
Cost of sales[1]	–7,064	–51.5	**–7,119**	**–51.4**	0.8%
Gross profit	**6,651**	**48.5**	**6,739**	**48.6**	**1.3%**
Marketing, selling and distribution expenses[1]	–3,509	–25.6	**–3,430**	**–24.8**	–2.3%
Research and development expenses[1]	–361	–2.6	**–348**	**–2.5**	–3.6%
Administrative expenses[1]	–764	–5.6	**–697**	**–5.0**	–8.8%
Other operating income	82	0.6	**75**	**0.5**	–8.5%
Other operating charges	–70	–0.5	**–90**	**–0.6**	28.6%
Operating profit (EBIT)	**2,029**	**14.8**	**2,249**	**16.2**	**10.8%**
Interest income	22	0.2	**16**	**0.1**	–27.3%
Interest expense	–36	–0.3	**–16**	**–0.1**	–55.6%
Other financial result	–16	–0.1	**–22**	**–0.2**	37.5%
Investment result	–1	–	**–1**	**–**	–
Financial result	**–31**	**–0.2**	**–23**	**–0.2**	**–25.8%**
Income before tax	**1,998**	**14.6**	**2,226**	**16.0**	**11.4%**
Taxes on income	–491	–3.6	**–532**	**–3.8**	8.4%
Tax rate in %	24.6		**23.9**		
Net income	**1,507**	**11.0**	**1,694**	**12.2**	**12.4%**
Attributable to non-controlling interests	32	0.2	**32**	**0.2**	–
Attributable to shareholders of Henkel AG & Co. KGaA	1,475	10.8	**1,662**	**12.0**	12.7%
Earnings per ordinary share – basic and diluted in euros	3.39		**3.82**		12.7%
Earnings per preferred share – basic and diluted in euros	3.41		**3.84**		12.6%

Additional voluntary information

in million euros	1–9/2015	1–9/2016	+/–
EBIT (as reported)	**2,029**	**2,249**	**10.8%**
One-time gains	–	**–1**[2]	–
One-time charges	63	**56**[3]	–
Restructuring charges[1]	161	**103**	–
Adjusted EBIT	**2,253**	**2,407**	**6.9%**
Adjusted return on sales in %	16.4	**17.4**	1.0pp
Adjusted tax rate in %	25.0	**24.3**	–0.7pp
Adjusted net income – attributable to shareholders of Henkel AG & Co. KGaA	**1,632**	**1,772**	**8.6%**
Adjusted earnings per ordinary share in euros	**3.75**	**4.07**	**8.5%**
Adjusted earnings per preferred share in euros	**3.77**	**4.09**	**8.5%**

[1] Restructuring charges, first nine months 2016: 103 million euros (first nine months 2015: 161 million euros), of which: cost of sales 23 million euros (first nine months 2015: 30 million euros), marketing, selling and distribution expenses 46 million euros (first nine months 2015: 61 million euros), research and development expenses 3 million euros (first nine months 2015: 10 million euros), administrative expenses 31 million euros (first nine months 2015: 60 million euros).
[2] Gains from performance-related purchase price components.
[3] Includes 12 million euros for legal disputes (first nine months 2015: 13 million euros), 21 million euros related to the optimization of our IT system architecture for managing business processes (first nine months 2015: 42 million euros), 6 million euros for the integration of acquisitions (first nine months 2015: 0 million euros) and 17 million euros for incidental acquisition costs (first nine months 2015: 8 million euros).

Consolidated statement of comprehensive income

in million euros	Q3/2015	Q3/2016	1–9/2015	1–9/2016
Net income	**494**	**584**	**1,507**	**1,694**
Components to be reclassified to income:				
Exchange differences on translation of foreign operations	– 223	**– 82**	388	**– 251**
Gains from derivative financial instruments (hedge reserve per IAS 39)	6	**3**	– 9	**5**
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)	– 112	**19**	116	**– 241**
Other comprehensive income (net of taxes)	**– 329**	**– 60**	**495**	**– 487**
Total comprehensive income for the period	**165**	**524**	**2,002**	**1,207**
Attributable to non-controlling interests	8	**8**	39	**29**
Attributable to shareholders of Henkel AG & Co. KGaA	157	**516**	1,963	**1,178**

Consolidated statement of changes in equity

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency trans-lation	Hedge reserve per IAS 39	Available-for-sale reserve	Share-holders of Henkel AG & Co. KGaA	Non-con-trolling interests	Total
At Dec. 31, 2014 / Jan. 1, 2015	**260**	**178**	**652**	**– 91**	**11,396**	**– 723**	**– 167**	**3**	**11,508**	**136**	**11,644**
Net income	–	–	–	–	1,475	–	–	–	1,475	32	**1,507**
Other comprehensive income	–	–	–	–	116	381	– 9	–	488	7	**495**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,591**	**381**	**– 9**	**–**	**1,963**	**39**	**2,002**
Dividends	–	–	–	–	– 564	–	–	–	– 564	– 29	**– 593**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Changes in ownership interest with no change in control	–	–	–	–	– 34	–	–	–	– 34	– 11	**– 45**
Other changes in equity	–	–	–	–	–	–	–	–	–	–	**–**
At Sept. 30, 2015	**260**	**178**	**652**	**– 91**	**12,389**	**– 342**	**– 176**	**3**	**12,873**	**135**	**13,008**
At Dec. 31, 2015 / Jan. 1, 2016	**260**	**178**	**652**	**– 91**	**12,984**	**– 141**	**– 184**	**3**	**13,661**	**150**	**13,811**
Net income	–	–	–	–	1,662	–	–	–	1,662	32	**1,694**
Other comprehensive income	–	–	–	–	– 241	– 248	5	–	– 484	– 3	**– 487**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,421**	**– 248**	**5**	**–**	**1,178**	**29**	**1,207**
Dividends	–	–	–	–	– 633	–	–	–	– 633	– 28	**– 661**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Changes in ownership interest with no change in control	–	–	–	–	– 54	–	–	–	– 54	– 20	**– 74**
Other changes in equity	–	–	–	–	13	–	–	–	13	–	**13**
At Sept. 30, 2016	**260**	**178**	**652**	**– 91**	**13,731**	**– 389**	**– 179**	**3**	**14,165**	**131**	**14,296**

Consolidated statement of cash flows

in million euros	Q3/2015	Q3/2016	1–9/2015	1–9/2016
Operating profit (EBIT)	**666**	**775**	**2,029**	**2,249**
Income taxes paid	– 185	**– 149**	– 556	**– 427**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment [1]	115	**132**	339	**364**
Net gains / losses on disposal of intangible assets and property, plant and equipment, and from divestments	– 1	**– 2**	– 25	**– 1**
Change in inventories	7	**– 2**	– 82	**–**
Change in trade accounts receivable	26	**73**	– 458	**– 462**
Change in other assets	45	**– 26**	– 10	**– 37**
Change in trade accounts payable	31	**62**	110	**261**
Change in other liabilities and provisions	65	**156**	45	**101**
Cash flow from operating activities	**769**	**1,019**	**1,392**	**2,048**
Purchase of intangible assets and property, plant and equipment including payments on account	– 153	**– 145**	– 437	**– 368**
Acquisition of subsidiaries and other business units	– 236	**– 3,320**	– 286	**– 3,687**
Purchase of associated companies and joint ventures held at equity	–	**–**	– 6	**–**
Proceeds on disposal of subsidiaries and other business units	–	**–**	22	**–**
Proceeds on disposal of intangible assets and property, plant and equipment	5	**4**	29	**12**
Cash flow from investing activities	**– 384**	**– 3,461**	**– 678**	**– 4,043**
Dividends paid to shareholders of Henkel AG & Co. KGaA	–	**–**	– 564	**– 633**
Dividends paid to non-controlling shareholders	– 12	**– 10**	– 29	**– 28**
Interest received	13	**2**	48	**14**
Interest paid	– 22	**– 12**	– 65	**– 20**
Dividends and interest paid and received	*– 21*	***– 20***	*– 610*	***– 667***
Issuance of bonds	–	**2,221**	–	**2,221**
Other changes in borrowings	– 266	**945**	– 38	**1,996**
Allocations to pension funds	– 12	**– 14**	– 44	**– 167**
Other changes in pension obligations	– 15	**– 61**	– 59	**– 113**
Purchase of non-controlling interests with no change of control	–	**– 6**	– 52	**– 81**
Other financing transactions [2]	– 86	**5**	104	**2**
Cash flow from financing activities	**– 400**	**3,070**	**– 699**	**3,191**
Net change in cash and cash equivalents	– 15	**628**	15	**1,196**
Effect of exchange rates on cash and cash equivalents	– 39	**– 14**	23	**– 30**
Change in cash and cash equivalents	**– 54**	**614**	**38**	**1,166**
Cash and cash equivalents at July 1 / January 1	1,320	**1,728**	1,228	**1,176**
Cash and cash equivalents at September 30	**1,266**	**2,342**	**1,266**	**2,342**

[1] Of which: Impairment, first nine months 2016: 10 million euros (first nine months 2015: 11 million euros); third quarter 2016: 6 million euros (third quarter 2015: 0 million euros).

[2] Other financing transactions in the first nine months 2016 include payments of – 32 million euros for the purchase of short-term securities and time deposits as well as the provision of collateral (the figure for the first nine months 2015 includes payments of – 472 million euros). The figure for the third quarter 2016 includes payments of 0 million euros (third quarter 2015: – 182 million euros).

Additional voluntary information
Reconciliation to free cash flow

in million euros	Q3/2015	Q3/2016	1–9/2015	1–9/2016
Cash flow from operating activities	769	**1,019**	1,392	**2,048**
Purchase of intangible assets and property, plant and equipment including payments on account	– 153	**– 145**	– 437	**– 368**
Proceeds on disposal of intangible assets and property, plant and equipment	5	**4**	29	**12**
Net interest paid	– 9	**– 10**	– 17	**– 6**
Other changes in pension obligations	– 15	**– 61**	– 59	**– 113**
Free cash flow	**597**	**807**	**908**	**1,573**

Selected explanatory notes

Group segment report by business unit[1]

Third quarter 2016 in million euros	Laundry & Home Care	Beauty Care	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Operating business units total	Corporate	Henkel Group
Sales July–September 2016	**1,479**	**968**	**486**	**1,786**	**2,272**	**4,719**	**29**	**4,748**
Proportion of Group sales	31 %	20 %	10 %	38 %	48 %	**99 %**	1 %	**100 %**
Sales July–September 2015	1,314	964	509	1,771	2,279	**4,557**	33	**4,590**
Change from previous year	12.6 %	0.4 %	– 4.4 %	0.8 %	– 0.3 %	**3.6 %**	– 13.6 %	**3.4 %**
Adjusted for foreign exchange	15.9 %	4.1 %	– 0.7 %	3.8 %	2.8 %	**6.8 %**	–	**6.7 %**
Organic	4.0 %	2.6 %	– 1.3 %	3.6 %	2.5 %	**3.0 %**	–	**2.8 %**
EBIT July–September 2016	**228**	**155**	**87**	**337**	**423**	**806**	**– 31**	**775**
EBIT July–September 2015	211	142	87	280	367	**720**	– 54	**666**
Change from previous year	8.0 %	9.1 %	– 0.1 %	20.1 %	15.3 %	**11.9 %**	–	**16.4 %**
Return on sales (EBIT) July–September 2016	**15.4 %**	**16.0 %**	**17.9 %**	**18.8 %**	**18.6 %**	**17.1 %**	**–**	**16.3 %**
Return on sales (EBIT) July–September 2015	16.0 %	14.7 %	17.1 %	15.8 %	16.1 %	**15.8 %**	–	**14.5 %**
Adjusted EBIT July–September 2016	**265**	**170**	**87**	**343**	**430**	**865**	**– 27**	**837**
Adjusted EBIT July–September 2015	239	155	94	318	412	**805**	– 27	**778**
Change from previous year	11.0 %	9.7 %	– 6.6 %	7.6 %	4.4 %	**7.4 %**	–	**7.6 %**
Adjusted return on sales (EBIT) July–September 2016	**17.9 %**	**17.5 %**	**18.0 %**	**19.2 %**	**18.9 %**	**18.3 %**	**–**	**17.6 %**
Adjusted return on sales (EBIT) July–September 2015	18.2 %	16.1 %	18.4 %	18.0 %	18.1 %	**17.7 %**	–	**16.9 %**
Capital employed July–September 2016[2]	**5,149**	**3,007**	**807**	**7,041**	**7,847**	**16,003**	**90**	**16,092**
Capital employed July–September 2015[2]	3,392	2,810	910	7,028	7,938	**14,140**	80	**14,220**
Change from previous year	51.8 %	7.0 %	– 11.4 %	0.2 %	– 1.1 %	**13.2 %**	–	**13.2 %**
Return on capital employed (ROCE) July–September 2016	**17.7 %**	**20.6 %**	**43.1 %**	**19.1 %**	**21.6 %**	**20.1 %**	**–**	**19.3 %**
Return on capital employed (ROCE) July–September 2015	24.9 %	20.2 %	38.2 %	16.0 %	18.5 %	**20.4 %**	–	**18.7 %**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment July–September 2016	**47**	**17**	**10**	**55**	**65**	**129**	**3**	**132**
of which impairment losses 2016	**4**	**2**	**–**	**–**	**–**	**6**	**–**	**6**
of which write-ups 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment July–September 2015	29	20	11	51	62	**111**	4	**115**
of which impairment losses 2015	–	–	–	–	–	**–**	–	**–**
of which write-ups 2015	–	–	–	–	–	**–**	–	**–**
Capital expenditures (excluding financial assets) July–September 2016	**3,308**	**22**	**22**	**66**	**88**	**3,418**	**3**	**3,421**
Capital expenditures (excluding financial assets) July–September 2015	58	77	– 67	155	88	**223**	– 4	**219**
Operating assets July–September 2016[3]	**7,903**	**4,308**	**1,479**	**8,593**	**10,072**	**22,282**	**548**	**22,830**
Operating liabilities July–September 2016	**2,431**	**1,475**	**713**	**2,051**	**2,764**	**6,671**	**459**	**7,130**
Net operating assets July–September 2016[3]	**5,472**	**2,832**	**766**	**6,541**	**7,307**	**15,611**	**90**	**15,701**
Operating assets July–September 2015[3]	5,564	4,018	1,475	8,485	9,960	**19,543**	426	**19,969**
Operating liabilities July–September 2015	1,975	1,395	606	1,931	2,538	**5,908**	346	**6,254**
Net operating assets July–September 2015[3]	3,589	2,623	869	6,554	7,422	**13,635**	80	**13,715**

[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]

January – September 2016 in million euros	Laundry & Home Care	Beauty Care	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Operating business units total	Corporate	Henkel Group
Sales January–September 2016	**4,157**	**2,906**	**1,385**	**5,320**	**6,705**	**13,768**	**90**	**13,858**
Proportion of Group sales	30 %	21 %	10 %	38 %	48 %	**99 %**	1 %	**100 %**
Sales January–September 2015	3,926	2,910	1,439	5,343	6,783	**13,618**	97	**13,715**
Change from previous year	5.9 %	– 0.1 %	– 3.8 %	– 0.4 %	– 1.1 %	**1.1 %**	– 7.4 %	**1.0 %**
Adjusted for foreign exchange	10.0 %	3.8 %	1.8 %	3.2 %	2.9 %	**5.1 %**	–	**5.0 %**
Organic	4.7 %	2.5 %	1.6 %	2.7 %	2.4 %	**3.1 %**	–	**3.0 %**
EBIT January–September 2016	**682**	**459**	**219**	**970**	**1,190**	**2,331**	**– 83**	**2,249**
EBIT January–September 2015	600	433	217	884	1,100	**2,134**	– 105	**2,029**
Change from previous year	13.6 %	6.0 %	1.3 %	9.8 %	8.1 %	**9.3 %**	–	**10.8 %**
Return on sales (EBIT) January–September 2016	**16.4 %**	**15.8 %**	**15.8 %**	**18.2 %**	**17.7 %**	**16.9 %**	**–**	**16.2 %**
Return on sales (EBIT) January–September 2015	15.3 %	14.9 %	15.1 %	16.5 %	16.2 %	**15.7 %**	–	**14.8 %**
Adjusted EBIT January–September 2016	**751**	**499**	**231**	**1,001**	**1,232**	**2,483**	**– 76**	**2,407**
Adjusted EBIT January–September 2015	685	471	224	939	1,163	**2,319**	– 67	**2,253**
Change from previous year	9.6 %	6.1 %	3.0 %	6.6 %	5.9 %	**7.0 %**	–	**6.9 %**
Adjusted return on sales (EBIT) January–September 2016	**18.1 %**	**17.2 %**	**16.7 %**	**18.8 %**	**18.4 %**	**18.0 %**	**–**	**17.4 %**
Adjusted return on sales (EBIT) January–September 2015	17.5 %	16.2 %	15.6 %	17.6 %	17.2 %	**17.0 %**	–	**16.4 %**
Capital employed January–September 2016[2]	**4,355**	**2,862**	**773**	**7,039**	**7,812**	**15,028**	**108**	**15,136**
Capital employed January–September 2015[2]	3,606	2,729	913	7,050	7,963	**14,299**	96	**14,395**
Change from previous year	20.8 %	4.9 %	– 15.4 %	– 0.2 %	– 1.9 %	**5.1 %**	–	**5.2 %**
Return on capital employed (ROCE) January–September 2016	**20.9 %**	**21.4 %**	**37.9 %**	**18.4 %**	**20.3 %**	**20.7 %**	**–**	**19.8 %**
Return on capital employed (ROCE) January–September 2015	22.2 %	21.2 %	31.7 %	16.7 %	18.4 %	**19.9 %**	–	**18.8 %**
Amortization / depreciation / impairment/write-ups of intangible assets and property, plant and equipment January–September 2016	**111**	**51**	**32**	**161**	**193**	**355**	**9**	**364**
of which impairment losses 2016	**6**	**2**	**1**	**1**	**2**	**10**	**–**	**10**
of which write-ups 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant and equipment January–September 2015	93	51	31	155	186	**330**	9	**339**
of which impairment losses 2015	9	–	–	2	2	**11**	–	**11**
of which write-ups 2015	1	–	–	–	–	**1**	–	**1**
Capital expenditures (excluding financial assets) January–September 2016	**3,577**	**264**	**72**	**144**	**216**	**4,057**	**7**	**4,064**
Capital expenditures (excluding financial assets) January–September 2015	151	122	– 3	272	269	**542**	2	**544**
Operating assets January–September 2016[3]	**6,870**	**4,176**	**1,381**	**8,620**	**10,001**	**21,047**	**480**	**21,528**
Operating liabilities January–September 2016	**2,258**	**1,495**	**649**	**2,081**	**2,730**	**6,484**	**373**	**6,856**
Net operating assets January–September 2016[3]	**4,612**	**2,681**	**732**	**6,538**	**7,271**	**14,564**	**108**	**14,671**
Operating assets January–September 2015[3]	5,785	4,014	1,454	8,523	9,976	**19,776**	456	**20,232**
Operating liabilities January–September 2015	1,983	1,472	583	1,962	2,546	**6,001**	360	**6,361**
Net operating assets January–September 2015[3]	3,803	2,542	871	6,560	7,431	**13,775**	96	**13,871**

[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 net income

Adjusted net income third quarter

in million euros	Q3/2015	Q3/2016
Adjusted EBIT	**778**	**837**
Financial result	– 11	**– 15**
Taxes on income (adjusted)	– 191	**– 198**
Adjusted net income third quarter	**576**	**624**
Attributable to non-controlling interests	12	**8**
Attributable to shareholders of Henkel AG & Co. KGaA	564	**616**

Adjusted net income first nine months

in million euros	1–9/2015	1–9/2016
Adjusted EBIT	**2,253**	**2,407**
Financial result	– 31	**– 23**
Taxes on income (adjusted)	– 555	**– 580**
Adjusted net income first nine months	**1,667**	**1,804**
Attributable to non-controlling interests	35	**32**
Attributable to shareholders of Henkel AG & Co. KGaA	1,632	**1,772**

Earnings per share

In calculating earnings per share for the period January through September 2016, 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

	1–9/2015		1–9/2016	
	Reported	Adjusted	Reported	Adjusted
Net income Attributable to shareholders of Henkel AG & Co. KGaA in million euros	**1,475**	**1,632**	**1,662**	**1,772**
Number of outstanding ordinary shares	259,795,875	259,795,875	**259,795,875**	**259,795,875**
Earnings per ordinary share (basic) in euros	**3.39**	**3.75**	**3.82**	**4.07**
Number of outstanding preferred shares[1]	174,482,311	174,482,311	**174,482,323**	**174,482,323**
Earnings per preferred share (basic) in euros	**3.41**	**3.77**	**3.84**	**4.09**
Earnings per ordinary share (diluted) in euros	**3.39**	**3.75**	**3.82**	**4.07**
Earnings per preferred share (diluted) in euros	**3.41**	**3.77**	**3.84**	**4.09**

[1] Weighted average of preferred shares.

Changes in treasury shares

The number of treasury shares held by the Group remained unchanged at 3,680,552 preferred shares at September 30, 2016. 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 and interim consolidated financial statements of the Henkel Group for the first nine months of the year and the third quarter have 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 2015 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in fiscal 2016, which are explained on pages 131 and 132 of our Annual Report 2015. These pronouncements do not exert any material influence on the presentation of the interim financial report for the first nine months of the 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 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 nine months, 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 as of September 30, 2016 includes eight German and 200 non-German companies in which Henkel AG & Co. KGaA has dominating influence over financial and operating policy, 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 in the scope of consolidation compared to December 31, 2015:

Scope of consolidation

At January 1, 2016	**202**
Additions	14
Mergers	– 5
Disposals	– 2
At September 30, 2016	**209**

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

Material acquisitions and divestments

Acquisitions

in million euros	Detergent business in Nigeria, effective May 31, 2016 Fair value	Hair care business in Africa/Middle East and Eastern Europe, effective June 1, 2016 Fair value	The Sun Products Corporation, effective September 1, 2016 Fair value	Total
Intangible assets	213	214	2,760	**3,187**
Property, plant and equipment	13	1	303	**317**
Other non-current assets	–	8	162	**170**
Non-current assets	**226**	**223**	**3,225**	**3,674**
Inventories	9	3	189	**201**
Trade accounts receivable	1	–	99	**100**
Liquid funds	2	–	11	**13**
Other current assets	2	–	10	**12**
Current assets	**14**	**3**	**309**	**326**
Total assets	**240**	**226**	**3,534**	**4,000**
Net assets	**223**	**226**	**3,197**	**3,646**
Non-current liabilities	**6**	**–**	**158**	**164**
Other current provisions/liabilities	5	–	44	**49**
Trade accounts payable	6	–	135	**141**
Current liabilities	**11**	**–**	**179**	**190**
Total liabilities	**240**	**226**	**3,534**	**4,000**

Reconciliation of the purchase price to provisional goodwill

in million euros	2016
Detergent business in Nigeria, effective May 31, 2016	
Purchase price	110
Contingent purchase price	113
Fair value of the acquired assets and liabilities	24
Provisional goodwill	199
Hair care business in Africa/Middle East and Eastern Europe, effective June 1, 2016	
Purchase price	212
Contingent purchase price	14
Fair value of the acquired assets and liabilities	62
Provisional goodwill	164
The Sun Products Corporation, effective September 1, 2016	
Purchase price	3,197
Fair value of the acquired assets and liabilities	1,088
Provisional goodwill	2,109

Effective May 31, 2016, we acquired 57.5 percent of the shares in Expand Global Industries UK Limited, London, UK. Expand Global Industries UK Limited holds nearly 100 percent of the shares in Expand Global Industries Ltd. headquartered in Ibadan, Nigeria, which has a strong presence in the detergent market in Nigeria. With this acquisition, the Laundry & Home Care business unit has expanded its detergent business. The acquisition is part of our strategy to further strengthen our presence in emerging markets. The provisional purchase price was 110 million euros, settled in cash. With regard to the remaining 42.5 percent of shares, put and call contracts have been entered into between Henkel and the seller. Henkel has decided to apply the anticipated acquisition method to account for the acquisitions in the financial statements. Accordingly, acquisition of the outstanding non-controlling shares is already included as part of the first-time consolidation in the form of a contingent purchase price liability of 113 million euros. Please refer to the details on page 38 for Henkel's estimated bandwidth of potential fluctuations arising from changes in valuation parameters. A maximum payment was not agreed. As a consequence of the accounting method applied – the anticipated acquisition method – non-controlling interests from the acquired business are not disclosed in the statement of comprehensive income. Effects from foreign exchange and measurement of the contingent purchase price liability are recognized directly in equity. This effect is disclosed in the statement of changes in equity as other changes in equity. Provisional goodwill was recognized in the amount of 199 million euros. Because the acquisition was only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 "Business Combinations" is provisional. Tax-deductible goodwill is not expected.

Effective June 1, 2016, we completed the acquisition of a range of hair care brands and the associated hair care business of Procter & Gamble in the Africa/Middle East and Eastern Europe regions. The acquisition is part of our strategy to further strengthen our presence in emerging markets. The purchase price was 212 million euros, settled in cash. Provisional goodwill was recognized in an amount of 164 million euros. Because the acquisition was only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 "Business Combinations" is provisional. Goodwill of 54 million euros was recognized for tax purposes.

Effective June 30, 2016, we acquired the tile adhesives business and the associated brands of the Colombian company Alfagres S.A. With this, the Adhesive Technologies business unit has expanded its business in the segment Adhesives for Consumers, Craftsmen and Building. The acquisition is part of our strategy to further strengthen our presence in emerging markets. We do not expect any material impact from this acquisition on the net assets, financial position and results of operations of Henkel.

Effective August 15, 2016, we completed the acquisition of all shares of Zhejiang Golden Roc Chemicals Co. Ltd., China, expanding our superglue business in the Adhesive Technologies business unit. The acquisition is part of our strategy to further strengthen our presence in emerging markets. We do not expect any material impact from this acquisition on the net assets, financial position and results of operations of Henkel.

Effective August 21, 2016, we completed the acquisition of the detergent business and the associated brands of Behdad Chemical Company PJSC in Iran. The acquisition is part of our strategy to further strengthen our presence in emerging markets. The provisional purchase price was 5,420 billion Iranian rials (around 142 million euros) and was settled in cash. Provisional goodwill was recognized in an amount of 101 million euros. Because the acquisition was only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 “Business Combinations” is provisional. We do not expect any material impact from this acquisition on the net assets, financial position and results of operations of Henkel.

Effective September 1, 2016, we completed the acquisition of all shares of The Sun Products Corporation, a laundry and home care company based in Wilton, Connecticut, USA. The transaction has a purchase price of around 3.6 billion US dollars including debt paid at closing, and is fully debt-financed. In fiscal 2015, the company generated sales of around 1.6 billion US dollars in the USA and Canada. This acquisition is part of our strategy to invest in attractive country category positions in mature markets. Provisional goodwill was recognized in an amount of 2.1 billion euros. Because the acquisition was only recently completed, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 “Business Combinations” is provisional. If the acquired company had been included from January 1, 2016, sales for the Henkel Group for the reporting period January 1 to September 30, 2016, would be higher by 1,095 million euros and income (net of taxes) would be lower by 81 million euros, taking restructuring and integration costs into account. The actual contributions of the company were 113 million euros to sales and –11 million euros to income (net of taxes). Tax-deductible goodwill is not expected.

In the first nine months of 2016, we spent around 62 million euros for the acquisition of the outstanding non-controlling shares in Henkel Pakvash PJSC based in Tehran, Iran, increasing our ownership interest to 97.94 percent.

In the first nine months of 2016, we spent around 10 million euros for the acquisition of the outstanding non-controlling shares in Henkel Industrie AG based in Tehran, Iran, increasing our ownership interest to 100 percent.

Consolidated statement of comprehensive income

Of the components included in other comprehensive income, tax income relating to actuarial losses amounts to 97 million euros (September 30, 2015: tax expenses of 42 million euros) and tax losses from cash flow hedges amount to 3 million euros (September 30, 2015: tax income of 2 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, time deposits and 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 “Available for sale” category, 7 million euros (September 30, 2015: 85 million euros) of the total reported fair value of 9 million euros (September 30, 2015: 87 million euros) is allocated to level 1. The fair value of the financial collateral provided in the “Available for sale” category allocated to level 1 is 5 million euros (September 30, 2015: 331 million euros, of which 329 million euros was netted). All derivative financial instruments are classified as level 2. Derivative financial instruments recognized under other financial assets with a positive fair value have a reported fair value of 86 million euros (September 30, 2015: 102 million euros), while derivative financial instruments recognized under other financial liabilities with a negative fair value amounted to 43 million euros (September 30, 2015: 19 million euros).

In addition to taking out a three-year syndicated bank loan of 1.1 billion dollars to finance the acquisition of The Sun Products Corporation, Henkel issued four fixed-rate bonds in September 2016 with a value of 2.2 billion dollars.

Bonds

Currency	EUR	EUR	USD	GBP
Volume	500 million	700 million	750 million	300 million
Coupon	0 % p.a.	0 % p.a.	1.5 % p.a.	0.875 % p.a.
Due date	09/13/2018	09/13/2021	09/13/2019	09/13/2022

The carrying amount (including accrued interest) of the issued bonds, which are reported within borrowings, amounted to 2,214 million euros as of the reporting date. The fair value is 2,221 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 on December 31 and September 30, respectively.

Interest rates in percent p. a.

As of December 31 / September 30	Euro		US dollar	
Term	2015	2016	2015	2016
1 month	– 0.21	**– 0.37**	0.43	**0.53**
3 months	– 0.13	**– 0.30**	0.61	**0.85**
6 months	– 0.04	**– 0.20**	0.85	**1.24**
1 year	0.06	**– 0.06**	1.18	**1.55**
2 years	– 0.03	**– 0.22**	1.18	**1.01**
5 years	0.33	**– 0.14**	1.74	**1.18**
10 years	1.00	**0.29**	2.19	**1.47**

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. Regular plausibility checks are performed in order to ensure correct measurement.

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 reported under other financial liabilities that resulted from our acquisition in Nigeria is classified as level 3. The fair value of the contingent purchase price liability on the date of the acquisition was 113 million euros. As a result of remeasurement as of September 30, 2016, this figure was adjusted to 69 million euros. 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. The discount rate applied derives from 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 6.0 percent that was used as the discount rate – is the exchange rate of the Nigerian naira. An interest rate reduction combined with a depreciation of the naira would result in a lower negative fair value of the liability. An interest rate increase combined with an appreciation of the naira would result in a higher negative fair value of the liability.

Contingent liabilities

Effective September 30, 2016, liabilities under guarantee and warranty agreements totaled 12 million euros. On December 31, 2015, these liabilities amounted to 12 million euros.

Operating lease commitments

Operating leases as defined in IAS 17 comprise all forms of rights of use of assets, including rights of use arising from rent and leasehold agreements. Payment obligations under operating lease agreements are shown at the total amounts payable up to the earliest date of termination. The amounts shown are the nominal values. As of September 30, 2016, operating lease commitments were due for payment as follows:

Operating lease commitments

in million euros	Dec. 31, 2015	Sept. 30, 2016
Due in the following year	72	**76**
Due within 1 to 5 years	139	**166**
Due after 5 years	17	**42**
Total	**228**	**284**

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 annual financial statements of December 31, 2015. For definitions of net operating assets, capital employed and ROCE, please refer to our Annual Report 2015, pages 175 and 194.

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 31. The other changes in borrowings take into account a number of cash inflows and outflows, particularly from issuing and redeeming commercial paper and liabilities to banks. Of the dividend of 633 million euros paid to shareholders of Henkel AG & Co. KGaA, an amount of 377 million euros was paid on ordinary shares, while an amount of 256 million euros was paid on preferred shares.

Düsseldorf, November 3, 2016

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 25) of Henkel AG & Co. KGaA, Düsseldorf, for the period from January 1, 2016 to September 30, 2016, which form part of the quarterly financial report according to Section 37w 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, November 3, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kai C. Andrejewski	Simone Fischer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Report of the Audit Committee of the Supervisory Board

In the meeting of November 3, 2016, the interim consolidated financial report for the first nine months of fiscal 2016 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, November 3, 2016

Chairman of the Audit Committee
Prof. Dr. Theo Siegert

Multi-year summary

Third quarter 2012 to 2016

in million euros	2012	2013	2014	2015	2016
Sales	**4,294**	**4,184**	**4,236**	**4,590**	**4,748**
Laundry & Home Care	1,194	1,167	1,188	1,314	**1,479**
Beauty Care	908	886	918	964	**968**
Adhesive Technologies	2,153	2,095	2,100	2,279	**2,272**
Adjusted[1] operating profit (EBIT)	631	672	693	778	**837**
Adjusted[1] earnings per preferred share in euros	0.97	1.10	1.17	1.30	**1.42**

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

First nine months 2012 to 2016

in million euros	2012	2013	2014	2015	2016
Sales	**12,508**	**12,503**	**12,302**	**13,715**	**13,858**
Laundry & Home Care	3,448	3,531	3,474	3,926	**4,157**
Beauty Care	2,690	2,683	2,671	2,910	**2,906**
Adhesive Technologies	6,252	6,177	6,062	6,783	**6,705**
Adjusted[1] operating profit (EBIT)	1,791	1,932	1,986	2,253	**2,407**
Adjusted[1] earnings per preferred share in euros	2.78	3.13	3.37	3.77	**4.09**

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

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Credits

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Financial calendar

Publication of Report
for Fiscal 2016:
Thursday, February 23, 2017

Annual General Meeting
Henkel AG & Co. KGaA 2017:
Thursday, April 6, 2017

Publication of Report
for the First Quarter 2017:
Thursday, Mai 11, 2017

Publication of Report
for the Second Quarter 2017 / Half Year 2017:
Thursday, August 10, 2017

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

Up-to-date facts and figures on Henkel
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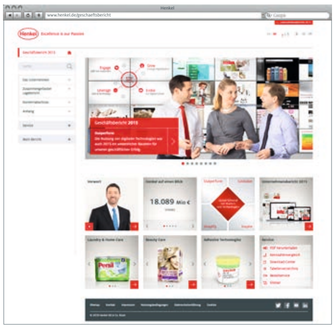

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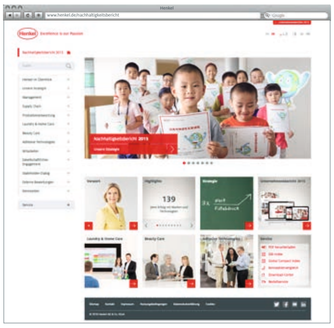

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