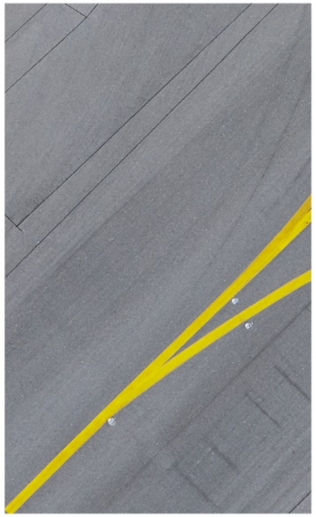
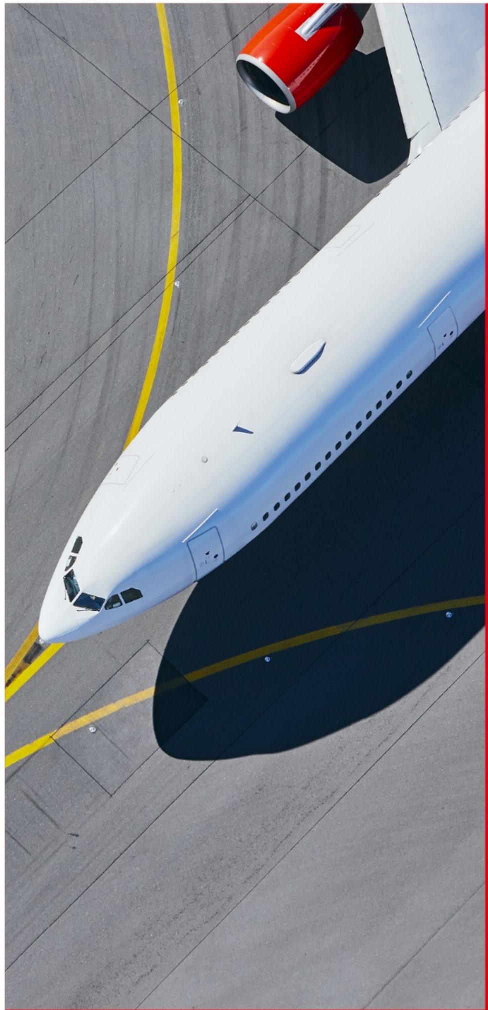
Half-year Financial Report 2020





January through June 2020

Henkel

Contents

Henkel Group: Key financials

in million euros		1–6/2019	1–6/2020	+/-
Sales		**10,090**	**9,485**	**-6.0%**
Adhesive Technologies		4,731	**4,153**	-12.2%
Beauty Care		1,962	**1,818**	-7.4%
Laundry & Home Care		3,334	**3,460**	3.8%
Operating profit (EBIT)		**1,492**	**1,094**	**-26.7%**
Adjusted[1] operating profit (adjusted EBIT)		**1,641**	**1,191**	**-27.5%**
Return on sales (EBIT margin)		**14.8%**	**11.5%**	**-3.3pp**
Adjusted[1] return on sales (adjusted EBIT margin)		**16.3%**	**12.6%**	**-3.7pp**
Net income		**1,097**	**777**	**-29.1%**
Attributable to non-controlling interests		9	**1**	-83.8%
Attributable to shareholders of Henkel AG & Co. KGaA		1,088	**776**	-28.7%
Earnings per preferred share	in euros	**2.51**	**1.79**	**-28.7%**
Adjusted[1] earnings per preferred share	in euros	**2.77**	**1.96**	**-29.2%**
At constant exchange rates		–	**–**	-28.2%
Return on capital employed (ROCE)		**13.8%**	**10.0%**	**-3.8pp**

pp = percentage points
[1] Adjusted for one-time expenses and income, and for restructuring expenses.

Note: All individual figures in this report have been commercially rounded. Addition may result in deviations from the totals indicated.

Summary: Half-year results

Sales: 9,485 million euros, nominal -6.0%

Organic sales growth:

- Henkel Group: -5.2%
- Adhesive Technologies: -10.9%
- Beauty Care: -8.5%
- Laundry & Home Care: 4.9%

Adjusted[1] return on sales (adjusted[1] EBIT margin):

- Henkel Group: 12.6% (previous year: 16.3%)
- Adhesive Technologies: 13.1% (previous year: 18.1%)
- Beauty Care: 9.4% (previous year: 13.5%)
- Laundry & Home Care: 15.3% (previous year: 16.9%)

Adjusted[1] earnings per preferred share (EPS): 1.96 euros; nominal -29.2%, at constant exchange rates -28.2%

Major events

- January 1: Carsten Knobel becomes CEO of Henkel, Marco Swoboda is new CFO.
- March 5: Henkel presents its new strategic framework for purposeful growth.
- April 7: With the COVID-19 pandemic spreading dynamically and impacting the global economy, Henkel withdraws its guidance for fiscal 2020.
- June 17: The Annual General Meeting 2020 approves the proposed dividend of EUR 1.85 per preferred share.

[1] Adjusted for one-time expenses (21 million euros)/one-time income (-3 million euros), and for restructuring expenses (78 million euros).

Interim Group management report

General economic conditions

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

Global economic development in the first six months of 2020 was substantially impacted by the COVID-19 pandemic. While the effects in January and February were mainly limited to Asia, the health policy measures taken in many countries in the wake of the pandemic exerted significant global macroeconomic impact from March onward.

In terms of gross domestic product, the global economy shrank by approximately -5.5 percent in the first six months of 2020 compared to the same prior-year period, influenced in particular by developments in the second quarter.

The negative economic impacts of the pandemic were clearly noticeable in both the mature and the emerging markets.

The mature markets declined by around -6 percent. In the first half of 2020, the economy in Western Europe shrank by approximately -9 percent and that of North America by approximately -5 percent. Japan's economic output decreased year on year by around -6 percent.

The emerging markets showed a similarly negative development, decreasing by around -5 percent. The emerging markets of Asia (excluding Japan) declined by approximately -4 percent in the first six months of 2020. Economic output in Latin America decreased by around -9 percent compared to the first half of 2019. The figure for Eastern Europe declined by approximately -5 percent and for Africa/Middle East by approximately -8 percent.

Global unemployment reached approximately 8 percent, up from around 7 percent in the first six months of 2019. Year on year, consumer prices rose by around 2 percent in global terms.

Prices for raw materials, packaging and purchased goods and services increased slightly compared to the prior-year period.

On the currency markets, the US dollar appreciated year on year against the euro in the first six months of 2020, with an average rate of 1.10 US dollars. In the emerging markets, especially the Turkish lira and Mexican peso experienced strong devaluation.

Sectors of importance for Henkel

According to IHS Markit, private consumption decreased by around -6 percent in the first six months of 2020. In the wake of the pandemic, consumers in North America decreased their spending by approximately -5.5 percent; consumer spending in Western Europe declined by around -10 percent. Consumption in the emerging markets decreased by around -5 percent.

The Industrial Production Index (IPX) declined significantly in the first half of 2020 according to IHS Markit, dropping approximately -8 percent due mainly to the COVID-19 pandemic. The downward trend was driven, in particular, by developments in the second quarter. In the mature markets, the IPX fell approximately -10 percent and in the emerging markets by approximately -7 percent.

Business performance January–June 2020

Key financials

in million euros		1–6/2019	1–6/2020	+/-
Sales		10,090	**9,485**	-6.0%
Operating profit (EBIT)		1,492	**1,094**	-26.7%
Adjusted[1] operating profit (adjusted EBIT)		1,641	**1,191**	-27.5%
Return on sales (EBIT margin)		14.8%	**11.5%**	-3.3pp
Adjusted[1] return on sales (adjusted EBIT margin)		16.3%	**12.6%**	-3.7pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA		1,088	**776**	-28.7%
Adjusted[1] net income – attributable to shareholders of Henkel AG & Co. KGaA		1,201	**847**	-29.5%
Earnings per preferred share	in euros	2.51	**1.79**	-28.7%
Adjusted[1] earnings per preferred share	in euros	2.77	**1.96**	-29.2%

pp = percentage points
[1] Adjusted for one-time expenses and income, and for restructuring expenses.

Sales

-5.2%

organic sales growth.

EBIT margin

12.6%

Adjusted[1] return on sales: down 3.7 percentage points.

EPS

1.96€

Adjusted[1] earnings per preferred share: down 29.2 percent.

EPS development

-28.2%

at constant exchange rates.

Sales

Henkel's business performance in the first six months of 2020 was substantially influenced by the negative impacts of the COVID-19 pandemic, worsening noticeably especially in the second quarter.

In the first half of 2020, **Group sales** decreased by -6.0 percent to 9,485 million euros. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -5.2 percent. Acquisitions and divestments accounted for an increase of 0.3 percent in sales. Foreign exchange effects reduced sales by -1.1 percent.

Sales development

in percent	Q2/2020	1–6/2020
Sales	**4,558**	**9,485**
Change versus previous year	**-11.0%**	**-6.0%**
Foreign exchange	-1.9%	-1.1%
Adjusted for foreign exchange	**-9.1%**	**-4.9%**
Acquisitions/divestments	0.2%	0.3%
Organic	**-9.4%**	**-5.2%**
Of which price	-0.2%	-0.8%
Of which volume	-9.2%	-4.4%

Organic sales development in the Adhesive Technologies business unit was negative, at -10.9 percent, due to a significant decline in industrial and automotive production. In the Beauty Care business unit we recorded a decline in sales of -8.5 percent, with a particularly adverse effect arising from hair salon closures officially enforced in many countries. The Laundry & Home Care business unit achieved very strong

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

organic growth of 4.9 percent and was affected to only a comparatively minor degree by the impacts of the pandemic.

In a challenging economic environment, organic sales development in the **Western Europe** region was negative, at -8.0 percent.

We posted organic sales growth of 3.1 percent in the **Eastern Europe** region.

In the **Africa/Middle East** region, we achieved organic sales growth of 4.2 percent.

Organic sales development was negative in the **North America** region, at -6.4 percent.

In the **Latin America** region, organic sales declined -11.4 percent.

In the **Asia-Pacific** region, we also recorded negative organic sales development amounting to -6.4 percent.

In the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan), organic sales development was negative at -2.6 percent. In nominal terms, sales decreased by -7.2 percent to 3,744 million euros. The share of Group sales from emerging markets was approximately on a par with the prior-year level at 39 percent.

There were no significant changes in the first half of 2020 with respect to our business activities and competitive positions as presented in our Annual Report 2019 on pages 76 and 77.

Key figures by region first half year 2020

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales[1] January–June 2020	**2,850**	**1,444**	**655**	**2,563**	**519**	**1,400**	**55**	**9,485**
Sales[1] January–June 2019	3,099	1,458	651	2,623	672	1,525	62	**10,090**
Change versus previous year	-8.0%	-0.9%	0.5%	-2.3%	-22.8%	-8.2%	–	**-6.0%**
Organic	-8.0%	3.1%	4.2%	-6.4%	-11.4%	-6.4%	–	**-5.2%**
Proportion of Group sales January–June 2020	**30%**	**15%**	**7%**	**27%**	**5%**	**15%**	**1%**	**100%**
Proportion of Group sales January–June 2019	31%	14%	6%	26%	7%	15%	1%	**100%**
Operating profit (EBIT) January–June 2020	**745**	**110**	**29**	**46**	**33**	**217**	**-86**	**1,094**
Operating profit (EBIT) January–June 2019	936	129	37	155	88	196	-50	**1,492**
Change versus previous year	-20.4%	-14.7%	-21.7%	-70.3%	-62.9%	10.8%	–	**-26.7%**
Adjusted for foreign exchange	-20.6%	-7.2%	-20.1%	-73.6%	-52.5%	11.6%	–	**-25.7%**
Return on sales (EBIT margin) January–June 2020	**26.1%**	**7.6%**	**4.5%**	**1.8%**	**6.3%**	**15.5%**	**–**	**11.5%**
Return on sales (EBIT margin) January–June 2019	30.2%	8.8%	5.7%	5.9%	13.1%	12.8%	–	**14.8%**

[1] By location of company.

Earnings

In the following, we discuss our operating income and expense items up to operating profit, adjusted in each case for one-time expenses and income, and for restructuring expenses.

In order to adapt our structures to our markets and customers, we spent 78 million euros on restructuring in the first half of 2020 (previous year: 144 million euros). A significant portion of this amount is attributable to the optimization of our sales, administration and production structures. The reconciliation statement and the allocation of the restructuring expenses between the various expense and income items of the consolidated statement of income can be found on page 36.

Compared to the first six months of 2019, cost of sales decreased by -5.7 percent to 5,081 million euros. Gross profit decreased by -6.3 percent to 4,404 million euros. At 46.4 percent, adjusted gross margin was slightly lower year on year. Savings from cost reduction measures and efficiency improvements in our supply chain served to greatly offset the impact of negative price and volume developments and also that of slightly higher prices for direct materials (raw materials, packaging, and purchased goods and services).

Marketing, selling and distribution expenses rose by 4.4 percent to 2,529 million euros, due in part to increased investments in marketing and advertising, digitalization and IT. Year on year, the ratio to sales rose by 2.8 percentage points to 26.7 percent. We spent a total of 245 million euros for research and development (previous year: 244 million euros). The ratio to sales rose by 0.2 percentage points to 2.6 percent. Administrative expenses increased compared to the prior-year period from 440 million euros to 462 million euros. At 4.9 percent, administrative expenses in relation to sales were above the level of the first six months of 2019.

The balance of other operating income and expenses came in at 22 million euros, -23 million euros below the level of the first half of 2019.

Reconciliation from sales to adjusted operating profit

in million euros	1–6/2019	%	1–6/2020	%	+/-
Sales	**10,090**	**100.0**	**9,485**	**100.0**	**-6.0%**
Cost of sales	-5,389	-53.4	**-5,081**	**-53.6**	-5.7%
Gross profit	**4,701**	**46.6**	**4,404**	**46.4**	**-6.3%**
Marketing, selling and distribution expenses	-2,421	-23.9	**-2,529**	**-26.7**	4.4%
Research and development expenses	-244	-2.4	**-245**	**-2.6**	0.5%
Administrative expenses	-440	-4.4	**-462**	**-4.9**	4.9%
Other operating income/expenses	45	0.4	**22**	**0.2**	–
Adjusted operating profit (adjusted EBIT)	**1,641**	**16.3**	**1,191**	**12.6**	**-27.5%**

Adjusted operating profit (adjusted EBIT) amounted to 1,191 million euros compared to 1,641 million euros in the first half of 2019. **Adjusted return on sales** (adjusted EBIT margin) of the Henkel Group decreased from 16.3 percent to 12.6 percent. This was due particularly to significantly lower sales in the Adhesive Technologies business unit and in the Hair Salon business of the Beauty Care business unit as a result of the COVID-19 pandemic, and to higher investments in marketing and advertising, digitalization and IT.

Our financial result decreased from -41 million euros in the first six months of 2019 to -52 million euros. The tax rate was 25.4 percent (adjusted: 25.5 percent).

Henkel earned net income of 777 million euros in the half year under review (previous year: 1,097 million euros). After allowing for 1 million euros attributable to non-controlling interests, net income for the first six months was 776 million euros (previous year: 1,088 million euros). Adjusted net income for the first half year after allowing for non-controlling interests was 847 million euros compared to 1,201 million euros in the prior-year period.

Earnings per preferred share came in at 1.79 euros (previous year: 2.51 euros). Adjusted earnings per preferred share decreased by -29.2 percent from 2.77 euros in the first half of 2019 to 1.96 euros. At constant exchange rates, adjusted earnings per preferred share showed a development of -28.2 percent.

Comparison between actual business performance and guidance

In its combined management report for fiscal 2019, Henkel had originally provided the following guidance for fiscal 2020:

We expected the Henkel Group to generate organic sales growth of 0 to 2 percent. For the Adhesive Technologies business unit, we anticipated organic sales development in the range of -2 to 1 percent. For the Beauty Care business unit, we forecasted organic sales growth in the range of 1 to 3 percent. For the Laundry & Home Care business unit, we expected organic growth in the range of 2 to 4 percent.

We expected the Henkel Group to generate an adjusted return on sales (adjusted EBIT margin) of around 15 percent. Our expectations with regard to adjusted return on sales (adjusted EBIT margin) in our individual business units were between 17 and 18 percent for Adhesive Technologies, between 12.5 and 13.5 percent for Beauty Care, and between 15 and 16 percent for Laundry & Home Care. Compared to prior year, we expected a decrease in adjusted earnings per preferred share (EPS) at constant exchange rates in the mid- to high single-digit percentage range.

With the dynamic development of the COVID-19 pandemic impacting the global economy, the Management Board of Henkel AG & Co. KGaA decided on April 7, 2020, that its forecast for fiscal 2020 could no longer be upheld. This decision still holds true. Accordingly, actual business performance and guidance cannot be compared.

Overview of guidance and performance first half year 2020

	Original guidance for 2020[2]	Guidance withdrawn on April 7, 2020	Results first half year 2020
Organic sales growth	Henkel Group: 0 to 2 percent Adhesive Technologies: -2 to 1 percent Beauty Care: 1 to 3 percent Laundry & Home Care: 2 to 4 percent	On April 7, 2020, the Management Board of Henkel AG & Co. KGaA decided that the forecast for fiscal 2020 could no longer be upheld. With the dynamic development of the COVID-19 pandemic impacting the global economy, a reliable and realistic evaluation of the future business performance of Henkel has not been possible.	Henkel Group: -5.2 percent Adhesive Technologies: -10.9 percent Beauty Care: -8.5 percent Laundry & Home Care: 4.9 percent
Adjusted[1] return on sales (adjusted EBIT margin)	Henkel Group: around 15 percent Adhesive Technologies: 17 to 18 percent Beauty Care: 12.5 to 13.5 percent Laundry & Home Care: 15 to 16 percent		Henkel Group: 12.6 percent Adhesive Technologies: 13.1 percent Beauty Care: 9.4 percent Laundry & Home Care: 15.3 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	Mid- to high single-digit percentage range below prior year		-28.2 percent

[1] Adjusted for one-time expenses and income, and for restructuring expenses.
[2] Withdrawn on April 7, 2020.

Adhesive Technologies

Key financials

in million euros	1–6/2019	1–6/2020	+/-
Sales	4,731	**4,153**	-12.2%
Proportion of Group sales	47%	**44%**	–
Operating profit (EBIT)	825	**532**	-35.5%
Adjusted[1] operating profit (adjusted EBIT)	857	**543**	-36.6%
Return on sales (EBIT margin)	17.4%	**12.8%**	-4.6pp
Adjusted[1] return on sales (adjusted EBIT margin)	18.1%	**13.1%**	-5.0pp
Return on capital employed (ROCE)	17.5%	**11.4%**	-6.1pp

pp = percentage points
[1] Adjusted for one-time expenses and income, and for restructuring expenses.

In the Adhesive Technologies business unit, **sales** decreased nominally by -12.2 percent to 4,153 million euros in the first six months of 2020. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -10.9 percent, driven by volume. Business development in the first six months, and particularly in the second quarter, was adversely affected by a significant decline in industrial and automotive production in the wake of the COVID-19 pandemic. Acquisitions/divestments had only a minor effect on sales of -0.2 percent. Foreign exchange effects reduced sales by -1.1 percent.

Sales development

in million euros	Q2/2020	1–6/2020
Sales	**1,944**	**4,153**
Proportion of Group sales	43%	44%
Change versus previous year	**-19.7%**	**-12.2%**
Foreign exchange	-1.9%	-1.1%
Adjusted for foreign exchange	**-17.8%**	**-11.1%**
Acquisitions/divestments	-0.4%	-0.2%
Organic	**-17.4%**	**-10.9%**
Of which price	0.3%	0.2%
Of which volume	-17.7%	-11.1%

Organic sales development was generally negative in all business areas during the first six months of 2020. The most significant decline was recorded in the **Automotive & Metals** business area due to production shutdowns in the automotive industry. In the **Electronics & Industrials** business area, the impacts of the COVID-19 pandemic were particularly evident in production stops in Industrials. By contrast, the performance of Electronics was positive. Developments in the **Craftsmen, Construction & Professional** business area were negative overall in the first half year. The Construction business, particularly, was unable in the second quarter to maintain the strong growth achieved in the first quarter. The effects of the COVID-19 pandemic on the **Packaging & Consumer Goods** business area were comparatively moderate. Within this business area, the business performance of Consumer Goods was positive as a result of good organic sales growth in the second quarter.

In regional terms, organic sales development in the **emerging markets** was below the level of the first half of 2019. Dynamics differed from region to region, depending on the effects of the pandemic. In the first quarter, the emerging markets in the Asia (excluding Japan) region were particularly hard hit, whereas our businesses in China were able to stabilize in the second quarter. Eastern Europe declined overall in the first half of the year, with the region having initially achieved significant organic growth in the first quarter. The Latin America and Africa/Middle East regions were already below the prior-year level in the first quarter and this negative trend strengthened in the second quarter.

Organic sales development in the **mature markets** in the first half of the year was also below the prior-year level, both in aggregate terms and in all individual regions. In North America, our Packaging & Consumer Goods and Craftsmen, Construction & Professional business areas had shown strong, and very strong development respectively in the first quarter. All business areas were, however, affected in the region by declining sales in the second quarter. The organic sales development in Western Europe and the mature markets of the Asia-Pacific region was also weaker in the second quarter in all business areas than had been the case in the first quarter. This was particularly true of Automotive & Metals.

Adjusted operating profit (adjusted EBIT) totaled 543 million euros, down -36.6 percent on the comparable figure for the previous year. **Adjusted return on sales** (adjusted EBIT margin) was 13.1 percent compared to 18.1 percent in the prior-year period. While gross margin remained flat overall, the margin decline was particularly due to the significant sales volume decrease resulting from the pandemic.

Return on capital employed (ROCE) declined in the first half of the year to 11.4 percent. Net working capital related to sales in the second quarter increased slightly to 14.4 percent.

Beauty Care

Key financials

in million euros	1–6/2019	1–6/2020	+/-
Sales	1,962	**1,818**	-7.4%
Proportion of Group sales	19%	**19%**	–
Operating profit (EBIT)	234	**148**	-36.6%
Adjusted[1] operating profit (adjusted EBIT)	266	**172**	-35.4%
Return on sales (EBIT margin)	11.9%	**8.1%**	-3.8pp
Adjusted[1] return on sales (adjusted EBIT margin)	13.5%	**9.4%**	-4.1pp
Return on capital employed (ROCE)	11.3%	**6.6%**	-4.7pp

pp = percentage points
[1] Adjusted for one-time expenses and income, and for restructuring expenses.

The Beauty Care business unit achieved **sales** of 1,818 million euros in the first six months of 2020, equivalent to a nominal decrease of -7.4 percent compared to the level of the prior-year period.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales decreased by -8.5 percent, mainly due to the negative impacts of the COVID-19 pandemic on our Hair Salon business. Acquisitions/divestments contributed 2.3 percent to sales growth. Foreign exchange effects reduced sales by -1.2 percent.

Sales development

in million euros	Q2/2020	1–6/2020
Sales	**883**	**1,818**
Proportion of Group sales	19%	19%
Change versus previous year	**-11.9**	**-7.4**
Foreign exchange	-1.4	-1.2
Adjusted for foreign exchange	**-10.4**	**-6.2**
Acquisitions/divestments	2.3	2.3
Organic	**-12.8**	**-8.5**
Of which price	-0.4	-0.7
Of which volume	-12.4	-7.8

Organic sales development in our **Branded Consumer Goods** business area was slightly negative in the first six months. Performance in the Hair Cosmetics category was below the prior-year level overall; Hair Care and Hair Styling declined, due in part to the pandemic, while Hair Colorants was able to achieve double-digit organic sales growth. Sales increased significantly in the Body Care category, substantially aided by the double-digit percentage growth of our North American brand **Dial**. The pandemic raised demand for hygiene articles, which contributed to this development.

The **Hair Salon** business area was extremely hard hit by the COVID-19 pandemic, resulting in a decline in organic sales in the double-digit percentage range. In the second quarter particularly, officially enforced hair salon closures in many countries negatively affected performance, resulting in negative organic sales development.

In the first half of the year, organic sales development in the **emerging markets** of Eastern Europe, Latin America, Africa/Middle East and Asia (excluding Japan) was in each case below prior year, although our Branded Consumer Goods business achieved good organic sales growth in the Asia (excluding Japan) region thanks to very strong performance in China.

Sales also decreased overall in the **mature markets**. The Western Europe and North America regions were both down year on year. The double-digit growth in Branded Consumer Goods sales in North America driven by the Body Care category failed to fully offset the negative sales development in the Hair Salon business in the region.

Adjusted operating profit (adjusted EBIT) totaled 172 million euros, down -35.4 percent on the prior-year figure. **Adjusted return on sales** (adjusted EBIT margin) decreased to 9.4 percent, mainly as a result of declining sales volumes in the Hair Salon business.

Return on capital employed (ROCE) in the first six months was lower year on year at 6.6 percent. Net working capital related to sales in the second quarter improved to 3.9 percent.

Laundry & Home Care

Key financials

in million euros	1–6/2019	1–6/2020	+/-
Sales	3,334	**3,460**	3.8%
Proportion of Group sales	33%	**36%**	–
Operating profit (EBIT)	483	**500**	3.4%
Adjusted[1] operating profit (adjusted EBIT)	565	**531**	-6.0%
Return on sales (EBIT margin)	14.5%	**14.4%**	-0.1pp
Adjusted[1] return on sales (adjusted EBIT margin)	16.9%	**15.3%**	-1.6pp
Return on capital employed (ROCE)	12.3%	**12.8%**	0.5pp

pp = percentage points
[1] Adjusted for one-time expenses and income, and for restructuring expenses.

In the Laundry & Home Care business unit, **sales** increased nominally by 3.8 percent to 3,460 million euros in the first half of 2020.

Organically (i.e. adjusted for foreign exchange and acquisitions/ divestments), sales in the business unit rose by 4.9 percent. Acquisitions/divestments had no substantial impact on sales. Foreign exchange effects reduced sales by -1.1 percent.

Sales development

in million euros	Q2/2020	1–6/2020
Sales	**1,705**	**3,460**
Proportion of Group sales	37%	36%
Change versus previous year	**2.3%**	**3.8%**
Foreign exchange	-2.0%	-1.1%
Adjusted for foreign exchange	**4.3%**	**4.9%**
Acquisitions/divestments	0.0%	0.0%
Organic	**4.4%**	**4.9%**
Of which price	-0.9%	-2.2%
Of which volume	5.3%	7.1%

The **Home Care** business area achieved double-digit organic sales growth during the first half of 2020. The strong performance of this business area was substantially attributable to our brand families **Pril, Bref** and **Somat**, all of which posted sales increases in the double-digit percentage range. This trend was helped in part by increased demand for household cleaners as a result of the pandemic.

The **Laundry Care** business area recorded good organic sales growth, to which heavy-duty laundry detergents contributed with a very strong performance. **Persil**, our core brand, achieved double-digit organic sales growth, not least due to the very good performance of our 4-in-1 Discs.

With organic sales increases in the double-digit percentage range in the first six months of 2020, the **emerging markets** were the main drivers of the very strong organic growth recorded in this business unit. We achieved sales increases in the double-digit percentage range in each of the Africa/Middle East, Asia (excluding Japan) and Eastern Europe regions. Organic sales performance in Latin America was positive.

The **mature markets** overall, and the North America and Western Europe regions individually, recorded positive organic sales growth in the first six months of the fiscal year. Growth in the mature markets of the Asia-Pacific region was in the double-digit range.

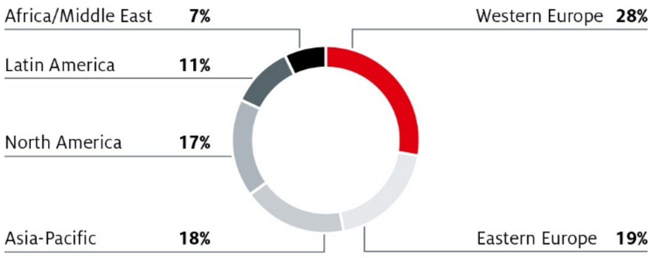
Adjusted operating profit (adjusted EBIT) totaled 531 million euros, down -6.0 percent compared to the prior-year period. **Adjusted return on sales** (adjusted EBIT margin) came in at 15.3 percent and was thus below the level of the first half year 2019, mainly due to increased investments in marketing and advertising, digitalization and IT.

Return on capital employed (ROCE) was higher year on year at 12.8 percent. Net working capital related to sales in the second quarter improved to -6.2 percent.

Employees

As of June 30, 2020, we had around 52,450 employees (December 31, 2019: around 52,450).

Employees by region



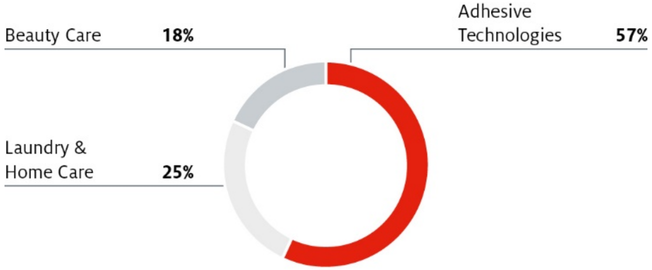
At June 30, 2020

Research and development

In the first six months of the fiscal year, research and development expenditures amounted to 245 million euros (adjusted for restructuring expenses: 245 million euros) compared to 250 million euros (adjusted: 244 million euros) in the prior-year period. Relative to sales, both research and development expenses and the figure adjusted for restructuring expenses increased slightly, by 0.1 and 0.2 percentage points respectively, compared to the prior-year period. The ratio to sales was 2.6 percent both before and after adjustment.

The development of innovative products is of key importance to our business model. The research and development strategy described in our Annual Report 2019 (starting on page 109) has remained unchanged.

R&D expenditures by business unit



At June 30, 2020

Net assets and financial position

Net assets

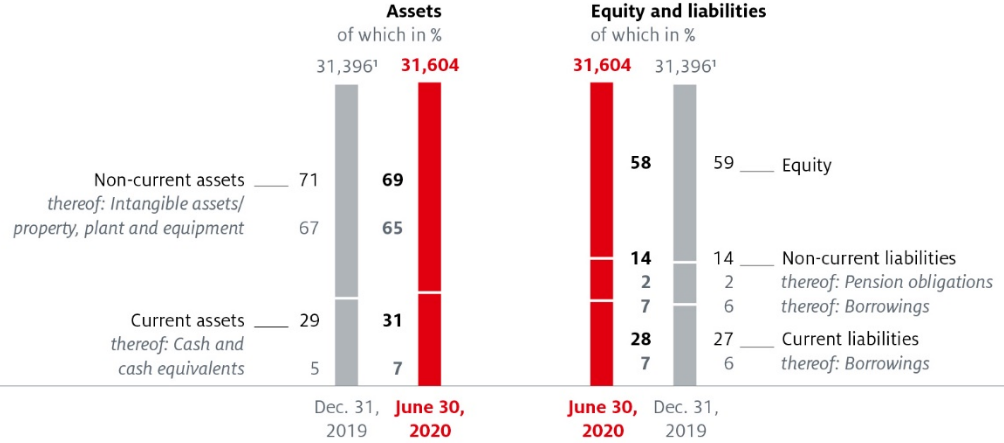
Compared to year-end 2019, total assets rose by 0.2 billion euros to 31.6 billion euros.

Under **non-current assets**, intangible assets decreased by -258 million euros as a result of currency effects and scheduled amortization in excess of additions. Property, plant and equipment decreased by -79 million euros, mainly due to additions being countervailed by scheduled depreciation and foreign exchange effects. Investments of 264 million euros in property, plant and equipment and additions of 72 million euros in right-of-use assets (excluding acquisitions) were offset by scheduled depreciation of 280 million euros, of which 69 million euros was attributable to right-of-use assets.

Current assets increased from 9.1 billion euros to 9.7 billion euros, due mainly to higher cash and cash equivalents, which rose by 604 million euros.

Structure of the statement of financial position

in million euros



[1] Prior-year figures amended.

Compared to year-end 2019, **equity** including non-controlling interests decreased by -0.4 billion euros to 18.2 billion euros. Equity rose with the addition of net income for the half year amounting to 777 million euros. In particular, the dividend distribution to shareholders of Henkel AG & Co. KGaA in June 2020 and also to non-controlling interests exerted the countervailing effect of reducing equity by -805 million euros. The individual components influencing equity development are shown in the table on page 29.

Non-current liabilities rose by 0.3 billion euros to 4.5 billion euros, mainly as a result of increasing a bond denominated in British pounds with a second tranche of 100 million British pounds in January 2020. In addition, a bond with a nominal volume of 330 million Swiss francs was issued in April 2020.

Current liabilities increased by 0.3 billion euros to 8.9 billion euros. The 0.2 billion euros increase in current borrowings was mainly attributable to commercial paper transactions. The redemption of a bond with a nominal value of 600 million US dollars had a countervailing effect.

Our **net financial position**[1] amounted to -1,951 million euros as at June 30, 2020 (December 31, 2019: -2,047 million euros).

Net financial position
in million euros

[1] Amended following the revised allocation of the purchase price for the acquisition of the shares in Deva Parent Holdings, Inc., New York City, USA.
[2] Including purchase of non-controlling interests with no change of control.
[3] Primarily foreign exchange effects.

[1] The net financial position is defined as cash and cash equivalents plus readily monetizable securities & time deposits and financial collateral provided, less borrowings, plus positive and minus negative fair values of derivative financial instruments.

Net financial position

in million euros	
June 30, 2019	-2,820
December 31, 2019	-2,047[1]
June 30, 2020	**-1,951**

[1] Amended following the revised allocation of the purchase price for the acquisition of the shares in Deva Parent Holdings, Inc., New York City, USA.

Financial position

At 1,142 million euros, **cash flow from operating activities** in the first six months of 2020 was below the comparable figure of the prior-year period (1,317 million euros). This was primarily due to the lower operating profit resulting from the COVID-19 pandemic. Additionally, while inventories increased to a greater extent compared to the prior-year period, trade accounts receivable accumulated to a much lesser degree. The change in other liabilities, provisions and equity contributed to an improvement in cash flow from operating activities but was only able to partially offset the effects of a lower operating profit. Net working capital[1] related to sales in the second quarter decreased versus the prior-year period by -2.3 percentage points to 4.4 percent.

The cash outflow in **cash flow from investing activities** (-249 million euros) was down year on year, mainly due to lower capital expenditures and higher proceeds received on disposal of subsidiaries, other business units and investments (previous year: -356 million euros).

The cash outflow in **cash flow from financing activities** amounted to -257 million euros in the first half of 2020, slightly below the comparative prior-year figure of -273 million euros. Payments received from bond issuances and other changes in borrowings were offset primarily by bond redemptions.

Cash and cash equivalents rose compared to December 31, 2019, by 604 million euros to 2,064 million euros.

The slight year-on-year reduction in **free cash flow** of -52 million euros to 938 million euros in the first half of 2020 was attributable, in particular, to lower cash flow from operating activities, which more than offset the increase arising from other changes in pension obligations.

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

Key financial ratios

	Dec. 31, 2019	June 30, 2020
Operating debt coverage (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations)/net borrowings and pension and lease obligations	88.6%	**76.5%**
Interest coverage ratio EBITDA/financial result excluding investment result	41.5	**28.4**
Equity ratio equity/total assets	59.3%	**57.7%**

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

Operating debt coverage declined compared to year-end 2019, but was still well above the minimum level of 50 percent. However, the interest coverage ratio decreased compared to December 31, 2019, mainly due to the economic impact of the COVID-19 pandemic.

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

Capital expenditures

Investments in property, plant and equipment for existing operations totaled 264 million euros, following 285 million euros in the first six months of 2019. We invested 23 million euros in intangible assets (previous year: 33 million euros). Around two-thirds of the expenditures were channeled into expansion projects, innovations and streamlining measures, which included increasing our production capacity, introducing innovative product lines and optimizing our business processes.

Major individual projects in 2020 to date:

- Construction of an Innovation Center in Düsseldorf (Adhesive Technologies)
- Optimization of our production structure in Bowling Green, USA (Laundry & Home Care)
- Expansion of innovative detergent capsule production, Serbia (Laundry & Home Care)
- Construction of a new production site for electronic adhesives in Seoul, South Korea (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 North America.

Capital expenditures first half year 2020

in million euros	Existing operations	Acquisitions	Total
Intangible assets	23	5	**28**
Property, plant and equipment	264	–	**264**
Total	**286**	**5**	**291**

Right-of-use assets

In the course of its business operations, Henkel enters into various lease agreements as a lessee. In the first half of 2020, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 72 million euros (previous year: 53 million euros).

Acquisitions and divestments

Henkel did not acquire any substantial businesses in the first six months of 2020.

On April 1, 2020, we sold our Asian business involving surface cleaners used within the semi-conductor and LCD industries. Further details on this can be found in the selected explanatory notes on page 38.

Organization and business units

The formerly independent reportable segments Adhesives for Consumers, Craftsmen and Building, and Industrial Business were reorganized with effect from January 1, 2020, with the aim of enhancing management efficiency.

The ensuing new reportable segment Adhesive Technologies is identical to the business unit itself and is composed of the following business areas effective January 1, 2020: Automotive & Metals, Electronics & Industrials, Craftsmen, Construction & Professional, and Packaging & Consumer Goods.

Further details on this can be found in the selected explanatory notes on page 45.

For detailed information on our business units and business activities, please refer to the disclosures on pages 76 and 77 of our Annual Report 2019.

Outlook

Macroeconomic development

The assessment of future world economic development is based on information provided by IHS Markit.

Current estimates for 2020 indicate a significantly negative trend in world economic development together with a volatile market environment resulting from the global COVID-19 pandemic.

The further progress of the pandemic and its impacts on the global economy are essentially subject to much uncertainty. Economic development will depend on several critical factors including the duration and intensity of the pandemic and the future availability of a vaccine. In light of the prevailing uncertainty, IHS Markit has developed various scenarios examining different patterns of recovery from the pandemic (base and risk scenarios).

The following statements relate to the base scenario formulated by IHS Markit.

IHS Markit anticipates that gross domestic product will decrease by approximately -5.5 percent in 2020.

IHS Markit expects economic output in the mature markets to decrease year on year by approximately -7 percent. The anticipated decline for Western Europe is approximately -9 percent; the North American economy is expected to shrink by approximately -6 percent over the year as a whole. Japan's economic output is forecasted to decline by approximately -5 percent.

Economic output in the emerging markets is expected to decrease by approximately -3.5 percent in 2020. IHS Markit predicts that economic output in Asia (excluding Japan) will be approximately -1.5 percent down year on year, and approximately -7 percent lower in Eastern Europe. Negative development of approximately -9.5 percent is forecasted for the Africa/Middle East region, with a figure of approximately -10 percent anticipated for Latin America.

Global inflation of approximately 2 percent is predicted in 2020. IHS Markit anticipates an increase in price levels of approximately 0.5 percent in the mature markets, with inflation of approximately 4 percent predicted for the emerging markets.

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

We expect the currency markets to remain volatile. Some major currencies in the emerging markets could weaken further on average in 2020 compared to 2019, especially the Turkish lira, the Mexican peso and the Russian ruble. We expect a relatively flat US dollar rate for 2020 compared to 2019.

Development by sector

In its base scenario, IHS Markit expects private consumer spending to decrease globally by approximately -6 percent in 2020 due, among other things, to the COVID-19 pandemic. Consumers in mature markets are expected to spend approximately -7 percent less than in the previous year. Private consumption in the emerging markets is forecasted to be approximately -4 percent lower in 2020.

The Industrial Production Index (IPX) is expected to decline by around -8 percent worldwide compared to the previous year. In the mature markets, IHS Markit anticipates a negative change in the IPX of around -10 percent. In the emerging markets, a decline of around -6 percent is forecasted.

Risks and opportunities

The presentation of the major risk and opportunity categories and of our risk management system can be found on pages 120 to 131 of our Annual Report 2019.

In the first six months of 2020, the COVID-19 pandemic caused a substantial deterioration in global economic conditions and also exerted significant influence on the financial markets. Many areas within Henkel are being affected by the impacts of the COVID-19 pandemic. Our selling and distribution activities, particularly, have been adversely affected by declining demand – for example, in the automotive industry. Additional risks are also posed by potential production shutdowns or supply chain interruptions, as well as by possible customer insolvencies. The greater volatility of exchange rates and the increased likelihood of currency devaluations are heightening our currency risks. The health and safety of our employees is our top priority, but here too we see greater risks.

We have established crisis teams in all countries and regions to carefully monitor the COVID-19 pandemic and limit the associated impact through appropriate countermeasures. At Group level, a global crisis team has control of our overarching activities and coordinates communication within the corporation. Our actions are focused on protecting the health and safety of our employees, our customers and our business partners, and on ensuring business continuity. For example, we have established strict hygiene rules and protection strategies at all sites. We provide our employees around the globe with protective equipment, make it possible for them to work from home, and have optimized work and communal areas to comply with strict social distancing rules. We have reviewed our global supply chains and have taken extensive action to secure supplies to our customers. In addition, since the beginning of the fiscal year, the Henkel Group has had broader global coverage for bad debts.

Compared to the presentation of the major risk categories in the Annual Report 2019, the COVID-19 pandemic has particularly increased the net loss potential and the net probability of occurrence of macroeconomic and sector-specific risks, production, credit and currency risks, and environmental and safety risks. Within the classification categories, we have raised currency risks from a moderate (per our Annual Report 2019) to a high probability of occurrence, and environmental and safety risks – which include health – from a low (per our Annual Report 2019) to a moderate probability of occurrence. Apart from the aforementioned, no major changes have occurred in the reporting period compared to the presentation in our Annual Report 2019.

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 2020

On April 7, 2020, the Management Board of Henkel AG & Co. KGaA decided that the forecast for fiscal 2020 published in the combined management report for fiscal 2019 could no longer be upheld. This decision still holds true. As the dynamic development of the COVID-19 pandemic impacts the global economy, a reliable and realistic evaluation of the future business performance of Henkel is currently not possible.

As soon as it is possible to make a sufficiently reliable evaluation of future business performance in 2020, Henkel will publish a corresponding forecast.

Interim consolidated financial statements

Consolidated statement of financial position

Assets

in million euros	June 30, 2019[1]	%	Dec. 31, 2019[2]	%	June 30, 2020	%
Goodwill	12,397	39.8	12,958	41.3	**12,790**	**40.5**
Other intangible assets	4,211	13.5	4,278	13.6	**4,187**	**13.2**
Property, plant and equipment	3,648	11.7	3,775	12.0	**3,696**	**11.7**
Other financial assets	90	0.3	125	0.4	**89**	**0.3**
Income tax refund claims	25	0.1	23	0.1	**21**	**0.1**
Other assets	176	0.6	231	0.7	**231**	**0.7**
Deferred tax assets	1,027	3.3	870	2.8	**847**	**2.7**
Non-current assets	**21,573**	**69.3**	**22,260**	**70.9**	**21,861**	**69.2**
Inventories	2,224	7.1	2,189	7.0	**2,325**	**7.4**
Trade accounts receivable	3,983	12.8	3,415	10.9	**3,338**	**10.6**
Other financial assets	1,003	3.2	1,335	4.3	**1,302**	**4.1**
Income tax refund claims	175	0.6	225	0.7	**194**	**0.6**
Other assets	361	1.2	473	1.5	**487**	**1.5**
Cash and cash equivalents	1,756	5.6	1,460	4.7	**2,064**	**6.5**
Assets held for sale	57	0.2	39	0.1	**32**	**0.1**
Current assets	**9,559**	**30.7**	**9,136**	**29.1**	**9,743**	**30.8**
Total assets	**31,132**	**100.0**	**31,396**	**100.0**	**31,604**	**100.0**

[1] Amended following the change in the method of accounting for put options on non-controlling interests.
[2] Amended following the revised allocation of the purchase price for the acquisition of the shares in Deva Parent Holdings, Inc., New York City, USA.

Consolidated statement of financial position

Equity and liabilities

in million euros	June 30, 2019[1]	%	Dec. 31, 2019[2]	%	June 30, 2020	%
Issued capital	438	1.4	438	1.4	**438**	**1.4**
Capital reserve	652	2.1	652	2.1	**652**	**2.1**
Treasury shares	-91	-0.3	-91	-0.3	**-91**	**-0.3**
Retained earnings	17,482	56.2	18,659	59.4	**18,664**	**59.1**
Other components of equity	-1,267	-4.1	-1,135	-3.6	**-1,517**	**-4.8**
Equity attributable to shareholders of Henkel AG & Co. KGaA	**17,214**	**55.3**	**18,523**	**59.0**	**18,146**	**57.4**
Non-controlling interests	89	0.3	88	0.3	**80**	**0.3**
Equity	**17,303**	**55.6**	**18,611**	**59.3**	**18,226**	**57.7**
Provisions for pensions and similar obligations	909	2.9	635	2.0	**545**	**1.7**
Other provisions	294	0.9	307	1.0	**296**	**0.9**
Borrowings	1,032	3.3	1,932	6.2	**2,269**	**7.2**
Other financial liabilities	458	1.5	568	1.8	**590**	**1.9**
Other liabilities	10	0.0	14	0.0	**27**	**0.1**
Deferred tax liabilities	840	2.7	795	2.5	**775**	**2.5**
Non-current liabilities	**3,542**	**11.4**	**4,251**	**13.5**	**4,502**	**14.2**
Other provisions	1,690	5.4	1,647	5.2	**1,790**	**5.7**
Borrowings	3,774	12.1	2,026	6.5	**2,250**	**7.1**
Trade accounts payable	3,814	12.3	3,819	12.2	**3,775**	**11.9**
Other financial liabilities	245	0.8	292	0.9	**272**	**0.9**
Other liabilities	323	1.0	333	1.1	**359**	**1.1**
Income tax liabilities	441	1.4	417	1.3	**429**	**1.4**
Current liabilities	**10,287**	**33.0**	**8,534**	**27.2**	**8,875**	**28.1**
Total equity and liabilities	**31,132**	**100.0**	**31,396**	**100.0**	**31,604**	**100.0**

[1] Amended following the change in the method of accounting for put options on non-controlling interests and the change in recognizing tax uncertainties.
[2] Amended following the revised allocation of the purchase price for the acquisition of the shares in Deva Parent Holdings, Inc., New York City, USA.

Consolidated statement of income

First half year

in million euros		1–6/2019[1]	%	1–6/2020	%	+/-
Sales		**10,090**	**100.0**	**9,485**	**100.0**	**-6.0%**
Cost of sales		-5,433	-53.8	**-5,096**	**-53.7**	-6.2%
Gross profit		**4,657**	**46.2**	**4,389**	**46.3**	**-5.7%**
Marketing, selling and distribution expenses		-2,467	-24.4	**-2,579**	**-27.2**	4.6%
Research and development expenses		-250	-2.5	**-245**	**-2.6**	-1.8%
Administrative expenses		-493	-4.9	**-479**	**-5.1**	-2.7%
Other operating income		63	0.6	**58**	**0.6**	-7.9%
Other operating expenses		-18	-0.2	**-49**	**-0.5**	>100%
Operating profit (EBIT)		**1,492**	**14.8**	**1,094**	**11.5**	**-26.7%**
Interest income		5	0.0	**6**	**0.1**	27.7%
Interest expense		-44	-0.4	**-32**	**-0.3**	-27.6%
Other financial result		-2	-0.0	**-26**	**-0.3**	>100%
Investment result		–	–	**0**	**0.0**	
Financial result		**-41**	**-0.4**	**-52**	**-0.5**	**26.6%**
Income before tax		**1,451**	**14.4**	**1,042**	**11.0**	**-28.2%**
Taxes on income		-354	-3.5	**-265**	**-2.8**	-25.2%
Tax rate	in %	24.4		**25.4**		
Net income		**1,097**	**10.9**	**777**	**8.2**	**-29.1%**
Attributable to non-controlling interests		9	0.1	**1**	**0.0**	-83.8%
Attributable to shareholders of Henkel AG & Co. KGaA		1,088	10.8	**776**	**8.2**	-28.7%
Earnings per ordinary share – basic and diluted	in euros	2.50		**1.78**		-28.8%
Earnings per preferred share – basic and diluted	in euros	2.51		**1.79**		-28.7%

[1] Amended following the change in the method of accounting for put options on non-controlling interests.

Consolidated statement of comprehensive income

First half year

in million euros	1–6/2019[1]	1–6/2020
Net income	**1,097**	**777**
Results subject to possible future reclassification:		
Exchange differences on translation of foreign operations	111	**-409**
Gains/losses from derivative financial instruments (Hedge reserve)	-5	**24**
Gains/losses from debt instruments	0	**0**
Results not subject to future reclassification:		
Gains/losses from equity instruments	0	**0**
Remeasurement of net liability from defined benefit pension plans (net of taxes)	-67	**30**
Other comprehensive income (net of taxes)	**39**	**-355**
Total comprehensive income for the period	**1,136**	**422**
Attributable to non-controlling interests	10	**-2**
Attributable to shareholders of Henkel AG & Co. KGaA	1,126	**424**

[1] Amended following the change in the method of accounting for put options on non-controlling interests.

Consolidated statement of changes in equity

First half year

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency translation	Hedge reserve	Equity and debt capital instruments reserve	Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At December 31, 2018	260	178	652	-91	17,288	-1,176	-199	3	16,915	84	**16,999**
Effect of first-time application of IFRS 16	–	–	–	–	-34	–	–	–	-34	–	**-34**
At January 1, 2019[1]	**260**	**178**	**652**	**-91**	**17,254**	**-1,176**	**-199**	**3**	**16,881**	**84**	**16,965**
Net income	–	–	–	–	1,088	–	–	–	1,088	9	**1,097**
Other comprehensive income[1] (after taxes)	–	–	–	–	-67	110	-5	0	38	1	**39**
Total comprehensive income for the period[1]	**–**	**–**	**–**	**–**	**1,021**	**110**	**-5**	**0**	**1,126**	**10**	**1,136**
Dividends	–	–	–	–	-798	–	–	–	-798	-5	**-803**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Share-based payments	–	–	–	–	8	–	–	–	8	–	**8**
Changes in ownership interest with no change in control	–	–	–	–	–	–	–	–	–	–	**–**
Other changes in equity	–	–	–	–	-3	–	–	–	-3	–	**-3**
Equity transactions with shareholders	**–**	**–**	**–**	**–**	**-793**	**–**	**–**	**–**	**-793**	**-5**	**-798**
At June 30, 2019[1]	**260**	**178**	**652**	**-91**	**17,482**	**-1,066**	**-204**	**3**	**17,214**	**89**	**17,303**

TABLE CONTINUED ON NEXT PAGE

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency translation	Hedge reserve	Equity and debt capital instruments reserve	Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At December 31, 2019/ January 1, 2020	**260**	**178**	**652**	**-91**	**18,659**	**-928**	**-204**	**-3**	**18,523**	**88**	**18,611**
Net income	–	–	–	–	776	–	–	–	776	1	**777**
Other comprehensive income (after taxes)	–	–	–	–	30	-406	24	0	-352	-3	**-355**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**806**	**-406**	**24**	**0**	**424**	**-2**	**422**
Dividends	–	–	–	–	-798	–	–	–	-798	-7	**-805**
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–	**–**
Share-based payments	–	–	–	–	0	–	–	–	0	–	**0**
Changes in ownership interest with no change in control	–	–	–	–	–	–	–	–	–	–	**–**
Capital increases at subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	–	–	**–**
Acquisition of a subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	–	1	**1**
Other changes in equity	–	–	–	–	-3	–	–	–	-3	–	**-3**
Equity transactions with shareholders	**–**	**–**	**–**	**–**	**-801**	**–**	**–**	**–**	**-801**	**-6**	**-807**
At June 30, 2020	**260**	**178**	**652**	**-91**	**18,664**	**-1,334**	**-180**	**-3**	**18,146**	**80**	**18,226**

[1] Amended following the change in the method of accounting for put options on non-controlling interests.

Consolidated statement of cash flows

First half year

in million euros	1–6/2019	1–6/2020
Operating profit (EBIT)	**1,492**	**1,094**
Income taxes paid	-217	**-269**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment, and assets held for sale[1]	386	**385**
Net gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	-4	**-18**
Change in inventories	-45	**-225**
Change in trade accounts receivable	-345	**-40**
Change in other assets	65	**-34**
Change in trade accounts payable	75	**46**
Change in other liabilities, provisions and equity	-90	**203**
Cash flow from operating activities	**1,317**	**1,142**
Purchase of intangible assets and property, plant and equipment including payments on account	-318	**-305**
Acquisition of subsidiaries and other business units	-18	**-3**
Acquisition of associated companies and other investments	-10	**-7**
Proceeds on disposal of subsidiaries, other business units and investments	–	**53**
Proceeds on disposal of intangible assets and property, plant and equipment	8	**13**
Changes in financial receivables from third parties	-18	**–**
Cash flow from investing activities	**-356**	**-249**
Dividends paid to shareholders of Henkel AG & Co. KGaA	-798	**-798**
Dividends paid to non-controlling shareholders	-5	**-7**
Interest received	19	**13**
Interest paid[2]	-43	**-50**
Dividends and interest paid and received	-827	**-842**
Issuance of bonds	–	**431**
Repayment of bonds	–	**-534**
Repayment of non-current bank liabilities	–	**–**
Other changes in borrowings	602	**748**
Redemption of lease liabilities[2]	-58	**-71**
Allocations to pension funds	-27	**-46**
Other changes in pension obligations[3]	65	**196**
Payments for the acquisition of treasury shares	–	**–**

TABLE CONTINUED ON NEXT PAGE

in million euros	1–6/2019	1–6/2020
Payments for the acquisition of non-controlling interests with no change in control	–	–
Other financing transactions[4]	-28	**-139**
Cash flow from financing activities	**-273**	**-257**
Net change in cash and cash equivalents	688	**636**
Effect of exchange rates on cash and cash equivalents	5	**-32**
Change in cash and cash equivalents	**693**	**604**
Cash and cash equivalents at January 1	1,063	**1,460**
Cash and cash equivalents at June 30	**1,756**	**2,064**

Additional voluntary information: Reconciliation to free cash flow

in million euros	1–6/2019	1–6/2020
Cash flow from operating activities	1,317	**1,142**
Purchase of intangible assets and property, plant and equipment including payments on account	-318	**-305**
Redemption of lease obligations	-58	**-71**
Proceeds on disposal of intangible assets and property, plant and equipment	8	**13**
Net interest paid	-24	**-37**
Other changes in pension obligations[3]	65	**196**
Free cash flow	**990**	**938**

[1] Of which impairment in fiscal 2020: 34 million euros (previous year: 32 million euros), of which 7 million euros (previous year: 23 million euros) attributable to assets held for sale. The figures also include the depreciation, impairment and write-ups on right-of-use assets.
[2] Including interest paid in connection with lease liabilities.
[3] Other changes in pension obligations include payment receipts of 217 million euros in fiscal 2020 constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. Reimbursement totaled 104 million euros in the previous year.
[4] Other financing transactions in the 2020 fiscal year include payments of -128 million euros for the purchase of short-term securities and time deposits, and for the provision of financial collateral (previous year: -25 million euros).

Selected explanatory notes

Group segment report by business unit

First half year 2020

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales January–June 2020	**4,153**	**1,818**	**3,460**	**9,431**	**55**	**9,485**
Proportion of Group sales	44%	19%	36%	**99%**	1%	**100%**
Sales January–June 2019	4,731	1,962	3,334	**10,027**	62	**10,090**
Change versus previous year	-12.2%	-7.4%	3.8%	**-5.9%**	-12.7%	**-6.0%**
Adjusted for foreign exchange	-11.1%	-6.2%	4.9%	**-4.8%**	–	**-4.9%**
Organic	-10.9%	-8.5%	4.9%	**-5.1%**	–	**-5.2%**
Operating profit (EBIT) January–June 2020	**532**	**148**	**500**	**1,180**	**-86**	**1,094**
Operating profit (EBIT) January–June 2019	825	234	483	**1,542**	-50	**1,492**
Change versus previous year	-35.5%	-36.6%	3.4%	**-23.5%**	–	**-26.7%**
Return on sales (EBIT margin) January–June 2020	**12.8%**	**8.1%**	**14.4%**	**12.5%**	**–**	**11.5%**
Return on sales (EBIT margin) January–June 2019	17.4%	11.9%	14.5%	**15.4%**	–	**14.8%**
Adjusted operating profit (adjusted EBIT) January–June 2020	**543**	**172**	**531**	**1,246**	**-55**	**1,191**
Adjusted operating profit (adjusted EBIT) January–June 2019	857	266	565	**1,687**	-46	**1,641**
Change versus previous year	-36.6%	-35.4%	-6.0%	**-26.2%**	–	**-27.5%**
Adjusted return on sales (adjusted EBIT margin) January–June 2020	**13.1%**	**9.4%**	**15.3%**	**13.2%**	**–**	**12.6%**
Adjusted return on sales (adjusted EBIT margin) January–June 2019	18.1%	13.5%	16.9%	**16.8%**	–	**16.3%**
Capital employed January–June 2020[1] [2]	**9,346**	**4,477**	**7,797**	**21,620**	**177**	**21,796**
Capital employed January–June 2019[1]	9,446	4,143	7,848	**21,436**	119	**21,555**
Change versus previous year	-1.1%	8.1%	-0.6%	**0.9%**	–	**1.1%**
Return on capital employed (ROCE) January–June 2020[2]	**11.4%**	**6.6%**	**12.8%**	**10.9%**	**–**	**10.0%**
Return on capital employed (ROCE) January–June 2019	17.5%	11.3%	12.3%	**14.4%**	–	**13.8%**

TABLE CONTINUED ON NEXT PAGE

First half year 2020

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Amortization/depreciation/impairment/ write-ups of intangible assets and property, plant and equipment January–June 2020[2]	**168**	**58**	**130**	**356**	**22**	**378**
Of which impairment 2020	**2**	**–**	**7**	**9**	**17**	**27**
Of which write-ups 2020	**-4**	**–**	**–**	**-4**	**–**	**-4**
Amortization/depreciation/impairment/ write-ups of intangible assets and property, plant and equipment January–June 2019	169	49	133	**351**	12	**363**
Of which impairment 2019	5	–	4	**9**	–	**9**
Of which write-ups 2019	–	–	–	**–**	–	**–**
Additions to non-current assets January–June 2020[2] [4]	**170**	**45**	**142**	**358**	**6**	**363**
Additions to non-current assets January–June 2019[4]	210	59	109	**378**	10	**388**
Operating assets January–June 2020[2] [3]	**11,890**	**6,045**	**11,005**	**28,939**	**602**	**29,541**
Operating liabilities January-June 2020	**3,109**	**1,756**	**3,018**	**7,882**	**425**	**8,307**
Net operating assets January–June 2020[2] [3]	**8,781**	**4,288**	**7,988**	**21,057**	**177**	**21,234**
Operating assets January–June 2019[3]	11,967	5,640	10,858	**28,466**	589	**29,054**
Operating liabilities January–June 2019	3,063	1,722	2,901	**7,685**	469	**8,154**
Net operating assets January–June 2019[3]	8,905	3,918	7,957	**20,780**	119	**20,900**

[1] Including goodwill at cost prior to any accumulated impairment in accordance with IFRS 3.79 (b).
[2] Of which depreciation of right-of-use assets: 69 million euros (previous year: 66 million euros), additions of right-of-use assets: 72 million euros (previous year: 53 million euros) and acquisition-related additions: 5 million euros (previous year: 17 million euros).
[3] Including goodwill at net carrying amounts.
[4] Excluding non-current financial instruments, deferred taxes and assets from defined benefit plans.

Second quarter 2020

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales April–June 2020	**1,944**	**883**	**1,705**	**4,532**	**26**	**4,558**
Proportion of Group sales	43%	19%	37%	**99%**	1%	**100%**
Sales April–June 2019	2,422	1,002	1,666	**5,091**	30	**5,121**
Change versus previous year	-19.7%	-11.9%	2.3%	**-11.0%**	-14.0%	**-11.0%**
Adjusted for foreign exchange	-17.8%	-10.4%	4.3%	**-9.1%**	–	**-9.1%**
Organic	-17.4%	-12.8%	4.4%	**-9.3%**	–	**-9.4%**

Performance by region

Key figures by region first half year 2020

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales[1] January–June 2020	**2,850**	**1,444**	**655**	**2,563**	**519**	**1,400**	**55**	**9,485**
Sales[1] January–June 2019	3,099	1,458	651	2,623	672	1,525	62	**10,090**
Change versus previous year	-8.0%	-0.9%	0.5%	-2.3%	-22.8%	-8.2%	–	**-6.0%**
Organic	-8.0%	3.1%	4.2%	-6.4%	-11.4%	-6.4%	–	**-5.2%**
Proportion of Group sales January–June 2020	**30%**	**15%**	**7%**	**27%**	**5%**	**15%**	**1%**	**100%**
Proportion of Group sales January–June 2019	31%	14%	6%	26%	7%	15%	1%	**100%**
Operating profit (EBIT) January–June 2020	**745**	**110**	**29**	**46**	**33**	**217**	**-86**	**1,094**
Operating profit (EBIT) January–June 2019	936	129	37	155	88	196	-50	**1,492**
Change versus previous year	-20.4%	-14.7%	-21.7%	-70.3%	-62.9%	10.8%	–	**-26.7%**
Adjusted for foreign exchange	-20.6%	-7.2%	-20.1%	-73.6%	-52.5%	11.6%	–	**-25.7%**
Return on sales (EBIT margin) January–June 2020	**26.1%**	**7.6%**	**4.5%**	**1.8%**	**6.3%**	**15.5%**	**–**	**11.5%**
Return on sales (EBIT margin) January–June 2019	30.2%	8.8%	5.7%	5.9%	13.1%	12.8%	–	**14.8%**

[1] By location of company.

Key figures by region second quarter 2020

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales[1] April–June 2020	**1,351**	**686**	**305**	**1,261**	**226**	**703**	**26**	**4,558**
Sales[1] April–June 2019	1,530	764	317	1,357	352	771	30	**5,121**
Change versus previous year	-11.7%	-10.2%	-3.6%	-7.0%	-35.7%	-8.9%	–	**-11.0%**
Organic	-11.6%	-3.8%	1.4%	-10.9%	-20.1%	-7.2%	–	**-9.4%**
Proportion of Group sales April–June 2020	**30%**	**15%**	**7%**	**28%**	**5%**	**15%**	**1%**	**100%**
Proportion of Group sales April–June 2019	30%	15%	6%	26%	7%	15%	1%	**100%**

[1] By location of company.

Reconciliation of adjusted earnings

Reconciliation of adjusted net income

in million euros		1–6/2019[1]	1–6/2020	+/-
Operating profit (EBIT)		**1,492**	**1,094**	**-26.7%**
One-time income		–	**-3**	
One-time expenses		5	**21**	
Restructuring expenses		144	**78**	
Adjusted operating profit (adjusted EBIT)		**1,641**	**1,191**	**-27.5%**
Adjusted return on sales	in %	16.3	**12.6**	-3.7pp
Financial result		-41	**-52**	26.6%
Taxes on income (adjusted)		-389	**-290**	-25.4%
Adjusted tax rate	in %	24.3	**25.5**	1.2pp
Adjusted net income		**1,211**	**848**	**-29.9%**
Attributable to non-controlling interests		10	**2**	-84.8%
Attributable to shareholders of Henkel AG & Co. KGaA		1,201	**847**	-29.5%
Adjusted earnings per ordinary share	in euros	**2.76**	**1.95**	**-29.3%**
Adjusted earnings per preferred share	in euros	**2.77**	**1.96**	**-29.2%**
At constant exchange rates		–	**–**	-28.2%

pp = percentage points
[1] Amended following the change in the method of accounting for put options on non-controlling interests.

One-time income of 3 million euros is attributable to the reversal of a previously adjusted provision for legal disputes (previous year: 0 million euros).

The one-time expenses for the first half of 2020 include 12 million euros related to the termination of a long-term services contract (previous year: 0 million euros) and 4 million euros related to the optimization of our IT system architecture for managing business processes (previous year: 5 million euros). Also included in the one-time expenses is an impairment loss of 4 million euros in respect of an activity held for sale in the Adhesive Technologies business unit (previous year: 0 million euros).

Of the restructuring expenses in the first half of 2020, 15 million euros is attributable to cost of sales (previous year: 44 million euros) and 49 million euros to marketing, selling and distribution expenses (previous year: 44 million euros). In addition, 0 million euros of all restructuring expenses is attributable to research and development expenses (previous year: 6 million euros) and 15 million euros to administrative expenses (previous year: 50 million euros).

Other disclosures

Earnings per share

In calculating earnings per share for the period January through June 2020, we have included the standard dividend differential between ordinary and preferred shares for the full year of 2 eurocents (as stipulated in the Articles of Association), weighted on a proportional basis.

Earnings per share

		1–6/2019		1–6/2020	
		Reported	Adjusted	Reported	Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA	in million euros	**1,088**	**1,201**	**776**	**847**
Number of outstanding ordinary shares		259,795,875	259,795,875	**259,795,875**	**259,795,875**
Earnings per ordinary share (basic)	in euros	**2.50**	**2.76**	**1.78**	**1.95**
Number of outstanding preferred shares[1]		174,482,323	174,482,323	**174,482,323**	**174,482,323**
Earnings per preferred share (basic)	in euros	**2.51**	**2.77**	**1.79**	**1.96**
Earnings per ordinary share (diluted)	in euros	**2.50**	**2.76**	**1.78**	**1.95**
Earnings per preferred share (diluted)	in euros	**2.51**	**2.77**	**1.79**	**1.96**

[1] Weighted average of preferred shares.

Recognition and measurement methods

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

The same accounting principles have been applied as for the 2019 consolidated financial statements, with the exception of the changes to IFRSs listed on page 161 of our Annual Report 2019, which have since been adopted into EU law (endorsement mechanism) and became mandatory on January 1, 2020. The changes do not, however, have any material impact on the consolidated financial statements of Henkel.

In light of the global COVID-19 pandemic, estimates required when preparing this half-year financial report are subject to much greater uncertainty in some areas. This is especially true of estimates of any possible impairment of non-financial assets, such as goodwill and other intangible assets. Particular attention has therefore been paid to the heightened uncertainty surrounding future cash flows in the scenarios analyzed by Henkel for the purpose of impairment testing and in the corresponding sensitivity analyses. The impairment test did not reveal any need for impairment.

Details of the impacts of the COVID-19 pandemic on the valuation of financial instruments can be found on page 39.

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

The half-year financial report, composed of condensed consolidated financial statements and an Interim Group management report, was duly subjected to an auditor's review. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the interim consolidated financial statements on August 3, 2020, and approved them for forwarding to the Supervisory Board and for publication.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the scope of consolidation at June 30, 2020 includes 17 German and 194 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policies, based on the concept of control. The Group has a dominating influence on a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The following table shows the changes to the scope of consolidation compared to December 31, 2019:

Scope of consolidation

At January 1, 2020	**215**
Additions	2
Mergers	-3
Disposals	-2
At June 30, 2020	**212**

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

Acquisitions and divestments

Henkel did not acquire any substantial businesses in the first six months of 2020.

On April 1, 2020, we sold our Asian business involving surface cleaners used within the semi-conductor and LCD industries. The sale price was 51 million euros.

The allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 Business Combinations in respect of the shares in eSalon.com LLC, Los Angeles, USA, which were acquired effective August 5, 2019, and in respect of the shares in Deva Parent Holdings, Inc., New York City, USA, which were acquired effective December 6, 2019, remains provisional as the acquisitions were only recently completed. In particular, determination of the fair value of the intangible assets, provisions and deferred taxes has not yet been finalized.

Assets and liabilities held for sale

Compared to December 31, 2019, assets held for sale decreased from 39 million euros to 32 million euros. This was essentially due to the adjustment of the fair value less costs to sell of the activity that no longer formed part of the Adhesive Technologies business unit's portfolio, compared to its carrying amount as at December 31, 2019.

Financial instruments

With the exception of derivative financial instruments, other investments and certain cash deposits recognized as securities and time deposits, or as cash equivalents, all financial assets are measured at amortized cost using the effective interest method. In addition, a risk provision was accrued in the amount of the expected credit losses for financial assets measured at amortized cost or at fair value through other comprehensive income.

When determining the valuation allowances on trade accounts receivable, greater default probabilities were assumed in some cases compared to year-end 2019 to reflect the anticipated financial difficulties that some of our customers may face in connection with the COVID-19 pandemic. They have been based on expert estimates of the economic impacts of the pandemic and on in-house and external data regarding the financial status of individual customers or customer groups. Despite the fact that the Henkel Group has had broader global coverage for bad debts through credit insurance since the beginning of the fiscal year, we have therefore increased our risk provisions.

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

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2019	Dec. 31, 2019	June 30, 2020	June 30, 2020
Financial assets	**Financial instruments class (Valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade accounts receivable	Amortized cost	3,415		3,338	
Other financial assets		1,460		1,391	
Receivables from non-consolidated subsidiaries and associated companies	Amortized cost	–		1	
Financial receivables from third parties	Amortized cost	138		125	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	60	60	40	40
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	54	54	25	25
Investments in non-consolidated subsidiaries and associated companies	Not assigned to any valuation category under IFRS 9	9		9	
Other investments	Fair value through other comprehensive income (level 3)	36	36	44	44
Receivables from Henkel Trust e.V.	Amortized cost	621		443	
Securities and time deposits	Amortized cost	8		18	
Securities and time deposits	Fair value through other comprehensive income (level 1)	17	17	15	15
Securities and time deposits	Fair value through profit or loss (level 2)	400	400	499	499
Financial collateral provided	Amortized cost	26		47	
Sundry financial assets	Amortized cost	91		126	
Cash and cash equivalents	Amortized cost	1,347		1,917	
Cash and cash equivalents	Fair value through profit or loss (level 2)	113	113	147	147
Total		**6,335**		**6,793**	

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in million euros		Dec. 31, 2019	Dec. 31, 2019	June 30, 2020	June 30, 2020
Financial liabilities	**Financial instruments class (Valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings		3,958		4,519	
Bonds	Amortized cost (level 1)	2,475	2,483	2,279	2,302
Other borrowings	Amortized cost	1,483		2,240	
Trade accounts payable	Amortized cost	3,819		3,775	
Other financial liabilities		860		862	
Lease liabilities	Not assigned to any valuation category under IFRS 9	551		545	
Liabilities to non-consolidated subsidiaries and associated companies	Amortized cost	7		7	
Liabilities to customers	Amortized cost	65		56	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	56	56	52	52
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	44	44	73	73
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	0	0	0	0
Sundry financial liabilities	Amortized cost (level 3)	115	109	116	116
Sundry financial liabilities	Amortized cost	22		13	
Total		**8,637**		**9,156**	

IFRS 13 Fair Value Measurement defines fair value as the price that would be payable in a principal market – or in the most favorable market, in the absence of the former – if an asset were to be sold or a liability transferred. Valuation parameters as close to market reality as possible must be used as input factors to determine fair value. The fair value hierarchy prioritizes the input factors used in the valuation methods in three descending levels, depending on market proximity:

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

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

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

Interest rates in percent p.a.

At Dec. 31/June 30	Euro		US dollar	
Term	2019	2020	2019	2020
1 month	-0.44	-0.51	1.76	0.16
3 months	-0.38	-0.42	1.91	0.30
6 months	-0.32	-0.31	1.91	0.37
1 year	-0.25	-0.23	2.00	0.55
2 years	-0.29	-0.39	1.68	0.22
5 years	-0.13	-0.35	1.72	0.32
10 years	0.21	-0.17	1.88	0.63

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

Development of level 3 assets and liabilities January–June 2019

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

Development of level 3 assets and liabilities January–June 2020

in million euros	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Puttable instruments for minority shareholders
Carrying amount at January 1, 2020	**–**	**36**	**8**	**–**
Purchases	–	7	–	–
Gains/losses (realized) recognized in operating profit or loss	–	–	–	–
Of which attributable to assets and liabilities held at the end of the reporting period	–	–	–	–
Gains/losses recognized in other comprehensive income	–	–	–	–
Foreign exchange effects/Other changes	–	–	–	–
Carrying amount at June 30, 2020	**–**	**44**	**8**	**–**

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

Changes in the fair values determined using this procedure are included in full in the hedge reserve in other comprehensive income. Reclassification of the corresponding amounts to the cost of hedged inventories is performed when the derivatives are realized. This occurs when the hedged inventories are recognized. A 10 percent higher (lower) forward price on the reporting date would have resulted in other comprehensive income increasing (decreasing) by 0 million euros.

Other investments include investments in companies and investment funds that are currently not intended for sale. The carrying amounts of the investments in companies totaled 15 million euros (previous year: 16 million euros). Shares in investment funds amounted to 29 million euros (previous year: 15 million euros). The fair value of other investments is based either on information derived from recent financing transactions, on a cost-based method or on valuation using the discounted cash flow method taking into account the free cash flows of the investee. Appropriate risk-adjusted costs of capital are applied when using the discounted cash flow method.

The individual other investments are of minor importance for the presentation of the net assets and results of operations of the Henkel Group. If any conceivably realistic changes were to occur in the valuation parameters, the change in the carrying amounts revealed by sensitivity analysis would not exceed a range in the low single-digit euro millions. The changes would be included in full in the overall figure for other changes in equity in other comprehensive income. No other investments were sold in the reporting period, or in the comparative period of the previous year. No valuation results recognized in equity were reclassified to retained earnings in the reporting period or in the comparative period.

The fair value of the performance-related purchase price component relating to the acquisition of the outstanding non-controlling shares in our subsidiary in the United Arab Emirates is determined on the basis of the expected trend in earnings before interest, taxes, depreciation and amortization, impairment losses and write-ups (EBITDA) relevant to payment of the contingent purchase price component. In addition to the EBITDA figure, the exchange rate of the UAE dirham is a further material valuation parameter.

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

Following our acquisition of eSalon.com LLC in the second half of 2019, a liability was recognized in sundry financial liabilities for the put option granted on the non-controlling interests, which is measured at amortized cost. The fair value indicated in the notes, which is allocable to level 3, corresponds to the present value of the expected obligation, calculated using a multiple-approach procedure based on the sales of the company and an adjustment to net working capital, and discounted at the current market rate for comparable debt instruments. In addition to the sales of the company, the average annual growth rate in sales that forms the basis for determining the multiplier, and the exchange rate of the US dollar, are further material valuation parameters.

We did not perform any reclassifications between the valuation categories or IFRS 7 classes, or transfers within the fair value hierarchy either in the reporting period or in the comparative prior-year period.

Voting rights/Related party disclosures

The company has been notified that, on April 24, 2020, the proportion of voting rights held by the members of the Henkel family share-pooling agreement represented in total a share of 61.54 percent of the voting rights (159,872,622 votes) in Henkel AG & Co. KGaA.

Notes to the consolidated statement of comprehensive income

Of the components included in other comprehensive income, tax expenses relating to actuarial gains amounted to 39 million euros (previous year: tax income of 48 million euros) and tax expenses from cash flow hedges and hedges of net investments in foreign operations amounted to 6 million euros (previous year: tax income of 3 million euros).

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 arising from the issuance and redemption of commercial paper in an amount of 726 million euros (previous year: 573 million euros), current liabilities to banks, and from changes in collateral received. Of the dividend of 798 million euros paid to shareholders of Henkel AG & Co. KGaA, an amount of 475 million euros was paid on ordinary shares, while an amount of 323 million euros was paid on preferred shares.

Notes to the Group segment report

The segment report corresponds to the way in which the Group manages its operating business in fiscal 2020, and the Group's internal reporting structure. In keeping with the requirements of IFRS 8 Operating Segments, the three business units – Adhesive Technologies, Beauty Care and Laundry & Home Care – have been identified as operating segments in fiscal 2020. The operating segments also constitute the reportable segments.

The formerly independent reportable segments Adhesives for Consumers, Craftsmen and Building, and Industrial Business were reorganized with the aim of enhancing management efficiency. The ensuing new reportable segment Adhesive Technologies is identical to the business unit itself and is composed of the following businesses effective January 1, 2020: Automotive & Metals, Electronics & Industrials, Craftsmen, Construction & Professional, and Packaging & Consumer Goods. Prior-year figures have been amended accordingly. The level on which goodwill and trademarks and other rights with indefinite useful lives are tested for impairment remained unchanged from the previous year.

The Beauty Care and Laundry & Home Care segments include the same businesses as last year. There is therefore no change in the reporting procedure.

Subsequent events

On July 28, 2020, we signed an agreement with Invincible Brands Holding, Berlin, Germany, on the purchase of a 75-percent stake in a business comprising the three fast-growing premium direct-to-consumer brands Hello Body, Banana Beauty and Mermaid+Me. With this acquisition, Henkel Beauty Care intends to significantly expand its direct-to-consumer activities while adding strong digital capabilities in relation to areas such as performance marketing, analytics and fast innovation. In the last twelve months (as at June 2020), these businesses have achieved aggregate sales of around 100 million euros. The acquisition is subject to the usual closing conditions and regulatory approvals.

On August 1, 2020, we signed an agreement with Momentive Performance Materials Inc., USA, to acquire a business with consumer sealant products marketed under the licensed GE brand. This acquisition will strengthen Henkel Adhesive Technologies' North American business involving high-quality and innovative silicone sealants. In 2019, the business generated sales of around 100 million euros. The acquisition is subject to the usual closing conditions, including regulatory approvals.

We do not expect any material impact from these two acquisitions on the net assets, financial position and results of operations of Henkel.

Düsseldorf, August 3, 2020

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

Management Board
Carsten Knobel,
Jan-Dirk Auris, Sylvie Nicol, Bruno Piacenza,
Jens-Martin Schwärzler, Marco Swoboda

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 explanatory notes – and the interim Group management report of Henkel AG & Co. KGaA, Düsseldorf, for the period from January 1, 2020, to June 30, 2020, which form part of the half-year financial report in accordance with Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs 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 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Düsseldorf, August 3, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels Wirtschaftsprüfer	Michael Reuther Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements for the first half of 2020 give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group for the half year includes a fair review of the development, performance and results of the business and the position of the Group, together with a cogent description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the fiscal year.

Düsseldorf, August 3, 2020

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

Management Board
Carsten Knobel,
Jan-Dirk Auris, Sylvie Nicol, Bruno Piacenza,
Jens-Martin Schwärzler, Marco Swoboda

Report of the Audit Committee of the Supervisory Board

In the meeting of Monday, August 3, 2020, the interim financial report for the first six months of fiscal 2020 and the review report prepared by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, in respect of the condensed interim consolidated financial statements and the interim Group management report for the half year were presented to the Audit Committee, which also received verbal explanations from the Management Board and the Auditor pertaining to the above. The Audit Committee has approved and endorses the interim consolidated financial report.

Düsseldorf, August 3, 2020

Chairman of the Audit Committee
Prof. Dr. Michael Kaschke

Multi-year summary

First half year 2016 to 2020

in million euros		2016	2017	2018	2019	2020
Sales		**9,110**	**10,162**	**9,978**	**10,090**	**9,485**
Adhesive Technologies		4,433	4,665	4,702	4,731	**4,153**
Beauty Care		1,938	2,007	2,000	1,962	**1,818**
Laundry & Home Care		2,678	3,429	3,213	3,334	**3,460**
Adjusted[1] operating profit (EBIT)		1,570	1,763	1,768	1,641	**1,191**
Adjusted[1] earnings per preferred share	in euros	2.67	2.96	3.01	2.77	**1.96**

[1] Adjusted for one-time expenses and income, and for restructuring expenses.

Second quarter 2016 to 2020

in million euros	2016	2017	2018	2019	2020
Sales	**4,654**	**5,098**	**5,143**	**5,121**	**4,558**
Adhesive Technologies	2,290	2,370	2,432	2,422	**1,944**
Beauty Care	988	997	1,035	1,002	**883**
Laundry & Home Care	1,345	1,703	1,644	1,666	**1,705**

Credits

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Financial calendar

Publication of Statement for the Nine Months/ Third Quarter 2020:
Tuesday, November 10, 2020

Publication of Report for Fiscal 2020:
Thursday, March 4, 2021

Annual General Meeting Henkel AG & Co. KGaA 2021:
Friday, April 16, 2021