Half-year Financial Report 2021

January through June 2021

Henkel

Contents

Henkel Group: Key financials

in million euros		1–6/2020	1–6/2021	+/-
Sales		**9,485**	**9,926**	**4.7%**
Adhesive Technologies		4,153	**4,752**	14.4%
Beauty Care		1,818	**1,839**	1.1%
Laundry & Home Care		3,460	**3,275**	-5.3%
Operating profit (EBIT)		**1,094**	**1,296**	**18.5%**
Adjusted[1] operating profit (adjusted EBIT)		**1,191**	**1,430**	**20.1%**
Return on sales (EBIT margin)		**11.5%**	**13.1%**	**1.5pp**
Adjusted[1] return on sales (adjusted EBIT margin)		**12.6%**	**14.4%**	**1.9pp**
Net income		**777**	**947**	**21.8%**
Attributable to non-controlling interests		1	**5**	>100%
Attributable to shareholders of Henkel AG & Co. KGaA		776	**942**	21.4%
Earnings per preferred share	in euros	**1.79**	**2.18**	**21.8%**
Adjusted[1] earnings per preferred share	in euros	**1.96**	**2.40**	**22.4%**
At constant exchange rates				30.1%
Return on capital employed (ROCE)		**10.0%**	**13.0%**	**2.9pp**

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: 9,926 million euros, nominal growth 4.7%

Organic sales growth:

- Henkel Group: 11.3%
- Adhesive Technologies: 20.2%
- Beauty Care: 5.2%
- Laundry & Home Care: 3.9%

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

- Henkel Group: 14.4% (previous year: 12.6%)
- Adhesive Technologies: 17.3% (previous year: 13.1%)
- Beauty Care: 10.0% (previous year: 9.4%)
- Laundry & Home Care: 15.0% (previous year: 15.3%)

Adjusted[1] earnings per preferred share (EPS): 2.40 euros, nominal growth 22.4%, at constant exchange rates 30.1%

Major events

- March 31: Henkel publishes its preliminary organic sales growth figures for the first quarter of 2021 and expects a strong start to the year.
- April 16: Annual General Meeting 2021 approves payment of an unchanged dividend versus prior year of 1.85 euros per preferred share.
- May 6: Based on business development in the first three months of 2021 and assumptions regarding business performance in the remaining three quarters, Henkel raises its guidance for fiscal 2021.
- June 1: Wolfgang König joins the Henkel Management Board as Executive Vice President for the Beauty Care business unit.

[1] Adjusted for one-time expenses (51 million euros) and income (12 million euros), and for restructuring expenses (94 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 2021 continued to be impacted by the effects of the COVID-19 pandemic.

Following the economic slump in 2020 as a result of the pandemic, the global economy recovered noticeably in the first half of 2021, with gross domestic product growing by approximately 7 percent year on year. This growth was driven particularly by a double-digit percentage increase of approximately 10.5 percent in the second quarter.

Economic recovery was appreciable in both the mature markets and the emerging markets.

The mature markets grew by approximately 6 percent. Economic output in Western Europe and North America expanded by approximately 6.5 percent in the first six months of 2021, while it moderately increased in Japan by approximately 3 percent year on year.

The emerging markets also registered a significant recovery, with economic growth of approximately 9 percent. Economic output in the emerging markets of Asia (excluding Japan) increased by approximately 10.5 percent in the first six months of 2021. Compared to the first half year of 2020, economic output in Latin America rose by approximately 8 percent, and in Eastern Europe by approximately 6 percent. The Africa/Middle East region recorded slight economic growth of approximately 1 percent.

At approximately 8 percent, global unemployment was on a par with the first six months of 2020. Year on year, consumer prices rose by around 3 percent in global terms.

Prices for raw materials, packaging, and purchased goods and services increased significantly compared to the first six months of 2020.

On the currency markets, the US dollar depreciated against the euro in the first six months of 2021 versus prior year, with the average coming in at 1.21 US dollars. In the emerging markets, in particular the Turkish lira and Russian ruble experienced strong devaluation.

Sectors of importance for Henkel

According to IHS Markit, private consumption increased in the wake of economic recovery by approximately 7 percent in the first six months of 2021. Consumer spending rose in both North America and Western Europe, with improvements of approximately 8.5 percent and approximately 4 percent respectively. Consumption in the emerging markets grew by approximately 9 percent.

The industrial production index (IPX) rose notably by approximately 11 percent according to IHS Markit, primarily due to the significant recovery in industrial demand in the first half of 2021. This in turn was mainly driven by an increase of approximately 16.5 percent in the second quarter, with the prior-year period having been particularly hard hit by the impacts of the COVID-19 pandemic. In the first six months of the year, the IPX gained approximately 8 percent in the mature markets and approximately 13.5 percent in the emerging markets.

Business performance January–June 2021

Key financials

in million euros		1–6/2020	1–6/2021	+/-
Sales		9,485	**9,926**	4.7%
Operating profit (EBIT)		1,094	**1,296**	18.5%
Adjusted[1] operating profit (adjusted EBIT)		1,191	**1,430**	20.1%
Return on sales (EBIT margin)		11.5%	**13.1%**	1.5pp
Adjusted[1] return on sales (adjusted EBIT margin)		12.6%	**14.4%**	1.9pp
Net income – attributable to shareholders of Henkel AG & Co. KGaA		776	**942**	21.4%
Adjusted[1] net income – attributable to shareholders of Henkel AG & Co. KGaA		847	**1,040**	22.9%
Earnings per preferred share	in euros	1.79	**2.18**	21.8%
Adjusted[1] earnings per preferred share	in euros	1.96	**2.40**	22.4%

pp = percentage points

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

Organic sales growth

+11.3%

Adjusted[1] EBIT margin

14.4%

Adjusted[1] EPS

2.40€

Development of adjusted[1] EPS at constant exchange rates

+30.1%

Sales

Henkel’s business performance in the first six months of 2021 was very strong compared to the prior-year period, which had been significantly impacted by the effects of the COVID-19 pandemic.

In the first half of 2021, **Group sales** increased by 4.7 percent to 9,926 million euros. Currency effects had a negative impact of -7.0 percent on sales. Conversely, acquisitions and divestments caused an increase of 0.4 percent in sales. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales grew by 11.3 percent.

All business units and regions contributed to the sales growth.

Sales development

in percent	Q2/2021	1–6/2021
Sales	**4,958**	**9,926**
Change versus previous year	**8.8%**	**4.7%**
Foreign exchange	-6.5%	-7.0%
Adjusted for foreign exchange	**15.3%**	**11.7%**
Acquisitions/divestments	0.1%	0.4%
Organic	**15.2%**	**11.3%**
Of which price	2.5%	2.1%
Of which volume	12.7%	9.2%

The **Adhesive Technologies** business unit recorded double-digit organic sales growth of 20.2 percent, supported by a significant recovery in the global economy. Sales growth in the **Beauty Care** business unit was very strong, with an increase of 5.2 percent driven primarily by a significant recovery in the Professional business area. The **Laundry & Home Care** business unit generated strong organic growth of 3.9 percent, after

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

it had slightly benefited overall from increased consumer demand as a result of the pandemic in the prior-year period.

The **Western Europe** region achieved organic growth of 5.5 percent.

We posted organic sales growth of 17.6 percent in the **Eastern Europe** region.

In the **Africa/Middle East** region, we achieved organic sales growth of 26.4 percent.

The **North America** region recorded organic sales growth of 3.0 percent.

We posted an increase in organic sales of 21.0 percent in the **Latin America** region.

At 20.8 percent, organic sales growth was also in the double-digit percentage range in the **Asia-Pacific** region.

Overall, the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) generated double-digit organic sales growth of 21.5 percent. Nominally, sales in these regions increased by 8.8 percent to 4,072 million euros. At 41 percent, the share of Group sales from emerging markets was slightly above the level of the first half of 2020.

In the first half of 2021, there were no material changes to our business activities and competitive positions as presented in our Annual Report 2020 on pages 94 and 95.

Key figures by region first half year

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales January–June 2021[1]	**3,029**	**1,520**	**620**	**2,474**	**582**	**1,642**	**61**	**9,926**
Sales January–June 2020[1]	2,850	1,444	655	2,563	519	1,400	55	**9,485**
Change versus previous year	6.3%	5.2%	-5.3%	-3.5%	12.1%	17.3%	–	**4.7%**
Organic	5.5%	17.6%	26.4%	3.0%	21.0%	20.8%	–	**11.3%**
Proportion of Group sales January–June 2021	**31%**	**15%**	**6%**	**25%**	**6%**	**17%**	**1%**	**100%**
Proportion of Group sales January–June 2020	30%	15%	7%	27%	5%	15%	1%	**100%**
Operating profit (EBIT) January–June 2021	**880**	**121**	**46**	**15**	**49**	**303**	**-118**	**1,296**
Operating profit (EBIT) January–June 2020	745	110	29	46	33	217	-86	**1,094**
Change versus previous year	18.1%	9.9%	57.2%	-66.6%	51.4%	39.5%	–	**18.5%**
Adjusted for foreign exchange	18.1%	39.3%	>100%	-32.2%	71.9%	43.8%	–	**26.4%**
Return on sales (EBIT margin) January–June 2021	**29.1%**	**7.9%**	**7.4%**	**0.6%**	**8.5%**	**18.4%**	**–**	**13.1%**
Return on sales (EBIT margin) January–June 2020	26.1%	7.6%	4.5%	1.8%	6.3%	15.5%	–	**11.5%**

[1] By location of company.

Operating profit

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 94 million euros on restructuring in the first half of 2021 (previous year: 78 million euros). A significant portion of this amount is attributable to the optimization of our sales, administration and production structures. The restructuring expenses substantially comprise payments related to the termination of employment relationships and impairment losses recognized for fixed assets and inventories. The reconciliation statement and the allocation of the restructuring expenses between the various expense items of the consolidated statement of income can be found on page 38.

Compared to the first six months of 2020, cost of sales increased by 4.4 percent to 5,303 million euros. Gross profit increased by 5.0 percent to 4,623 million euros. At 46.6 percent, adjusted gross margin was slightly higher year on year. Positive price and volume trends coupled with savings from cost reduction measures and efficiency improvements in our supply chain offset the impact of higher prices for direct materials (raw materials, packaging, and purchased goods and services).

Marketing, selling and distribution expenses increased by 0.6 percent to 2,543 million euros. Year on year, their ratio to sales rose by 1.1 percentage points to 25.6 percent. We spent a total of 240 million euros for research and development (previous year: 245 million euros). Their ratio to sales declined by 0.2 percentage points to 2.4 percent. Administrative expenses were virtually unchanged year on year at 463 million euros (previous year: 462 million euros). At 4.7 percent, their ratio to sales was slightly below the level of the first six months of 2020.

The balance of other operating income and expenses totaled 53 million euros, 31 million euros above the level of the first half year 2020. This was partly due to higher other operating income generated through our active portfolio management.

Reconciliation from sales to adjusted operating profit

in million euros	1–6/2020	%	1–6/2021	%	+/-
Sales	**9,485**	**100.0%**	**9,926**	**100.0%**	**4.7%**
Cost of sales	-5,081	-53.6%	**-5,303**	**-53.4%**	4.4%
Gross profit	**4,404**	**46.4%**	**4,623**	**46.6%**	**5.0%**
Marketing, selling and distribution expenses	-2,529	-26.7%	**-2,543**	**-25.6%**	0.6%
Research and development expenses	-245	-2.6%	**-240**	**-2.4%**	-2.1%
Administrative expenses	-462	-4.9%	**-463**	**-4.7%**	0.3%
Other operating income/expenses	22	0.2%	**53**	**0.5%**	>100%
Adjusted operating profit (adjusted EBIT)	**1,191**	**12.6%**	**1,430**	**14.4%**	**20.1%**

Adjusted operating profit (adjusted EBIT) amounted to 1,430 million euros after 1,191 million euros in the first half of 2020. **Adjusted return on sales** (adjusted EBIT margin) of the Henkel Group increased from 12.6 percent to 14.4 percent.

Financial result improved from -52 million euros in the first half of 2020 to -29 million euros in the period under review, mainly due to lower interest expense resulting from falling interest rates. The tax rate was 25.3 percent (adjusted: 25.4 percent).

Henkel generated net income of 947 million euros in the six months under review (previous year: 777 million euros). After allowing for 5 million euros attributable to non-controlling interests, net income for the first six months was 942 million euros (previous year: 776 million euros). Adjusted net income for the first six months after allowing for non-controlling interests was 1,040 million euros compared to 847 million euros in the first half of 2020.

Earnings per preferred share were 2.18 euros (previous year: 1.79 euros). Adjusted earnings per preferred share grew by 22.4 percent to 2.40 euros, compared to 1.96 euros in the first half of 2020. At constant exchange rates, adjusted earnings per preferred share increased by 30.1 percent.

Comparison between actual business performance and guidance

On May 6, 2021, Henkel issued guidance for fiscal 2021 as part of the quarterly statement for the first quarter, indicating that we expect organic sales growth of 4 to 6 percent. For the Adhesive Technologies business unit, we anticipated organic sales growth in the range of 7 to 9 percent. For the Beauty Care business unit, we forecasted organic sales growth of 2 to 6 percent. For the Laundry & Home Care business unit, we anticipated organic sales growth in the range of 1 to 3 percent.

We expected the Henkel Group to generate an adjusted return on sales (adjusted EBIT margin) of between 14 and 15 percent. Our expectations with respect to adjusted return on sales in our individual business units were between 16 and 17 percent for Adhesive Technologies, between 10.5 and 12 percent for Beauty Care, and between 14.5 and 15.5 percent for Laundry & Home Care.

For adjusted earnings per preferred share (EPS) at constant exchange rates, we expected an increase versus the prior-year period in the high single-digit to mid-teens percentage range.

Based on our performance in the first half of 2021 and assumptions on business development over the remaining two quarters, we have now updated our forecast for fiscal 2021. We now expect the Henkel Group to generate organic sales growth of 6 to 8 percent. We have raised our organic sales growth forecast for the Adhesive Technologies business unit to 10 to 12 percent. For the Beauty Care business unit, we now anticipate an increase of 2 to 4 percent. We now expect organic sales growth in the Laundry & Home Care business unit to be in the range of 2 to 4 percent.

We have also amended our forecast for adjusted return on sales (EBIT) and now expect this for the Henkel Group to be in the range of 13.5 to 14.5 percent. We continue to anticipate adjusted return on sales of between 16 and 17 percent for the Adhesive Technologies business unit. We now expect adjusted return on sales in the range between 9.5 and 10.5 percent for the Beauty Care business unit and in the range between 14 and 15 percent for the Laundry & Home Care business unit.

For adjusted earnings per preferred share (EPS) at constant exchange rates, we continue to anticipate an increase versus the prior-year period in the high single-digit to mid-teens percentage range.

At 11.3 percent, organic sales growth of the Henkel Group in the first half of 2021 was above our updated guidance for the year as a whole of 6 to 8 percent. This positive deviation was mainly due to the performance of our Adhesive Technologies business unit, where organic sales growth of 20.2 percent significantly exceeded the range forecasted for the full fiscal year. Henkel expects organic sales growth in the second half of 2021 to be lower compared to the second half of 2020 due to the fact that incipient recovery in industrial demand was already being witnessed during that period, resulting in a higher comparative base. At 5.2 percent, organic sales growth in the Beauty Care business unit was slightly above the forecast range. With organic sales growth of 3.9 percent, the Laundry & Home Care business unit performed at the upper end of the range forecasted for full fiscal 2021.

The adjusted return on sales (adjusted EBIT margin) of the Henkel Group in the first half of 2021 was 14.4 percent and was thus at the upper end of the forecast range. Henkel anticipates a stronger impact on earnings in the second half of the year from increased raw material and logistics costs in particular. The full-year range expected for adjusted return on sales in the Adhesive Technologies business unit is slightly below the figure of 17.3 percent achieved in the first half of the year. While Beauty Care, with an adjusted return on sales of 10.0 percent, was in the middle of the forecast range, Laundry & Home Care, with 15.0 percent, achieved an adjusted return on sales at the upper end of the range predicted.

Adjusted earnings per preferred share at constant exchange rates increased by 30.1 percent, thus exceeding our forecast for the year. This is attributable, in particular, to the lower expected growth in the second half of fiscal 2020 compared to the full-year forecast, coupled with the expectation of a higher burden on earnings from increased raw material costs and logistics expenses.

Guidance versus performance first half year 2021

	Original guidance for 2021	Guidance for 2021 as updated on May 6	Guidance for 2021 as updated on August 12	Results first half year 2021
Organic sales growth				
Henkel Group:	2.0 to 5.0 percent	4.0 to 6.0 percent	6.0 to 8.0 percent	11.3 percent
Adhesive Technologies:	2.0 to 6.0 percent	7.0 to 9.0 percent	10.0 to 12.0 percent	20.2 percent
Beauty Care:	2.0 to 6.0 percent	2.0 to 6.0 percent	2.0 to 4.0 percent	5.2 percent
Laundry & Home Care:	1.0 to 3.0 percent	1.0 to 3.0 percent	2.0 to 4.0 percent	3.9 percent
Adjusted[1] return on sales (adjusted EBIT margin)				
Henkel Group:	13.5 to 14.5 percent	14.0 to 15.0 percent	13.5 to 14.5 percent	14.4 percent
Adhesive Technologies:	15.5 to 16.5 percent	16.0 to 17.0 percent	16.0 to 17.0 percent	17.3 percent
Beauty Care:	10.5 to 12.0 percent	10.5 to 12.0 percent	9.5 to 10.5 percent	10.0 percent
Laundry & Home Care:	15.0 to 16.0 percent	14.5 to 15.5 percent	14.0 to 15.0 percent	15.0 percent
Development of adjusted[1] earnings per preferred share at constant exchange rates	Increase in the range 5.0 to 15.0 percent	Increase in the high single-digit to mid-teens percentage range	Increase in the high single-digit to mid-teens percentage range	30.1 percent

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

Adhesive Technologies

Key financials

in million euros	1–6/2020	1–6/2021	+/-
Sales	4,153	**4,752**	14.4%
Proportion of Group sales	44%	**48%**	–
Operating profit (EBIT)	532	**814**	52.9%
Adjusted[1] operating profit (adjusted EBIT)	543	**820**	50.9%
Return on sales (EBIT margin)	12.8%	**17.1%**	4.3pp
Adjusted[1] return on sales (adjusted EBIT margin)	13.1%	**17.3%**	4.2pp
Return on capital employed (ROCE)	11.4%	**18.5%**	7.1pp

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

In the Adhesive Technologies business unit, **sales** increased nominally by 14.4 percent to 4,752 million euros in the first half of 2021. Foreign exchange effects reduced sales by -6.2 percent, while acquisitions/divestments had a positive effect of 0.4 percent on sales.

Sales development

in million euros	Q2/2021	1–6/2021
Sales	**2,394**	**4,752**
Proportion of Group sales	48%	48%
Change versus previous year	**23.1%**	**14.4%**
Foreign exchange	-5.7%	-6.2%
Adjusted for foreign exchange	**28.8%**	**20.6%**
Acquisitions/divestments	0.3%	0.4%
Organic	**28.5%**	**20.2%**
Of which price	1.7%	1.2%
Of which volume	26.8%	19.0%

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 20.2 percent year on year, driven primarily by volume. Prices developed positively. The first six months of the year were predominantly characterized by the ongoing recovery of the global economy across all regions and businesses.

In the second quarter in particular, Adhesive Technologies achieved clear double-digit organic sales growth compared to the prior-year quarter, which had been significantly impacted by the COVID-19 pandemic.

Overall, all business areas generated double-digit organic sales growth in the first half of 2021. The strongest organic sales performance was delivered by the **Automotive & Metals** business area, which posted double-digit sales growth across all businesses. Organic growth in our Automotive business was in the mid-double-digit percentage range. Organic sales performance in our **Electronics & Industrials** business area was likewise double-digit across all businesses – in particular in the Electronics business, which already had performed well in the prior-year period, despite the COVID-19 pandemic. The **Packaging & Consumer Goods** business area – on which the COVID-19 pandemic only had a moderate effect in the prior-year period – also achieved double-digit organic growth. This was driven particularly by the performance of our Packaging and Lifestyle businesses, with Consumer Goods reporting strong growth versus the previous year. The **Craftsmen, Construction & Professional** business area likewise posted double-digit organic sales growth in all businesses, with

General Manufacturing & Maintenance achieving the largest improvement.

From a regional perspective, the Adhesive Technologies business unit recorded the strongest increase in the **emerging markets,** where organic growth was clearly double-digit. All individual regions and business areas contributed to this performance with double-digit growth rates. The Automotive & Metals business area recorded the strongest development in the emerging markets, with organic growth in the mid-double-digit percentage range, while all other business areas also had clear double-digit sales increases compared to the previous year.

The year-on-year increase in organic sales performance in the **mature markets** was also in the double digits, particularly driven by sales growth in the clear double-digit percentage range in the second quarter. In the North America and Western Europe regions, it was primarily the Automotive & Metals and Craftsmen, Construction & Professional business areas that contributed to this growth in the first half year. The mature markets of the Asia-Pacific region, meanwhile, registered significant sales growth.

Adjusted operating profit (adjusted EBIT) totaled 820 million euros, up 50.9 percent on the comparable figure for the previous year. **Adjusted return on sales** (adjusted EBIT margin) was 17.3 percent compared to 13.1 percent in the prior-year period. The improvement was due in particular to the double-digit percentage growth in sales driven by higher volumes. Our gross margin increased versus the prior year. Strong volume growth in particular, but also price increases, offset the impact of higher prices for direct materials in the first half of the year.

Return on capital employed (ROCE) improved in the first half of the year to 18.5 percent. At 10.5 percent, the ratio of net working capital to sales in the second quarter was clearly below the prior-year level (14.4 percent).

Beauty Care

Key financials

in million euros	1–6/2020	1–6/2021	+/-
Sales	1,818	**1,839**	1.1%
Proportion of Group sales	19%	**19%**	–
Operating profit (EBIT)	148	**167**	12.9%
Adjusted[1] operating profit (adjusted EBIT)	172	**183**	6.8%
Return on sales (EBIT margin)	8.1%	**9.1%**	0.9pp
Adjusted[1] return on sales (adjusted EBIT margin)	9.4%	**10.0%**	0.5pp
Return on capital employed (ROCE)	6.6%	**8.0%**	1.3pp

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

The Beauty Care business unit recorded **sales** of 1,839 million euros in the first half of 2021, a nominal increase of 1.1 percent versus the prior-year period. Foreign exchange effects reduced sales by -5.2 percent, while acquisitions/divestments had a positive effect of 1.1 percent on sales.

Sales development

in million euros	Q2/2021	1–6/2021
Sales	**914**	**1,839**
Proportion of Group sales	18%	19%
Change versus previous year	**3.5%**	**1.1%**
Foreign exchange	-4.9%	-5.2%
Adjusted for foreign exchange	**8.4%**	**6.3%**
Acquisitions/divestments	0.2%	1.1%
Organic	**8.2%**	**5.2%**
Of which price	2.7%	1.8%
Of which volume	5.5%	3.3%

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 5.2 percent, driven by both volume and price. This performance was due in particular to the strong recovery in the Professional business area, which had been adversely affected to a considerable degree by hair salon closures in the prior-year period in the wake of the pandemic.

Organic sales performance in the first six months was down year on year in the **Consumer** business area, due mainly to negative organic sales development in the Body Care category. This was primarily the result of demand for soap products returning to normal following the significant increase in the prior-year period in response to the COVID-19 pandemic. By contrast, organic sales growth in the Hair Cosmetics category was very strong, driven by all three areas of Hair Care, Styling and Hair Colorants

Following a substantial decline in sales last year, the **Professional** business area posted significant double-digit organic sales growth across all regions. This was due in particular to the increasing number of hair salons opening in the course of the first half of the year, many of which had been officially closed in numerous countries in the prior-year period.

Within the **emerging markets**, both the Consumer and the Professional business areas recorded organic sales growth in the double-digit percentage range. All regions contributed to this increase, with Asia (excluding Japan), Latin America and Eastern Europe, in particular, achieving growth in the double-digit percentage range.

Sales in the **mature markets** were flat overall. The Professional business area posted double-digit organic sales growth in the Western Europe and North America regions, whereas performance in the Consumer business area was below the level of the prior-year period in both markets. Both business areas recorded double-digit sales growth in the mature markets of the Asia-Pacific region.

Adjusted operating profit (adjusted EBIT) totaled 183 million euros, up 6.8 percent on the prior-year figure. Adjusted gross margin was on a par with the prior-year level. While the significant recovery in the Professional business area had a positive impact on profitability, increased prices for direct materials had an adverse effect. **Adjusted return on sales** (adjusted EBIT) showed positive development, rising to 10.0 percent.

Return on capital employed (ROCE) was up year on year at 8.0 percent. Net working capital as a percentage of second-quarter sales improved slightly to 2.9 percent.

Laundry & Home Care

Key financials

in million euros	1–6/2020	1–6/2021	+/-
Sales	3,460	**3,275**	-5.3%
Proportion of Group sales	36%	**33%**	–
Operating profit (EBIT)	500	**433**	-13.2%
Adjusted[1] operating profit (adjusted EBIT)	531	**490**	-7.7%
Return on sales (EBIT margin)	14.4%	**13.2%**	-1.2pp
Adjusted[1] return on sales (adjusted EBIT margin)	15.3%	**15.0%**	-0.4pp
Return on capital employed (ROCE)	12.8%	**12.6%**	-0.2pp

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

In the Laundry & Home Care business unit, **sales** decreased nominally by -5.3 percent to 3,275 million euros in the first half of 2021. Foreign exchange effects had a negative impact of -9.1 percent on sales. Acquisitions/divestments reduced sales by -0.1 percent.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.9 percent, mainly driven by price.

Sales development

in million euros	Q2/2021	1–6/2021
Sales	**1,619**	**3,275**
Proportion of Group sales	33%	33%
Change versus previous year	**-5.1%**	**-5.3%**
Foreign exchange	-8.5%	-9.1%
Adjusted for foreign exchange	**3.4%**	**3.7%**
Acquisitions/divestments	-0.2%	-0.1%
Organic	**3.6%**	**3.9%**
Of which price	3.4%	3.3%
Of which volume	0.2%	0.6%

The **Laundry Care** business area recorded good organic sales growth thanks to very strong development in the specialty detergents, laundry additives and fabric finishers categories. Our core brand Persil achieved significant organic sales growth, not least due to the continued very good performance of our 4-in-1 Discs.

Organic sales growth in the **Home Care** business area was significant compared to the first half of 2020, which had been supported by higher demand as a result of the pandemic. This development was driven in particular by double-digit growth in the dishwashing and toilet care categories, supported by our brand families Somat, Pril and Bref.

With organic sales increases in the double-digit percentage range in the first half of 2021, the **emerging markets** were the main drivers of the strong organic growth posted by this business unit. We achieved sales increases in the double-digit percentage range in the Africa/Middle East, Asia (excluding Japan) and Eastern Europe regions. Organic sales performance in the Latin America region, meanwhile, was positive.

In the first six months of this fiscal year, overall organic sales performance in the **mature markets** was below the prior-year level. This was attributable to the North America region where sales decreased in particular as a result of a contracting market environment coupled with headwinds in procurement and logistics. Organic sales growth was positive in the Western Europe region and very strong in the mature markets of the Asia-Pacific region.

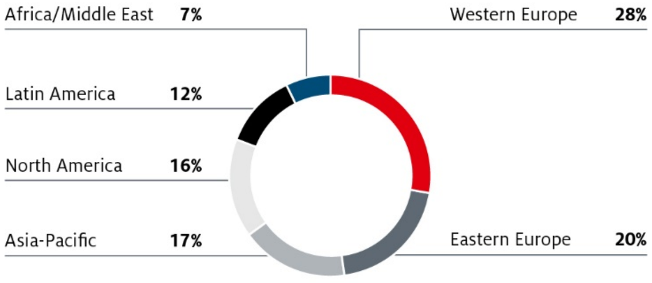
Adjusted operating profit (adjusted EBIT) totaled 490 million euros, down -7.7 percent compared to the prior-year period. At 15.0 percent, **adjusted return on sales** (adjusted EBIT margin) was thus slightly below the level of the first half of 2020, due mainly to a decline in gross margin. Positive price trends could not fully offset higher prices for direct materials and adverse foreign exchange effects.

Return on capital employed (ROCE) was nearly on a par with the prior-year level, at 12.6 percent. Net working capital as a percentage of second-quarter sales increased slightly to -5.7 percent.

Employees

As of June 30, 2021, we had around 52,750 employees (December 31, 2020: around 52,950).

Employees by region



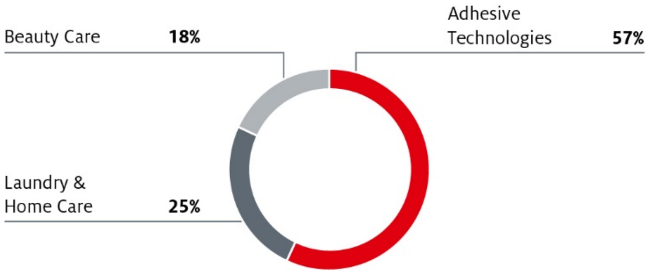
At June 30, 2021

Research and development

In the first six months of 2021, research and development expenditures amounted to 254 million euros (adjusted for restructuring expenses: 240 million euros) compared to 245 million euros (adjusted: 245 million euros) in the prior-year period. At 2.6 percent, the ratio of R&D expenditures to sales was on a par with the prior-year level. Compared to the first half of 2020, research and development expenses adjusted for restructuring expenses decreased slightly by -0.2 percentage points. The ratio to sales in the first six months of the fiscal year was 2.4 percent (previous year: 2.6 percent).

The development of innovative products is of key importance to our business model. The research and development strategy described in our Annual Report 2020 (starting on page 136) has remained unchanged.

R&D expenditures by business unit



At June 30, 2021

Net assets and financial position

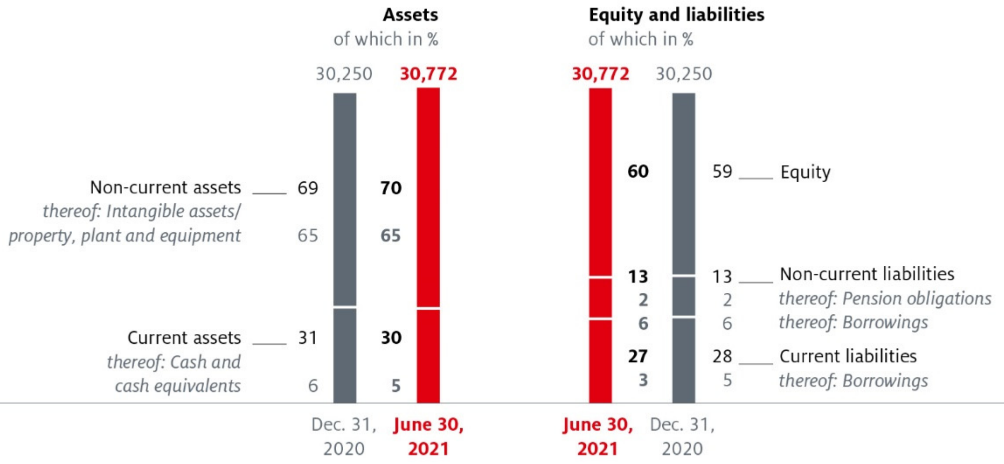
Net assets

Compared to year-end 2020, total assets rose by 0.5 billion euros to 30.8 billion euros.

Under **non-current assets,** intangible assets increased by 282 million euros, due mainly to foreign exchange effects. Property, plant and equipment increased by 159 million euros in the first six months of the fiscal year. Investments of 292 million euros in property, plant and equipment and additions of 109 million euros in right-of-use assets (excluding acquisitions) were offset primarily by scheduled depreciation of 276 million euros, 67 million euros of which attributable to right-of-use assets. There was also an increase in sundry non-current assets of 346 million euros (December 31, 2020: 240 million euros), mainly as a result of higher overfunding of portions of our pension schemes.

Current assets totaled 9.2 billion euros, down slightly compared to December 31, 2020 (9.3 billion euros). Inventories and trade accounts receivable increased by 332 million euros and 470 million euros respectively in the first half of 2021, whereas other current financial assets, in particular, decreased significantly (-519 million euros), due mainly to the disposal of securities and time deposits. The current assets total also declined in the wake of decreases both in cash and cash equivalents and in assets held for sale. The development of cash and cash equivalents is discussed in the section on our financial position on page 21. For further discussion of the assets held for sale, please refer to the notes on page 41.

Structure of the statement of financial position
in million euros



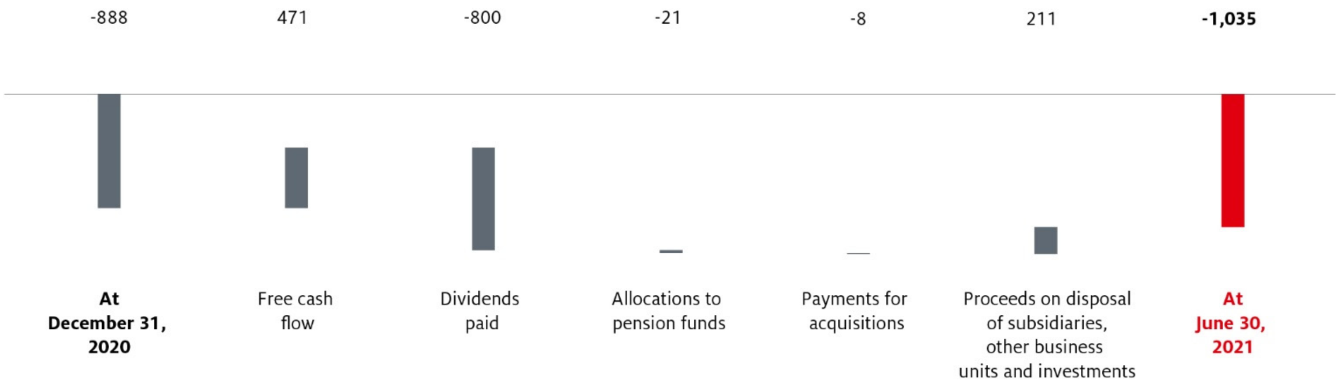
Compared to year-end 2020, **equity** including non-controlling interests increased by 0.6 billion euros to 18.5 billion euros. Equity rose primarily through the addition of net income for the half year of 947 million euros, with currency translation of our subsidiaries' financial statements adding a further 344 million euros. The dividend distribution to shareholders of Henkel AG & Co. KGaA in April 2021 and dividend payments to non-controlling interests had the countervailing effect of reducing equity by a total of 800 million euros. The individual components influencing equity development are shown in tables on pages 31 and 32.

Non-current liabilities decreased by -0.1 billion euros to 3.9 billion euros. The increase in non-current borrowings due to foreign exchange effects, higher lease liabilities and the rise in other provisions was offset primarily by a reduction in other financial liabilities and a decrease in pension obligations.

At 8.3 billion euros, **current liabilities** were more or less on a par with year-end 2020. Trade accounts payable increased by 265 million euros in the first six months of the fiscal year, countervailed primarily by a reduction in current borrowings, which was mainly attributable to lower commercial paper obligations as of the reporting date.

Effective June 30, 2021, our **net financial position**[1] amounted to -1,035 million euros (December 31, 2020: -888 million euros).

Net financial position
in million euros



Net financial position

in million euros	
June 30, 2020	-1,951
December 31, 2020	-888
June 30, 2021	**-1,035**

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

Financial position

At 685 million euros, **cash flow from operating activities** in the first six months of 2021 was below the comparable figure of the prior-year period (1,142 million euros). With operating profit up 202 million euros compared to the first six months of 2020, the lower cash flow from operating activities was substantially due to a significant increase in net working capital[1], mainly as a result of higher trade accounts receivable and higher tax payments. Furthermore, changes in other liabilities, provisions and equity items compared to the prior-year period contributed to improving the cash flow from operating activities to a lesser degree than had been the case in the prior-year period and therefore were only able to partly offset the aforementioned effects. Compared to the prior-year period, the ratio of net working capital to second-quarter sales decreased by 0.8 percentage points from 4.4 percent to 3.6 percent.

In the first six months of fiscal 2021, the **cash flow from investing activities** showed a cash inflow of 228 million euros, while in the prior-year period the Henkel Group had recorded a cash outflow of -386 million euros. This development was primarily due to higher proceeds than in the previous period arising from the disposal of subsidiaries, other business units and investments as part of our divestment program. For further explanations, please refer to the "Acquisitions and divestments" section on page 23 and to the selected notes on page 41.

The cash outflow in **cash flow from financing activities** totaled -1,151 million euros in the first half of 2021, up from the comparable figure for first half year 2020 (-121 million euros). The lower cash outflow from the prior-year period was due in particular to proceeds from bond issuances and the raising of other debt, such as commercial paper borrowings, whereas in the current year we have significantly reduced liabilities – from commercial paper especially – through a series of repayments.

Cash and cash equivalents decreased compared to December 31, 2020 by -229 million euros to 1,498 million euros.

At 471 million euros, **free cash flow** was down compared to the first half of 2020 (940 million euros), due in particular to the lower cash flow from operating activities in the period under review.

The development of our financial position is indicated in detail in the consolidated statement of cash flows on pages 33 and 34.

Key financial ratios

	Dec. 31, 2020	June 30, 2021
Operating debt coverage (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations)/net borrowings and pension and lease obligations	126.4%	**123.8%**
Interest coverage ratio EBITDA/financial result excluding investment result	33.1	**56.8**
Equity ratio equity/total assets	59.1%	**60.1%**

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

Operating debt coverage remained virtually unchanged versus year-end 2020 and was thus still well above the minimum level of 50 percent. Our interest coverage ratio increased compared to December 31, 2020, mainly due to the improved operating profit.

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 292 million euros, following 264 million euros in the first six months of 2020. We invested 29 million euros in intangible assets (previous year: 23 million euros). Around two-thirds of the expenditures were channeled into expansion projects, innovations and streamlining measures, which included, for example, increasing our production capacity, introducing innovative product lines and optimizing our business processes.

Major individual projects in 2021 to date:

- Construction of an Innovation Center in Düsseldorf, Germany (Adhesive Technologies)
- Expansion of sulfonation capacities for surfactant production in the USA (Laundry & Home Care)
- Global optimization of our supply chain and consolidation and optimization of our IT system architecture for managing business processes
- Optimization of our production structure in Bowling Green, USA (Laundry & Home Care)
- Expansion of innovative detergent capsule production in Serbia (Laundry & Home Care)
- Expansion of liquid soap capacity in the USA (Beauty Care).

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

Capital expenditures first half year 2021

in million euros	Existing operations	Acquisitions	Total
Intangible assets	29	–	**29**
Property, plant and equipment	292	–	**292**
Total	**321**	**–**	**321**

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 2021, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 109 million euros in total (previous year: 72 million euros).

Acquisitions and divestments

In the first half of 2021, Henkel signed an agreement governing the acquisition of Swania International S.A. based in Luxembourg, Luxembourg. The company's business revolves around its fast-growing organic detergent and cleaning brands Maison Verte and You, together with its traditional two brands Baranne and O'Cedar. The transaction was completed on July 23, 2021, after the reporting date.

In the Adhesive Technologies business unit, we sold our global insulated metal substrates business effective May 1, 2021, and our global sealants business effective May 7, 2021.

Effective March 31, 2021, our Beauty Care business unit sold its consumer business operations involving the two brands Scorpio and Mont St. Michel, which are marketed mainly in Europe. In addition, the sale of the business with the two consumer brands Right Guard and Dry Idea was completed effective June 1, 2021. The brands are mainly distributed in North America and the UK.

As part of its active portfolio management, the business unit Laundry & Home Care also divested individual small, non-core European consumer brands and businesses in the first half of 2021.

The aforementioned transactions did not have any material effect on our net assets, financial position and results of operations.

Outlook

Macroeconomic development

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

Based on current estimates, it is assumed that the global economy will recover significantly in 2021 following the marked economic downturn in 2020 in the wake of the COVID-19 pandemic. Despite the progress worldwide in containing the COVID-19 pandemic, uncertainty remains about its further course and its impact on the global economy.

IHS Markit expects a significant year-on-year increase in gross domestic product amounting to approximately 6 percent for 2021.

For the mature markets, IHS Markit expects economic output to expand considerably by approximately 5.5 percent versus prior year. Economic output in Western Europe for the year as a whole is expected to grow by approximately 5 percent, with North America expected to increase by approximately 6.5 percent. Japanese economic output is forecasted to grow by approximately 2.5 percent.

Economic output in the emerging markets is expected to increase significantly, by approximately 6.5 percent in 2021. IHS Markit predicts that economic output will increase by approximately 7 percent year on year in Asia (excluding Japan), and by around 5 percent in Eastern Europe. A rise of around 5 percent is forecasted for the Africa/Middle East region, with the figure anticipated for Latin America at around 6 percent.

Global inflation is expected to increase in 2021 versus 2020 to a rate of approximately 3.5 percent. IHS Markit anticipates an increase in price levels of approximately 2.5 percent in the mature markets, while inflation of approximately 4 percent is expected for the emerging markets.

We expect prices for raw materials, packaging and purchased goods and services to increase significantly in 2021 compared to the previous year.

We expect the currency markets to remain volatile. Some major currencies in the emerging markets could weaken on average in 2021 compared to 2020, especially the Turkish lira and the Russian ruble. We expect a weaker average US dollar rate for 2021 compared to 2020.

Development by sector

IHS Markit predicts that global private consumption will increase by around 6 percent in 2021 as economic recovery progresses, with consumers spending approximately 5.5 percent more in the mature markets and approximately 6 percent more in the emerging markets.

The industrial production index (IPX) is expected to show an annual gain of approximately 7 percent worldwide. IHS Markit expects the IPX to rise approximately 6.5 percent in the mature markets and by approximately 7.5 percent in the emerging markets.

Risks and opportunities

The detailed explanations of risks and opportunities on pages 151 to 165 of the Annual Report 2020 remain valid. Uncertainty still surrounds the further course of the COVID-19 pandemic and its impacts on the global economy, despite worldwide progress with, for example, vaccination roll-outs. The situation in the procurement markets has become adverse, in particular due to a significant increase in demand for raw materials as a result of the economic recovery meeting strained supply chains. Within the evaluation categories, currency risks have decreased from a high (as per the Annual Report 2020) to a moderate probability of occurrence. Apart from the aforementioned, no major changes have occurred in the reporting period compared to the situation as reflected in our Annual Report 2020.

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 2021

Based on business development in the first half of 2021 and assumptions regarding our performance in the remaining two quarters, the Management Board of Henkel AG & Co. KGaA has decided to update its guidance for fiscal 2021.

Following the sharp decline in global economic growth in 2020 resulting from the COVID-19 pandemic, it is assumed based on current estimates that industrial demand will recover significantly in 2021 and that demand for numerous categories of consumer goods will return to normal as the year progresses. At the same time, raw materials essential to Henkel and logistics services have seen very strong price increases across the board, mainly due to the significant recovery in the world economy coupled with globally tight supply chains. In addition, there is a high level of uncertainty about the further course of infection rates as well as the progress of vaccination activities, and thus the development of pandemic-related restrictions.

Given these circumstances, our guidance is based on the assumption that industrial demand and areas of the consumer goods business of relevance to Henkel – the Hair Salon business in particular – will recover, in some cases significantly. We expect those categories in our consumer goods businesses that witnessed increased demand in 2020 in the wake of the pandemic to normalize as the year progresses. We further assume that there will be no widespread closures of retail and industrial businesses or production facilities in our core regions – unlike in the second quarter of 2020 in particular – as the year progresses.

Taking these factors into account, we expect the Henkel Group to generate organic sales growth of between 6.0 and 8.0 percent in fiscal 2021 (previous guidance: 4.0 to 6.0 percent).

For the Adhesive Technologies business unit, the performance of which depends to a large extent on the recovery in industrial demand, we expect organic sales growth to range between 10.0 and 12.0 percent (previous guidance: 7.0 to 9.0 percent). For the Beauty Care business unit, Henkel currently anticipates organic sales growth in the range between 2.0 and 4.0 percent (previous guidance: 2.0 to 6.0 percent). While we expect a significant increase in demand for the Professional business, growth in the Consumer business is likely to be negatively impacted as a result of the normalization of demand, particularly in the Body Care category. For Laundry & Home Care, Henkel expects organic sales growth in the range of 2.0 to 4.0 percent (previous guidance: 1.0 to 3.0 percent) in a market environment characterized in some categories by a normalization compared to the increased demand in the previous year, which was related to the pandemic.

We do not expect a material impact on nominal sales growth of the Henkel Group from our acquisitions in 2020 and in the course of 2021. Our guidance does not reflect any effects from the intended divestment or discontinuation of business activities, brands and categories as part of our active portfolio management over the rest of the year, since it is not possible to reliably predict if and when such activities will actually occur.

The translation of sales in foreign currencies is expected to have a negative effect in the mid-single-digit percentage range.

The anticipated significant recovery in demand, particularly in our industrial and Professional businesses, is expected to have a positive effect on Henkel's earnings performance in 2021. Conversely, a negative impact will occur from significantly higher prices for direct materials, for which we now expect an increase in the low-teens percentage range for the full year (previously: upper mid-single-digit percentage range) and which can only be partially compensated in this fiscal year. We also expect changes in foreign currency exchange rates to adversely affect earnings.

Taking these factors into account, we expect the Henkel Group to generate an adjusted return on sales (adjusted EBIT margin) of between 13.5 and 14.5 percent (previous guidance: 14 to 15 percent). We anticipate adjusted return on sales for the Adhesive Technologies business unit of between 16 and 17 percent (unchanged), for Beauty Care of 9.5 to 10.5 percent (previously: 10.5 to 12 percent) and for Laundry & Home Care in the range of 14 to 15 percent (previously: 14.5 to 15.5 percent).

For adjusted earnings per preferred share (EPS) at constant exchange rates, we continue to expect an increase in the high single-digit to mid-teens percentage range.

Furthermore, we have the following unchanged expectations for 2021:

- Restructuring expenses of 250 to 300 million euros
- Cash outflows from investments in property, plant and equipment and intangible assets of between 600 and 700 million euros

Consolidated statement of financial position

Assets

in million euros	June 30, 2020	%	Dec. 31, 2020[1]	%	June 30, 2021	%
Goodwill	12,790	40.5	12,360	40.9	**12,629**	**41.0**
Other intangible assets	4,187	13.2	3,651	12.1	**3,664**	**11.9**
Property, plant and equipment	3,696	11.7	3,688	12.2	**3,847**	**12.5**
Other financial assets	89	0.3	99	0.3	**148**	**0.5**
Income tax refund claims	21	0.1	5	0.0	**13**	**0.0**
Other assets	231	0.7	240	0.8	**346**	**1.1**
Deferred tax assets	847	2.7	887	2.9	**905**	**2.9**
Non-current assets	**21,861**	**69.2**	**20,930**	**69.2**	**21,551**	**70.0**
Inventories	2,325	7.4	2,189	7.2	**2,521**	**8.2**
Trade accounts receivable	3,338	10.6	3,106	10.3	**3,576**	**11.6**
Other financial assets	1,302	4.1	1,372	4.5	**853**	**2.8**
Income tax refund claims	194	0.6	204	0.7	**175**	**0.6**
Other assets	487	1.5	495	1.6	**545**	**1.8**
Cash and cash equivalents	2,064	6.5	1,727	5.7	**1,498**	**4.9**
Assets held for sale	32	0.1	228	0.8	**52**	**0.2**
Current assets	**9,743**	**30.8**	**9,321**	**30.8**	**9,220**	**30.0**
Total assets	**31,604**	**100.0**	**30,250**	**100.0**	**30,772**	**100.0**

[1] Amended following the revised allocation of the purchase price for the acquisition of the consumer sealants business operating under the licensed GE brand.

Consolidated statement of financial position

Equity and liabilities

in million euros	June 30, 2020	%	Dec. 31, 2020	%	June 30, 2021	%
Issued capital	438	1.4	438	1.4	**438**	**1.4**
Capital reserve	652	2.1	652	2.2	**652**	**2.1**
Treasury shares	-91	-0.3	-91	-0.3	**-91**	**-0.3**
Retained earnings	18,664	59.1	19,152	63.3	**19,447**	**63.2**
Other components of equity	-1,517	-4.8	-2,373	-7.8	**-2,062**	**-6.7**
Equity attributable to shareholders of Henkel AG & Co. KGaA	**18,146**	**57.4**	**17,778**	**58.8**	**18,384**	**59.7**
Non-controlling interests	80	0.3	101	0.3	**99**	**0.3**
Equity	**18,226**	**57.7**	**17,879**	**59.1**	**18,483**	**60.1**
Provisions for pensions and similar obligations	545	1.7	551	1.8	**501**	**1.6**
Other provisions	296	0.9	329	1.1	**373**	**1.2**
Borrowings	2,269	7.2	1,666	5.5	**1,724**	**5.6**
Other financial liabilities	590	1.9	804	2.7	**673**	**2.2**
Other liabilities	27	0.1	27	0.1	**28**	**0.1**
Deferred tax liabilities	775	2.5	636	2.1	**640**	**2.1**
Non-current liabilities	**4,502**	**14.2**	**4,015**	**13.3**	**3,939**	**12.8**
Other provisions	1,790	5.7	1,915	6.3	**1,868**	**6.1**
Borrowings	2,250	7.1	1,418	4.7	**1,052**	**3.4**
Trade accounts payable	3,775	11.9	3,953	13.1	**4,218**	**13.7**
Other financial liabilities	272	0.9	264	0.9	**380**	**1.2**
Other liabilities	359	1.1	352	1.2	**401**	**1.3**
Income tax liabilities	429	1.4	454	1.5	**432**	**1.4**
Current liabilities	**8,875**	**28.1**	**8,357**	**27.6**	**8,350**	**27.1**
Total equity and liabilities	**31,604**	**100.0**	**30,250**	**100.0**	**30,772**	**100.0**

Consolidated statement of income

First half year

in million euros		1–6/2020[1]	%	1–6/2021	%	+/-
Sales		**9,485**	**100.0**	**9,926**	**100.0**	**4.7%**
Cost of sales		-5,096	-53.7	**-5,342**	**-53.8**	4.8%
Gross profit		**4,389**	**46.3**	**4,584**	**46.2**	**4.4%**
Marketing, selling and distribution expenses		-2,579	-27.2	**-2,580**	**-26.0**	0.0%
Research and development expenses		-245	-2.6	**-254**	**-2.6**	3.4%
Administrative expenses		-479	-5.1	**-484**	**-4.9**	1.0%
Other operating income		58	0.6	**115**	**1.2**	98.3%
Other operating expenses		-49	-0.5	**-85**	**-0.9**	72.7%
Operating profit (EBIT)		**1,094**	**11.5**	**1,296**	**13.1**	**18.5%**
Interest income		16	0.2	**13**	**0.1**	-20.7%
Interest expense		-39	-0.4	**-22**	**-0.2**	-44.7%
Other financial result		-29	-0.3	**-21**	**-0.2**	-28.7%
Investment result		0	0.0	**0**	**0.0**	–
Financial result		**-52**	**-0.5**	**-29**	**-0.3**	**-43.9%**
Income before tax		**1,042**	**11.0**	**1,267**	**12.8**	**21.6%**
Taxes on income		-265	-2.8	**-321**	**-3.2**	21.1%
Tax rate	in %	25.4		**25.3**		
Net income		**777**	**8.2**	**947**	**9.5**	**21.8%**
Attributable to non-controlling interests		1	0.0	**5**	**0.0**	>100%
Attributable to shareholders of Henkel AG & Co. KGaA		776	8.2	**942**	**9.5**	21.4%
Earnings per ordinary share – basic and diluted	in euros	1.78		**2.17**		21.9%
Earnings per preferred share – basic and diluted	in euros	1.79		**2.18**		21.8%

[1] Effective from fiscal 2021, interest income and expense from currency forwards are presented in interest income and expense and no longer in other financial result. Prior-year figures have been amended accordingly.

Consolidated statement of comprehensive income

First half year

in million euros	1–6/2020[1]	1–6/2021
Net income	**777**	**947**
Results subject to possible future reclassification:		
Exchange differences on translation of foreign operations	-409	**344**
Gains/losses from derivative financial instruments (hedge reserve)	30	**-48**
Gains/losses from debt instruments	0	**0**
Income taxes on these items	-6	**7**
Results not subject to future reclassification:		
Remeasurement of net liability from defined benefit pension plans	69	**165**
Gains/losses from equity instruments	0	**2**
Income taxes on these items	-39	**-22**
Other comprehensive income (net of taxes)	**-355**	**448**
Total comprehensive income for the period	**422**	**1,395**
Attributable to non-controlling interests	-2	**–**
Attributable to shareholders of Henkel AG & Co. KGaA	424	**1,395**

[1] Prior-year figures amended due to separate disclosure of income taxes starting in fiscal 2020.

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 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	–	–	–	–	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**
Share-based payments	–	–	–	–	0	–	–	–	0	–	**0**
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**

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 January 1, 2021	**260**	**178**	**652**	**-91**	**19,152**	**-2,206**	**-164**	**-3**	**17,778**	**101**	**17,879**
Net income	–	–	–	–	942	–	–	–	942	5	**947**
Other comprehensive income	–	–	–	–	142	349	-41	3	453	-5	**448**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,084**	**349**	**-41**	**3**	**1,395**	**0**	**1,395**
Dividends	–	–	–	–	-798	–	–	–	-798	-2	**-800**
Share-based payments	–	–	–	–	-22	–	–	–	-22	–	**-22**
Acquisition of a subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	–	–	**–**
Other changes in equity	–	–	–	–	31	–	–	–	31	–	**31**
Equity transactions with shareholders	**–**	**–**	**–**	**–**	**-789**	**–**	**–**	**–**	**-789**	**-2**	**-791**
At June 30, 2021	**260**	**178**	**652**	**-91**	**19,447**	**-1,857**	**-205**	**0**	**18,384**	**99**	**18,483**

Consolidated statement of cash flows

First half year

in million euros	1–6/2020[1]	1–6/2021
Operating profit (EBIT)	**1,094**	**1,296**
Income taxes paid	-269	**-364**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment, and assets held for sale[2]	385	**380**
Net gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	-18	**-36**
Change in inventories	-225	**-286**
Change in trade accounts receivable	-40	**-447**
Change in other assets	-34	**-63**
Change in trade accounts payable	46	**194**
Change in other liabilities, provisions and equity	203	**10**
Cash flow from operating activities	**1,142**	**685**
Purchase of intangible assets and property, plant and equipment including payments on account	-305	**-312**
Acquisition of subsidiaries and other business units	-3	**0**
Acquisition of associated companies and other investments	-7	**-8**
Proceeds on disposal of subsidiaries, other business units and investments	53	**211**
Proceeds on disposal of intangible assets and property, plant and equipment	13	**10**
Financial receivables issued to third parties	–	**0**
Change in other current financial assets[3]	-137	**327**
Cash flow from investing activities	**-386**	**228**
Dividends paid to shareholders of Henkel AG & Co. KGaA	-798	**-798**
Dividends paid to non-controlling shareholders	-7	**-2**
Interest received	23	**14**
Interest paid[4]	-57	**-21**
Dividends and interest paid and received	*-839*	***-807***
Issuance of bonds	431	**–**
Repayment of bonds	-534	**–**
Other changes in borrowings	745	**-421**
Redemption of lease liabilities	-71	**-76**
Allocations to pension funds	-46	**-21**
Other changes in pension obligations[5]	196	**172**

TABLE CONTINUED ON NEXT PAGE

in million euros	1–6/2020[1]	1–6/2021
Other financing transactions[3]	-2	**3**
Cash flow from financing activities	**-121**	**-1,151**
Net change in cash and cash equivalents	636	**-238**
Effect of exchange rates on cash and cash equivalents	-32	**10**
Change in cash and cash equivalents	**604**	**-229**
Cash and cash equivalents at January 1	1,460	**1,727**
Cash and cash equivalents at June 30	**2,064**	**1,498**

Additional voluntary information: Reconciliation to free cash flow

in million euros	1–6/2020[1]	1–6/2021
Cash flow from operating activities	1,142	**685**
Purchase of intangible assets and property, plant and equipment including payments on account	-305	**-312**
Redemption of lease liabilities	-71	**-76**
Proceeds on disposal of intangible assets and property, plant and equipment	13	**10**
Net interest paid	-35	**-7**
Other changes in pension obligations[4]	196	**172**
Free cash flow	**940**	**471**

[1] Effective from fiscal 2021, corresponding to the amendment in the statement of income, cash flows from currency forwards attributable to interest result are presented under net interest paid and no longer under other changes in borrowings. Prior-year figures have been amended accordingly.
[2] Impairments in fiscal 2021 amount to 29 million euros (previous year: 34 million euros), of which 10 million euros (previous year: 7 million euros) is attributable to assets held for sale. The figures also include depreciation, impairment and write-ups on right-of-use assets.
[3] Effective from the end of fiscal 2020, payments for and proceeds from the purchase and sale of current financial assets are allocated to cash flow from investing activities and no longer to cash flow from financing activities. Prior-year figures have been amended accordingly.
[4] Including interest paid in connection with lease liabilities.
[5] Other changes in pension obligations include payment receipts of 200 million euros in fiscal 2021 constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. Reimbursement totaled 217 million euros in the previous year.

Group segment report by business unit

First half year

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales January–June 2021	**4,752**	**1,839**	**3,275**	**9,866**	**61**	**9,926**
Proportion of Group sales	48%	19%	33%	**99%**	1%	**100%**
Sales January–June 2020	4,153	1,818	3,460	**9,431**	55	**9,485**
Change versus previous year	14.4%	1.1%	-5.3%	**4.6%**	11.1%	**4.7%**
Adjusted for foreign exchange	20.6%	6.3%	3.7%	**11.7%**	–	**11.7%**
Organic	20.2%	5.2%	3.9%	**11.3%**	–	**11.3%**
Operating profit (EBIT) January–June 2021	**814**	**167**	**433**	**1,415**	**-118**	**1,296**
Operating profit (EBIT) January–June 2020	532	148	500	**1,180**	-86	**1,094**
Change versus previous year	52.9%	12.9%	-13.2%	**19.9%**	–	**18.5%**
Return on sales (EBIT margin) January–June 2021	**17.1%**	**9.1%**	**13.2%**	**14.3%**	**–**	**13.1%**
Return on sales (EBIT margin) January–June 2020	12.8%	8.1%	14.4%	**12.5%**	–	**11.5%**
Adjusted operating profit (adjusted EBIT) January–June 2021	**820**	**183**	**490**	**1,493**	**-63**	**1,430**
Adjusted operating profit (adjusted EBIT) January–June 2020	543	172	531	**1,246**	-55	**1,191**
Change versus previous year	50.9%	6.8%	-7.7%	**19.9%**	–	**20.1%**
Adjusted return on sales (adjusted EBIT margin) January–June 2021	**17.3%**	**10.0%**	**15.0%**	**15.1%**	**–**	**14.4%**
Adjusted return on sales (adjusted EBIT margin) January–June 2020	13.1%	9.4%	15.3%	**13.2%**	–	**12.6%**
Capital employed January–June 2021[1]	**8,806**	**4,203**	**6,859**	**19,868**	**101**	**19,969**
Capital employed January–June 2020[1]	9,346	4,477	7,797	**21,620**	177	**21,796**
Change versus previous year	-5.8%	-6.1%	-12.0%	**-8.1%**	–	**-8.4%**
Return on capital employed (ROCE) January–June 2021	**18.5%**	**8.0%**	**12.6%**	**14.2%**	**–**	**13.0%**
Return on capital employed (ROCE) January–June 2020	11.4%	6.6%	12.8%	**10.9%**	–	**10.0%**

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First half year

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, property, plant and equipment and assets held for sale January–June 2021[2]	**160**	**56**	**151**	**367**	**12**	**380**
Of which impairment 2021	**–**	**–**	**28**	**28**	**–**	**28**
Of which write-ups 2021	**–**	**–**	**–**	**–**	**–**	**–**
Amortization/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and assets held for sale January–June 2020[2]	175	58	130	**363**	22	**385**
Of which impairment 2020	9	–	7	**16**	17	**34**
Of which write-ups 2020	-4	–	–	**-4**	–	**-4**
Additions to non-current assets January–June 2021	**154**	**62**	**192**	**408**	**21**	**430**
Additions to non-current assets January–June 2020	170	45	142	**358**	6	**363**
Operating assets January–June 2021[3]	**11,802**	**5,985**	**10,289**	**28,075**	**521**	**28,596**
Operating liabilities January–June 2021	**3,449**	**1,967**	**3,168**	**8,584**	**420**	**9,004**
Net operating assets January–June 2021[3]	**8,353**	**4,018**	**7,120**	**19,491**	**101**	**19,592**
Operating assets January–June 2020[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[3]	8,781	4,288	7,988	**21,057**	177	**21,234**

[1] Including goodwill at cost prior to any accumulated impairment in accordance with IFRS 3.79 (b).
[2] Including depreciation, impairment and write-ups of right-of-use assets.
[3] Including goodwill at net carrying amounts.

Second quarter

in million euros	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
Sales April–June 2021	**2,394**	**914**	**1,619**	**4,927**	**31**	**4,958**
Proportion of Group sales	48%	18%	33%	**99%**	1%	**100%**
Sales April–June 2020	1,944	883	1,705	**4,532**	26	**4,558**
Change versus previous year	23.1%	3.5%	-5.1%	**8.7%**	20.3%	**8.8%**
Adjusted for foreign exchange	28.8%	8.4%	3.4%	**15.3%**	–	**15.3%**
Organic	28.5%	8.2%	3.6%	**15.1%**	–	**15.2%**

Performance by region

Key figures by region first half year

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales January–June 2021[1]	**3,029**	**1,520**	**620**	**2,474**	**582**	**1,642**	**61**	**9,926**
Sales January–June 2020[1]	2,850	1,444	655	2,563	519	1,400	55	**9,485**
Change versus previous year	6.3%	5.2%	-5.3%	-3.5%	12.1%	17.3%	–	**4.7%**
Organic	5.5%	17.6%	26.4%	3.0%	21.0%	20.8%	–	**11.3%**
Proportion of Group sales January–June 2021	**31%**	**15%**	**6%**	**25%**	**6%**	**17%**	**1%**	**100%**
Proportion of Group sales January–June 2020	30%	15%	7%	27%	5%	15%	1%	**100%**
Operating profit (EBIT) January–June 2021	**880**	**121**	**46**	**15**	**49**	**303**	**-118**	**1,296**
Operating profit (EBIT) January–June 2020	745	110	29	46	33	217	-86	**1,094**
Change versus previous year	18.1%	9.9%	57.2%	-66.6%	51.4%	39.5%	–	**18.5%**
Adjusted for foreign exchange	18.1%	39.3%	>100%	-32.2%	71.9%	43.8%	–	**26.4%**
Return on sales (EBIT margin) January–June 2021	**29.1%**	**7.9%**	**7.4%**	**0.6%**	**8.5%**	**18.4%**	**–**	**13.1%**
Return on sales (EBIT margin) January–June 2020	26.1%	7.6%	4.5%	1.8%	6.3%	15.5%	–	**11.5%**

[1] By location of company.

Key figures by region second quarter

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales[1] April–June 2021	**1,501**	**778**	**301**	**1,240**	**302**	**805**	**31**	**4,958**
Sales[1] April–June 2020	1,351	686	305	1,261	226	703	26	**4,558**
Change versus previous year	11.2%	13.4%	-1.4%	-1.7%	33.5%	14.5%	–	**8.8%**
Organic	10.7%	24.1%	31.7%	6.3%	34.2%	17.3%	–	**15.2%**
Proportion of Group sales April–June 2021	**30%**	**16%**	**6%**	**25%**	**6%**	**16%**	**1%**	**100%**
Proportion of Group sales April–June 2020	30%	15%	7%	28%	5%	15%	1%	**100%**

[1] By location of company.

Reconciliation of adjusted net income

Reconciliation from operating profit to adjusted net income

in million euros		1–6/2020	1–6/2021	+/-
Operating profit (EBIT) (as reported)		**1,094**	**1,296**	**18.5%**
One-time income		-3	**-12**	–
One-time expenses		21	**51**	–
Restructuring expenses		78	**94**	–
Adjusted operating profit (adjusted EBIT)		**1,191**	**1,430**	**20.1%**
Adjusted return on sales	in %	12.6	**14.4**	1.9pp
Financial result		-52	**-29**	-43.9%
Taxes on income (adjusted)		-290	**-356**	22.5%
Adjusted tax rate	in %	25.5	**25.4**	-0.1pp
Adjusted net income		**848**	**1,045**	**23.2%**
Attributable to non-controlling interests		2	**4**	>100%
Attributable to shareholders of Henkel AG & Co. KGaA		847	**1,040**	22.9%
Adjusted earnings per ordinary share	in euros	**1.95**	**2.39**	**22.6%**
Adjusted earnings per preferred share	in euros	**1.96**	**2.40**	**22.4%**
At constant exchange rates				30.1%

pp = percentage points

One-time income of 12 million euros is attributable to the disposal of the global sealants business by our Adhesive Technologies business unit.

The one-time charges for the first half of 2021 include 15 million euros related to the recognition of provisions for legal disputes, and 5 million euros related to the optimization of our IT system architecture for managing business processes (previous year: 4 million euros). The one-time charges also include 21 million euros for impairment recognized on business activities earmarked for sale as part of our active portfolio management, and 10 million euros for divestment losses. An amount of 1 million euros pertains to acquisition-related incidental costs.

Restructuring expenses substantially comprise payments related to the termination of employment relationships and impairment losses recognized for fixed assets and inventories. Of the restructuring expenses in the first half of 2021, 36 million euros is attributable to cost of sales (previous year: 15 million euros) and 27 million euros to marketing, selling and distribution expenses (previous year: 49 million euros). A further 13 million euros out of total restructuring expenses is attributable to research and development expenses (previous year: 0 million euros), while 17 million euros is attributable to administrative expenses (previous year: 15 million euros).

Other disclosures

Earnings per share

In calculating earnings per share for the period January through June 2021, we have included the standard dividend differential between ordinary and preferred shares for the full year of 2 eurocents (as stipulated in the Articles of Association), weighted on a time-proportional basis.

Earnings per share

		1–6/2020		1–6/2021	
		Reported	Adjusted	Reported	Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA	in million euros	**776**	**847**	**942**	**1,040**
Number of outstanding ordinary shares		259,795,875	259,795,875	**259,795,875**	**259,795,875**
Basic earnings per ordinary share	in euros	**1.78**	**1.95**	**2.17**	**2.39**
Number of outstanding preferred shares[1]		174,482,323	174,482,323	**174,482,323**	**174,482,323**
Basic earnings per preferred share	in euros	**1.79**	**1.96**	**2.18**	**2.40**
Diluted earnings per ordinary share	in euros	**1.78**	**1.95**	**2.17**	**2.39**
Diluted earnings per preferred share	in euros	**1.79**	**1.96**	**2.18**	**2.40**

[1] Weighted average of preferred shares.

Recognition and measurement methods

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

The same accounting principles have been applied as for the consolidated financial statements for fiscal 2020, with the exception of the changes to IFRSs listed on page 190 of our Annual Report, which became mandatory on January 1, 2021. The changes do not, however, have any material impact on the consolidated financial statements of Henkel. So as to enhance the transparency of presentation of the results of operations, changes to the fair value of the forward component of currency forwards used to hedge the currency risks associated with financial assets and liabilities are presented – effective January 1, 2021 – under interest result rather than in other financial result as was previously the case. The changes have been implemented retrospectively per IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, thereby prompting amendments to prior-year figures in the consolidated statement of income and the consolidated statement of cash flows.

In light of the continued global influence exerted by the COVID-19 pandemic, estimates required when preparing this half-year financial report are subject to greater than normal 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.

Details of the impacts of the COVID-19 pandemic on the valuation of financial instruments can be found on page 41.

To simplify interim financial reporting, IAS 34.41 allows certain estimates and assumptions to be made beyond the scope permitted for consolidated 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 taxes on income, the interim tax expense is determined on the basis of the estimated effective income tax rate for the current fiscal year.

The interim report for the first half year, composed of condensed consolidated financial statements and an interim Group management report, was duly subjected to an auditor's review. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the interim consolidated financial statements and released them for forwarding to the Supervisory Board and for publication on August 10, 2021.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the scope of consolidation at June 30, 2021 includes 22 German and 186 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 controls 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, 2020:

Scope of consolidation

At January 1, 2021	**216**
Additions	–
Mergers	-4
Disposals	-3
At June 30, 2021	**209**

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

Acquisitions

On May 10, Henkel signed an agreement governing the acquisition of Swania International S.A. based in Luxembourg, Luxembourg. The acquisition involves the fast-growing organic detergent and cleaning brands Maison Verte and You, together with two traditional brands Baranne and O'Cedar. The acquisition is not expected to have any material effect on the net assets, financial position and results of operations.

Because some of the information that is crucial for valuation is not yet available, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 Business Combinations is provisional both in respect of the shares in Henkel Beauty & IB Holding GmbH, the subsidiaries of which operate the businesses involving the HelloBody, Banana Beauty and Mermaid+Me brands acquired effective September 1, 2020, and in respect of the business with sealants for consumers under the licensed GE brand acquired effective November 2, 2020. Also and above all, determination of the fair value of the other intangible assets, provisions and deferred taxes and the resulting goodwill from the acquisition has not yet been finalized.

Divestments

Active portfolio management is an essential element in determining the future strategic direction of the Henkel Group. Both the acquisition and sale of trademark rights and businesses are integral to our strategy.

Accordingly, in the Adhesive Technologies business unit, we sold our global insulated metal substrates business effective May 1, 2021, and our global sealants business effective May 7, 2021.

Effective March 31, 2021, our Beauty Care business unit sold its consumer business operations involving the two brands Scorpio and Mont St. Michel, which are marketed mainly in Europe. In addition, the sale of the business with the two consumer brands Right Guard and Dry Idea was completed effective June 1, 2021. The brands are mainly distributed in North America and the UK.

As part of its active portfolio management, the business unit Laundry & Home Care also divested individual small, non-core European consumer brands and businesses in the first half of 2021.

These disposals do not have any material effect on the net assets, financial position and results of operations.

Assets and liabilities held for sale

Compared to December 31, 2020, assets held for sale decreased from 228 million euros to 52 million euros, mainly due to the sale of assets associated with the divestments described above. The assets that were disposed of essentially comprise trademark rights and proportionate goodwill. The remaining assets held for sale as of June 30, 2021, continue to be recognized at the lower of carrying amount or fair value less costs of disposal.

Financial instruments

With the exception of derivative financial instruments, other investments, certain cash deposits recognized as securities and time deposits or as cash equivalents, and the Virtual Power Purchase Agreement presented in sundry financial assets or liabilities, all financial assets and liabilities 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 that are measured at amortized cost or at fair value through other comprehensive income.

When determining the valuation allowances on trade accounts receivable, greater default probabilities continue to be assumed in some cases compared to the start of the COVID-19 pandemic to reflect the anticipated financial difficulties that some of our customers may face in connection with the 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 fiscal 2020, we have therefore accrued higher risk provisions for unsecured outstanding amounts receivable.

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

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2020	Dec. 31, 2020	June 30, 2021	June 30, 2021
Financial assets	**Financial instruments class (valuation hierarchy of fair values)**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade accounts receivable	Amortized cost	3,106	–	3,576	–
Other financial assets		1,471	–	1,001	–
Receivables from non-consolidated subsidiaries and associated companies	Amortized cost	0	–	0	–
Financial receivables from third parties	Amortized cost	223	–	123	–
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	67	67	29	29
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	39	39	49	49
Investments in non-consolidated subsidiaries and associated companies	Not assigned to any valuation category under IFRS 9	6	–	6	–
Other investments	Fair value through other comprehensive income (level 3)	57	57	69	69
Receivables from Henkel Trust e.V.	Amortized cost	497	–	354	–
Securities and time deposits	Amortized cost	5	–	4	–
Securities and time deposits	Fair value through other comprehensive income (level 1)	2	2	3	3
Securities and time deposits	Fair value through profit or loss (level 1)	14	14	13	13
Securities and time deposits	Fair value through profit or loss (level 2)	401	401	71	71
Financial collateral provided	Amortized cost	74	–	176	–
Sundry financial assets	Amortized cost	86	–	103	–
Cash and cash equivalents	Amortized cost	1,566	–	1,268	–
Cash and cash equivalents	Fair value through profit or loss (level 2)	161	161	230	230
Total		**6,303**	**–**	**6,075**	**–**

TABLE CONTINUED ON NEXT PAGE

in million euros Financial liabilities	Financial instruments class (valuation hierarchy of fair values)	Dec. 31, 2020 Carrying amount	Dec. 31, 2020 Fair value	June 30, 2021 Carrying amount	June 30, 2021 Fair value
Borrowings		3,084	–	2,776	–
Bonds	Amortized cost (level 1)	2,370	2,407	2,435	2,454
Other borrowings	Amortized cost	714	–	341	–
Trade accounts payable	Amortized cost	3,953	–	4,218	–
Other financial liabilities		1,068	–	1,053	–
Lease liabilities	Not assigned to any valuation category under IFRS 9	560	–	610	–
Liabilities to non-consolidated subsidiaries and associated companies	Amortized cost	5	–	5	–
Liabilities to customers	Amortized cost	58	–	40	–
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	64	64	43	43
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	55	55	46	46
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	–	–	–	–
Sundry financial liabilities	Amortized cost (level 3)	313	322	285	290
Sundry financial liabilities	Amortized cost	13		23	–
Sundry financial liabilities	Fair value through profit or loss (level 3)	-11	-11	-11	-11
Sundry financial liabilities	Not assigned to any valuation category under IFRS 9	12	–	12	–
Total		**8,106**	**–**	**8,047**	**–**

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

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

We determine the fair value of forward exchange contracts and cross-currency interest rate swaps 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. 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	2020	2021	2020	2021
1 month	-0.55	-0.57	0.14	0.10
3 months	-0.55	-0.54	0.24	0.15
6 months	-0.53	-0.52	0.26	0.16
1 year	-0.53	-0.50	0.19	0.19
2 years	-0.52	-0.46	0.20	0.33
5 years	-0.46	-0.25	0.43	0.95
10 years	-0.26	0.11	0.92	1.42

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 2020

in million euros	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Contracts with embedded derivatives
Carrying amount at January 1, 2020	**-0**	**36**	**8**	**–**
Purchases	–	7	–	12
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	0	0	–	–
Foreign exchange effects/Other changes	–	-0	0	–
Carrying amount at June 30, 2020	**-0**	**44**	**8**	**12**

Development of level 3 assets and liabilities January–June 2021

in million euros	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Contracts with embedded derivatives
Carrying amount at January 1, 2021	**–**	**57**	**–**	**12**
Purchases	–	10	–	–
Gains/losses (realized) recognized in operating profit or loss	–	–	–	-0
Of which attributable to assets and liabilities held at the end of the reporting period	–	–	–	-0
Gains/losses recognized in other comprehensive income	–	1	–	–
Foreign exchange effects/Other changes	–	1	–	–
Carrying amount at June 30, 2021	**–**	**69**	**–**	**11**

The derivative financial instruments categorized as level 3 are commodity forwards accounted for using 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 other comprehensive income in the hedge reserve. 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.

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 25 million euros (previous year: 15 million euros). Shares in investment funds totaled 44 million euros (previous year: 29 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 investment. 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 recognized in other comprehensive income. 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 pertaining to the acquisition of the outstanding non-controlling shares in our subsidiary in the United Arab Emirates was determined in fiscal 2020 on the basis of the expected trend in earnings before interest, taxes, depreciation and amortization, impairment losses and write-ups (EBITDA) that was relevant to payment of the contingent purchase price component. In addition to the EBITDA figure, the exchange rate of the UAE dirham was a further material valuation parameter.

At December 31, 2020, the fair value of the liability was already 0 million euros. The income from reducing the liability was recognized through profit or loss. The payment obligation expired at the end of fiscal 2020.

The Virtual Power Purchase Agreement signed in 2020 as part of our sustainability strategy is recognized in total at fair value through profit or loss due to the embedded derivative it contains. The fair value allocated to level 3 is derived from the present value of the expected cash flows from the contract. In this case, the material valuation parameters are the anticipated electricity prices and the US dollar interest rate used for discounting.

If the anticipated electricity prices had been 10 percent higher or lower on the valuation date, the fair value of the agreement would have been 0 million euros higher or lower. An increase of 100 basis points in the US dollar interest rate would lead to a reduction in the fair value of 1 million euros, whereas a corresponding decrease would lead to an increase in the fair value of 1 million euros.

At the time of initial recognition, the fair value of the contract was higher than the transaction price. The corresponding difference of 12 million euros was deferred. Once the wind farm on which the Virtual Power Purchase Agreement is based starts operating, the difference will be recognized pro rata temporis in the statement of income over the term of the agreement. Since the wind farm has not yet started operating, no income was recognized in the year under review, nor in the previous year. The deferred difference is recognized in the statement of financial position together with the positive or negative fair value of the agreement under sundry financial assets or sundry financial liabilities. The changes in fair value and deferred amount will be recognized in other operating income or other operating expenses in the statement of income.

The liabilities recognized in sundry financial liabilities for the puttable instrument for the minority shareholders of eSalon.com LLC and Henkel Beauty & IB Holding GmbH are measured at amortized cost. The fair values indicated in the notes, which are allocable to level 3, correspond to the present value of the expected obligation in each case. The liabilities are 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 to determine the fair value. In addition to the sales of the company, the average annual growth rate in sales that forms the basis for determining the multiplier is a further material valuation parameter. In the case of the liability to the minority shareholders of eSalon.com LLC, the exchange rate of the US dollar is also a material valuation parameter.

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

Voting rights/Related party disclosures

The company has been notified that, on March 1, 2021, the proportion of voting rights held by the members of the Henkel family share-pooling agreement represented in total a share of 61.56 percent of the voting rights (159,942,629 votes) in Henkel AG & Co. KGaA.

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 pages 33 and 34.

The other changes in borrowings take into account a number of cash inflows and outflows, particularly arising from the issuance and redemption of commercial paper and current liabilities to banks, plus changes in collateral received. The change, both in the first half of 2021 and in the prior-year period, was essentially due to payments made and received in connection with our revolving short-term commercial paper financing program. It affected cash flow from financing activities to the tune of -443 million euros in the first six months of the fiscal year (previous year: 726 million euros). Of the dividend of 798 million euros paid to shareholders of Henkel AG & Co. KGaA, 475 million euros was paid on ordinary shares and 323 million euros on preferred shares.

Notes to the Group segment report

The Group measures the performance of its segments on the basis of a segment income variable referred to internally and in our reporting procedures as "adjusted EBIT," which is calculated by adjusting operating profit (EBIT) for one-time expenses and income, and also for restructuring expenses.

The reportable segments account for 12 million euros (previous year: 3 million euros) of the one-time income and for 34 million euros (previous year: 7 million euros) of the one-time expenses. Of the restructuring expenses, 57 million euros (previous year: 61 million euros) is attributable to the reportable segments. Of these restructuring expenses, 16 million euros (previous year: 8 million euros) is attributable to Adhesive Technologies, 6 million euros (previous year: 23 million euros) to Beauty Care, and 34 million euros (previous year: 30 million euros) to Laundry & Home Care.

For reconciliation with the figures for the Henkel Group, Group management overheads are reported under Corporate together with income and expenses that cannot be allocated to the individual business units.

For reconciliation with the income before tax of the Henkel Group, please refer to the consolidated statement of income and the financial result reported therein.

Subsequent events

On July 23, 2021, we completed the acquisition of Swania International S.A. based in Luxembourg, Luxembourg. Further details of this transaction can be found in the "Other disclosures" section on page 40.

Düsseldorf, August 10, 2021

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

Management Board
Carsten Knobel,
Jan-Dirk Auris, Wolfgang König, Sylvie Nicol,
Bruno Piacenza, 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, 2021, to June 30, 2021, 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 IFRSs 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 IFRSs 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 10, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
German Public Auditor

Michael Reuther
German Public Auditor

Responsibility statement

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

Düsseldorf, August 10, 2021

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

Management Board
Carsten Knobel,
Jan-Dirk Auris, Wolfgang König, Sylvie Nicol,
Bruno Piacenza, Marco Swoboda

Report of the Audit Committee of the Supervisory Board

In the meeting of August 10, 2021, the half-year financial report for the first six months of fiscal 2021 and the report prepared by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, on its review of the interim consolidated financial statements and the interim Group management report were presented to the Audit Committee, who also received verbal explanations from the Management Board and the auditor pertaining to the above. The Audit Committee has approved and endorses the half-year financial report.

Düsseldorf, August 10, 2021

Chairman of the Audit Committee
Prof. Dr. Michael Kaschke

Multi-year summary

First half year 2017 to 2021

in million euros		2017	2018	2019	2020	2021
Sales		**10,162**	**9,978**	**10,090**	**9,485**	**9,926**
Adhesive Technologies		4,665	4,702	4,731	4,153	**4,752**
Beauty Care		2,007	2,000	1,962	1,818	**1,839**
Laundry & Home Care		3,429	3,213	3,334	3,460	**3,275**
Adjusted[1] operating profit (EBIT)		1,763	1,768	1,641	1,191	**1,430**
Adjusted[1] earnings per preferred share	in euros	2.96	3.01	2.77	1.96	**2.40**

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

Second quarter 2017 to 2021

in million euros	2017	2018	2019	2020	2021
Sales	**5,098**	**5,143**	**5,121**	**4,558**	**4,958**
Adhesive Technologies	2,370	2,432	2,422	1,944	**2,394**
Beauty Care	997	1,035	1,002	883	**914**
Laundry & Home Care	1,703	1,644	1,666	1,705	**1,619**

Credits

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This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as expect, intend, plan, anticipate, believe, estimate, and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.

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Financial calendar

Publication of Statement for the Third Quarter 2021:
Monday, November 8, 2021

Publication of Report for Fiscal 2021:
Wednesday, February 23, 2022

Annual General Meeting Henkel AG & Co. KGaA 2022:
Monday, April 4, 2022