
# 2015 Annual Report



Henkel Excellence is our Passion

# Contents



## Our business units

### Laundry & Home Care

Our top brands

Persil, Purex, Pril

Sales

+ 4.9 %

organic sales growth

### Beauty Care

Our top brands

Schwarzkopf, Dial, syoss

Sales

+ 2.1 %

organic sales growth

### Adhesive Technologies

Our top brands

LOCTITE, TECHNOMELT, TEROSON

Sales

+ 2.4 %

organic sales growth

## Key financials Laundry & Home Care

4

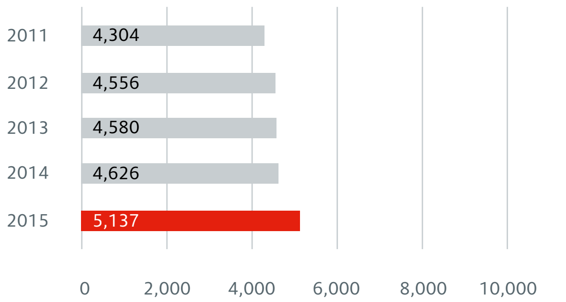
| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 4,626 | **5,137** | 11.0 % |
| Operating profit (EBIT) | 615 | **786** | 27.8 % |
| Adjusted[1] operating profit (EBIT) | 749 | **879** | 17.4 % |
| Return on sales (EBIT) | 13.3 % | **15.3 %** | 2.0 pp |
| Adjusted[1] return on sales (EBIT) | 16.2 % | **17.1 %** | 0.9 pp |

pp = percentage points
[1] Adjusted for one-time charges/gains and restructuring charges.

## Sales Laundry & Home Care

in million euros

5




## Key financials Beauty Care

6

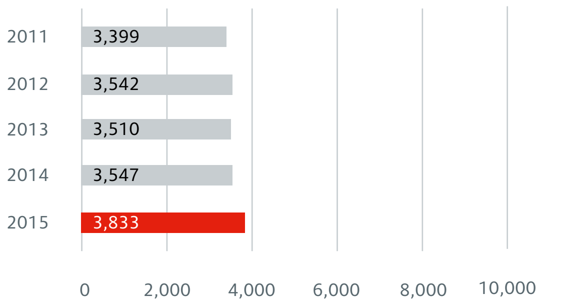
| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 3,547 | **3,833** | 8.1 % |
| Operating profit (EBIT) | 421 | **561** | 33.3 % |
| Adjusted[1] operating profit (EBIT) | 544 | **610** | 12.2 % |
| Return on sales (EBIT) | 11.9 % | **14.6 %** | 2.7 pp |
| Adjusted[1] return on sales (EBIT) | 15.3 % | **15.9 %** | 0.6 pp |

pp = percentage points
[1] Adjusted for one-time charges/gains and restructuring charges.

## Sales Beauty Care

in million euros

7




## Key financials Adhesive Technologies

8

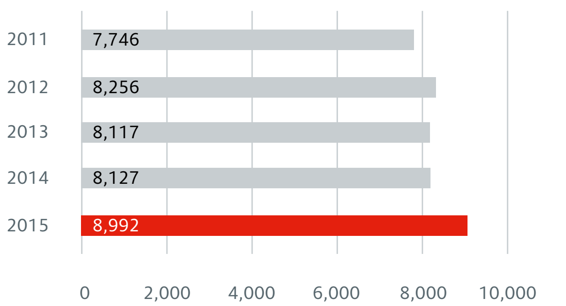
| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 8,127 | **8,992** | 10.6 % |
| Operating profit (EBIT) | 1,345 | **1,462** | 8.7 % |
| Adjusted[1] operating profit (EBIT) | 1,402 | **1,534** | 9.4 % |
| Return on sales (EBIT) | 16.6 % | **16.3 %** | –0.3 pp |
| Adjusted[1] return on sales (EBIT) | 17.2 % | **17.1 %** | –0.1 pp |

pp = percentage points
[1] Adjusted for one-time charges/gains and restructuring charges.

## Sales Adhesive Technologies

in million euros

9



# Highlights 2015

## Sales

+3.0 %

organic
sales growth

## EBIT

16.2 %

adjusted[1] return on sales (EBIT):
up 0.4 percentage points

## EPS

4.88 euros

adjusted[1] earnings per preferred
share (EPS): up 11.4 percent

## Dividend

1.47 euros

dividend per
preferred share[2]

## Key financials

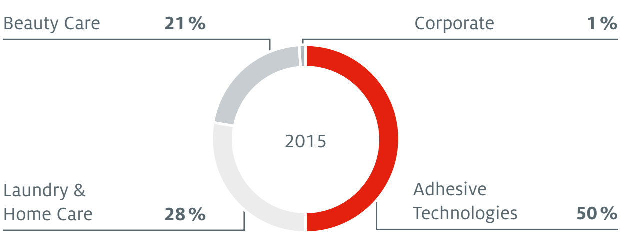
1

| in million euros | 2011 | 2012 | 2013 | 2014 | **2015** | +/– 2014 – 2015 |
|---|---|---|---|---|---|---|
| Sales | 15,605 | 16,510 | 16,355 | 16,428 | **18,089** | 10.1 % |
| Operating profit (EBIT) | 1,765 | 2,199 | 2,285 | 2,244 | **2,645** | 17.9 % |
| Adjusted[1] operating profit (EBIT) | 2,029 | 2,335 | 2,516 | 2,588 | **2,923** | 12.9 % |
| Return on sales (EBIT) in % | 11.3 | 13.3 | 14.0 | 13.7 | **14.6** | 0.9 pp |
| Adjusted[1] return on sales (EBIT) in % | 13.0 | 14.1 | 15.4 | 15.8 | **16.2** | 0.4 pp |
| Net income | 1,191 | 1,526 | 1,625 | 1,662 | **1,968** | 18.4 % |
| Attributable to non-controlling interests | 30 | 46 | 36 | 34 | **47** | 38.2 % |
| Attributable to shareholders of Henkel AG & Co. KGaA | 1,161 | 1,480 | 1,589 | 1,628 | **1,921** | 18.0 % |
| Earnings per preferred share in euros | 2.69 | 3.42 | 3.67 | 3.76 | **4.44** | 18.1 % |
| Adjusted[1] earnings per preferred share in euros | 3.14 | 3.63 | 4.07 | 4.38 | **4.88** | 11.4 % |
| Adjusted[1] earnings per preferred share in euros (2012 before IAS 19 revised) | | 3.70 | 4.07 | 4.38 | **4.88** | 11.4 % |
| Return on capital employed (ROCE) in % | 15.8 | 18.7 | 20.5 | 19.0 | **18.2** | – 0.8 pp |
| Dividend per ordinary share in euros | 0.78 | 0.93 | 1.20 | 1.29 | **1.45[2]** | 12.4 % |
| Dividend per preferred share in euros | 0.80 | 0.95 | 1.22 | 1.31 | **1.47[2]** | 12.2 % |

pp = percentage points
[1] Adjusted for one-time charges/gains and restructuring charges.
[2] Proposal to shareholders for the Annual General Meeting on April 11, 2016.

## Sales by business unit

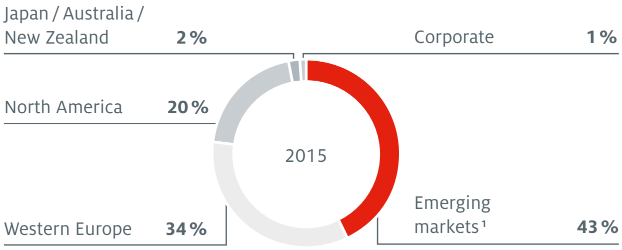
2




Corporate = sales and services not assignable to the individual business units.

## Sales by region

3




[1] Eastern Europe, Africa/Middle East, Latin America, Asia (excluding Japan).

## OUR VISION

# A global leader in brands and technologies.

## OUR VALUES

We put our **customers** at the center of what we do.

We value, challenge and reward our **people**.

We drive excellent sustainable **financial** performance.

We are committed to leadership in **sustainability**.

We build our future on our **family business** foundation.


## OUR TARGETS 2016

**20** bn € sales

**10** bn € sales in emerging markets

**10** % annual growth in earnings per share[1]

[1] Average annual growth in adjusted earnings per preferred share (compound annual growth rate / CAGR).

Including continuous portfolio optimization.

**Kasper Rorsted**
Chairman of the
Management Board

"We achieved strong financial performance, continued to successfully implement our strategy and laid a strong foundation for our future."

Dear Friends of the Company,

2015 was another successful year for Henkel: We grew all our businesses, increased our profitability and advanced key strategic initiatives. This enabled us to improve our competitiveness and create value for shareholders.

Led by our long-term vision to become a global leader in brands and technologies and guided by our values, we continued to implement our strategy: We want to outperform our competition as a globalized company with simplified operations and an inspired team. Our clear focus on this strategy and the dedication of our employees around the world were critical to delivering strong performance – despite a highly volatile and challenging business environment.

In 2015, the global economy grew only moderately. The growth in emerging markets continued to slow down to around 4 percent. This was mainly attributable to lower growth rates in China and recessions in a number of other emerging markets, such as Brazil. The conflict between Russia and Ukraine affected economic growth and the business environment, as did instability in the Middle East. Mature markets grew around 2 percent, mainly driven by robust economic growth and lower unemployment in the USA. While lower oil prices supported industrial and household demand in many countries, they negatively affected emerging economies that rely on income from oil exports.

## Strong performance in 2015

In 2015, Henkel Group sales grew to 18,089 million euros, a double-digit increase compared to 16,428 million euros in the previous year. Organic sales growth was 3.0 percent. Adjusted[1] earnings before interest rates and taxes (EBIT) grew by 12.9 percent to 2,923 million euros compared to 2,588 million euros. Adjusted[1] return on sales improved to 16.2 percent compared to 15.8 percent. Adjusted[1] earnings per preferred share (EPS) grew to 4.88 euros, an increase of 11.4 percent compared to 4.38 euros in 2014.

**+3.0 %**
organic sales growth.

**16.2 %**
adjusted[1] return on sales.

**+11.4 %**
adjusted[1] earnings per preferred share.

All three business units delivered solid organic growth and improved their profits. Our emerging markets continued to be the main growth drivers and reported strong organic growth of 5.9 percent in 2015. We also achieved positive organic sales growth in our mature markets.

Henkel increased its cash flow from operating activities to 2,384 million euros versus 1,914 million euros in 2014 and continued to invest in its businesses, brands and innovation capabilities. Capital expenditures (excluding acquisitions) rose to 625 million euros from 517 million euros in 2014. In addition, we closed a number of acquisitions across all business units with a total value of more than 300 million euros.

At our Annual General Meeting on April 11, 2016, we will propose to our shareholders a dividend payment of 1.47 euros per preferred share. This represents an increase of 12.2 percent compared to the 1.31 euros paid out in 2015.

In summary, we delivered another excellent year for Henkel in 2015: We recorded double-digit growth rates in sales, profits, earnings per share, share price and our proposed dividend.

## Outperform our competition

We have identified digitalization as a key driver of our business success and made further progress in integrating it into all dimensions of our business and processes. In 2015, we continued to standardize and digitalize our business platforms. We also improved internal networking and collaboration and successfully expanded our market- and customer-facing digital activities.

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

**61 %**
of sales generated by top 10 brands.

Strong brands are the backbone of our business. The share of sales generated by our top 10 brands accounted for 61 percent of total sales compared to 59 percent in the previous year. Our top three brands – Persil, Schwarzkopf and Loctite – generated combined sales of 5.9 billion euros. This significant increase over the previous year was driven by continuous innovation, investment in brand equity and expansion into new markets.

Our commitment to innovation is reflected in high innovation rates across all businesses: In 2015, we generated more than 45 percent of sales in our Laundry & Home Care and Beauty Care businesses with products launched within the last three years. In our Adhesive Technologies business, the share of sales from products launched within the last five years was around 30 percent.

Strong relationships with our major retail and industrial customers are a critical success factor for our business and helped us to grow our share of sales with them in 2015.

## Globalize our company

**43 %**
of sales generated in emerging markets.

We aim to expand our footprint in emerging markets while leveraging our strong positions in mature markets. In 2015, sales in emerging markets accounted for 43 percent of total Group sales, slightly below the share in the previous year, mainly due to declining currencies in a number of emerging markets. At the same time, adjusted for currency fluctuations as well as acquisitions and divestments, emerging markets were the main growth driver for Henkel. We will continue to grow our presence in these markets.

In mature markets, we were able to grow our business and leverage our leading market positions. A highlight in 2015 was the successful launch of two of our flagship brands, Persil and Schwarzkopf, in the US retail business. These launches helped us to return to growth and to improve our performance in our largest market.

## Simplify our operations

We aim to continuously simplify our organization in order to improve our operational excellence, increase our efficiency and create competitive advantage. In 2015, we made significant progress in building a scalable business model with standardized, digitalized and accelerated business processes. We successfully established a new organization that manages global supply chain and purchasing activities for all our business units. Its rollout will continue in 2016 and beyond. By the end of 2015, the number of employees in our six shared service centers around the world had climbed to more than 3,000. Key processes for our global organization are handled in these centers. In addition, we launched a new digital networking platform for all employees globally. It complements their digital workplaces and facilitates collaboration across the entire organization.

## Inspire our global team

Excellent performance is based on a clear strategy and a strong global team that drives its execution. In order to excel in a highly dynamic and complex business environment, our diverse and increasingly virtual teams require strong leaders. We aim to continuously improve our leadership team and foster a unique performance culture.

A diverse workforce that blends different cultural backgrounds and work experiences is an important success factor. We actively manage diversity and have made significant progress over the past years. In 2015, the share of employees in emerging markets was 55 percent. The share of female managers was around 33 percent.

Around **33 %**
of our managers are women.

## Committed to leadership in sustainability

2015 was an important milestone on our path toward our long-term sustainability goal: By 2030 we want to triple the value we create for our customers and consumers, for the communities in which we operate and for our company – compared to the environmental footprint of our operations and products.

I am proud to report that we exceeded our interim targets for the first five-year period up to 2015. We improved our overall resource efficiency by 38 percent between 2011 and 2015. This has created a strong foundation to meet our long-term goal by 2030. For the next five years, we have defined a target of 75 percent improvement compared to the base year 2010.

2016 marks another milestone in sustainability for us: We have published our 25th Sustainability Report. Since our first Environment Report in 1992, we have developed it into a detailed and extensive report.

We are committed to leadership in sustainability – this is anchored in our company values. We will continue to be ambassadors for sustainability, drive continuous improvements in all its dimensions and actively engage in dialog with stakeholders on our strategy, decisions and actions.

## Committed to our targets

2015 was an excellent year for Henkel: We achieved strong financial performance, continued to successfully implement our strategy and laid a strong foundation for our future. After three years of our four-year strategy cycle, we are well on track to meet our key targets for 2016.

After 11 years on the Management Board and 8 years as CEO, I have decided to leave Henkel after the Annual General Meeting at the end of April 2016. I am deeply grateful for my time with Henkel, and I am convinced that the company is well positioned to continue to prosper and grow.

I would like to thank all Henkel employees for their dedication and contribution to our excellent business performance. I would also like to thank our supervisory bodies for their valuable advice. I would like to especially thank you, our shareholders, for your continued trust and support. And finally, I would like to thank our customers around the world for their confidence in our company, people, brands and technologies.

Everyone at Henkel is fully committed to our strategy and targets, and we will continue to implement our strategy and deliver excellent performance.

Düsseldorf, January 29, 2016

Sincerely,

Kasper Rorsted

**Kasper Rorsted**
Chairman of the Management Board

**Dr. Simone Bagel-Trah**
Chairwoman of
the Shareholders' Committee
and the Supervisory Board

"Fiscal 2015 was very successful for Henkel. We are well equipped for the challenges of the future and look toward the continued development of the corporation with confidence."

# Dear Shareholders and Friends of the Company,

In a difficult business environment characterized by weaker growth in Asia, stagnating economies in Latin America and Eastern Europe, and moderate private consumption overall, fiscal 2015 was very successful for Henkel. All of our business units recorded organic sales growth and a further increase in earnings.

On behalf of the Supervisory Board, I would like to thank all of our employees for their exceptional commitment this past year. My thanks are equally due to the members of the Management Board who have steered the company successfully through these challenging market conditions. I would also like to thank our employee representatives and Works Councils for their constructive support in moving Henkel forward.

To you, our shareholders, I extend my special thanks for your continued confidence in our company, its management and employees, and our brands and technologies over this past fiscal year.

## Ongoing dialog with the Management Board

Again in fiscal 2015, the Supervisory Board diligently discharged its duties in accordance with the legal statutes, Articles of Association and rules of procedure governing our actions. In particular, we consistently monitored the work of the Management Board, advising and supporting it in its stewardship, in the strategic further development of the corporation, and in decisions relating to matters of major importance.

In the course of 2015, the Management Board and the Supervisory Board continued to cooperate through extensive dialog founded on mutual trust and confidence. The Management Board kept us regularly and extensively informed of all major issues affecting the corporation's business and our Group companies with prompt written and oral reports. Specifically, the Management Board reported on the business situation, operational development, business policy, profitability issues, our short-term and long-term corporate, financial and personnel plans, as well as capital expenditures and organizational measures. Quarterly reports focused on the sales and profits of Henkel Group as a whole, with further analysis by business unit and region. All members of the Supervisory Board consistently had sufficient opportunity to critically review and address the issues raised by each of these reports and to provide their individual guidance.

The Chairman of the Audit Committee and I, as Chairwoman of the Supervisory Board, remained in regular contact with the Chairman of the Management Board outside of Supervisory Board meetings. This procedure ensured that we were constantly aware of current business developments and significant events. The other members were informed of major issues no later than by the next Supervisory Board or committee meeting.

The Supervisory Board and the Audit Committee each held four regular meetings in the reporting year. Attendance at the Supervisory Board and committee meetings was around 91 percent and 96 percent respectively. Béatrice Guillaume-Grabisch attended two meetings of the Supervisory Board.

There were no indications of conflicts of interest involving Management Board or Supervisory Board members that required immediate disclosure to the Supervisory Board and reporting to the Annual General Meeting.

## Major issues discussed at Supervisory Board meetings

In each of our meetings, we discussed the reports submitted by the Management Board, conferring with it on the development of the corporation and on strategic issues. We also discussed the overall economic situation and Henkel's business performance.

In our meeting on March 2, 2015, we focused on approving the annual and consolidated financial statements for 2014, including the risk report and corporate governance report, the 2015 Declaration of Compliance, and our proposals for resolution by the 2015 Annual General Meeting. A detailed report of this was included in our last Annual Report. We also discussed the concept of Laundry & Home Care's Global Experience Center in Düsseldorf, where we present our innovations to our customers through interactive experiences.

In addition to the general business performance in the first months of the fiscal year, the focus of our meeting on April 13, 2015 was on the challenges facing our corporation from an increasingly digitalized environment. We extensively discussed the priorities for our digital strategy and the corresponding steps being taken in our business units. These include the increased use of digital applications by our employees, innovative solutions and technologies for analyzing data, reaching our customers through digital media, and the expansion of our eCommerce operations.

In our meeting on September 18, 2015, we extensively discussed business and market developments in North America. In the consumer businesses, where the market is characterized by intense competition, the introduction of Persil ProClean and of hair care and styling products in retail channels under the Schwarzkopf brand generated positive results. The Adhesive Technologies business unit also performed positively in North America. We reviewed the structural measures that had been taken, mainly in light of weakening growth in Asia. Likewise addressed at this meeting were the continued development of the leadership team and the recruitment of management talent in emerging markets.

Our meeting on December 11, 2015 focused on the expected figures for 2015 and on our assets and financial planning for fiscal 2016. We also discussed the associated budgets of our business units in detail based on comprehensive documentation.

## Supervisory Board committees

In order to enable us to efficiently comply with the duties incumbent upon us according to legal statute and our Articles of Association, we have established an Audit Committee and a Nominations Committee. The Audit Committee was chaired in the year under review by Prof. Dr. Theo Siegert, who complies with the statutory requirements of impartiality and expertise in the fields of accounting or auditing and brings experience in the application of accounting principles and internal control procedures. For more details on the responsibilities and composition of these committees, please refer to the corporate governance report on pages 31 to 40 and the membership lists on page 185 of this Annual Report.

## Committee activities

Pursuant to its appointment by the 2015 Annual General Meeting, the Audit Committee mandated the external auditor to audit the annual financial statements and the consolidated financial statements, and to review the interim financial reports for 2015. The audit fee and focus areas of the audit were also established. The Audit Committee obtained the necessary validation of auditor independence for the performance of these tasks. The auditor has informed the Audit Committee that there are no circumstances that might give rise to a conflict of interest in the execution of its duties.

The Audit Committee met four times in the year under review. The Chairman of the Audit Committee also remained in regular contact with the auditor outside of the meetings. The meetings and resolutions were prepared through the provision of reports and other information by the Management Board. The Chair of the Committee reported promptly and in full to the plenary Supervisory Board on the content and results of each of the Committee meetings.

All Audit Committee meetings focused on the company and Group accounts, including the interim (quarterly and half-year) financial reports, with all matters arising being duly discussed with the Management Board. The three meetings at which we discussed and approved the interim financial reports were attended by the auditor. The latter reported on the results of the reviews and on the main issues and occurrences relevant to the work of the Audit Committee. There were no objections raised in response to these reports.

The Audit Committee also reviewed the accounting process and the efficacy and further development of the internal Group-wide control and risk management system. One of its tasks was to review the efficiency of the risk management system, based on the risk reports of previous years. In addition, the Audit Committee received the report of the General Counsel & Chief Compliance Officer regarding major litigations and compliance within the Group, as well as the status report of the Head of Internal Audit. It approved the audit plan put forward by Internal Audit, which extends to examining the functional efficiency and efficacy of the internal control system and our compliance organization. Discussion also centered on treasury risks and their management and on the current reform in statutory auditing including its impact on the work of the Audit Committee.

At its meeting on February 22, 2016, attended by the auditor, the Audit Committee discussed the annual and consolidated financial statements for fiscal 2015, including the audit reports, the associated proposal for appropriation of profits, and the risk report. It also prepared the corresponding resolutions of the Supervisory Board. The Committee also made its recommendation to the Supervisory Board regarding the latter's proposal for resolution by the Annual General Meeting relating to the appointment of the external auditor for fiscal 2016. A declaration from the auditor asserting its independence was again duly received, accompanied by details pertaining to non-audit services rendered in fiscal 2015 and those envisioned for fiscal 2016. There was no evidence of any bias or partiality on the part of the auditor. As in previous years, other members of the Supervisory Board took part as guests in this specifically accounting-related meeting of the Audit Committee.

The Nominations Committee prepared the resolutions of the Supervisory Board to be presented to the 2016 Annual General Meeting for the upcoming new election of shareholder representatives. In addition to the qualifications of the individual candidates, the Nominations Committee also takes into account when selecting candidates the recommendations of the German Corporate Governance Code [DCGK] and the targets set by the Supervisory Board for its future composition. All of the candidates confirmed their ability to devote the time needed to perform Supervisory Board duties.

## Efficiency audit

The Supervisory Board and Audit Committee regularly review the efficiency with which they perform their duties, based on a comprehensive, company-specific checklist distributed to all members. The checklist covers important aspects such as meeting preparation and procedure, the scope and content of documents and information – particularly with respect to financial reports, compliance and audits – as well as financial control and risk management. Such a survey took place in the reporting year. The results and assessments were examined in detail in the meeting of the Audit Committee on February 22, 2016 and the meeting of the Supervisory Board on February 23, 2016, where issues of corporate governance and opportunities for improvement were also discussed. The efficiency with which the Supervisory Board and Audit Committee carry out their duties and the required independence of their membership were duly confirmed.

## Corporate governance and declaration of compliance

The Supervisory Board again dealt with questions of corporate governance in the reporting year. Specifically, in our meeting on September 18, 2015, we reviewed and updated our targets for the composition of the Supervisory Board, taking into account new legislation concerning the composition of supervisory boards for co-determined and listed companies and the relevant provisions of the German Corporate Governance Code. Details of these changes and on Henkel's corporate governance can be found in the management report on corporate governance (pages 31 to 40 of this Annual Report), with which we fully acquiesce.

At our meeting on February 23, 2016, we discussed and approved the joint Declaration of Compliance of the Management Board, the Shareholders' Committee and the Supervisory Board with respect to the German Corporate Governance Code [DCGK] for 2016. The full wording of the current and previous declarations of compliance can be found on the company website.

## Annual and consolidated financial statements / Audit

The auditor appointed for 2015 by the Annual General Meeting – KPMG – has examined the annual financial statements prepared by the Management Board in accordance with the provisions of the German Commercial Code [HGB], and the consolidated financial statements along with the consolidated management report, which has been combined with the management report for Henkel AG & Co. KGaA for 2015. The auditor issued an unqualified opinion for each report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and in accordance with the supplementary German statutory provisions pursuant to Section 315a (1) HGB. The consolidated financial statements in their present form exempt us from the requirement to prepare consolidated financial statements in accordance with German law.

KPMG conducted the audit in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), and in supplementary compliance with International Standards on Auditing (ISA).

The annual financial statements, consolidated financial statements and combined management report, the audit reports of KPMG and the recommendations by the Management Board for the appropriation of the profit made by Henkel AG & Co. KGaA were presented in good time to all members of the Supervisory Board. We examined these documents and discussed them at our meeting of February 23, 2016. This was attended by the auditor, which reported on its main audit findings. We received the audit reports and declared our acquiescence therewith. The Chair of the Audit Committee provided the plenary session of the Supervisory Board with a detailed account of the treatment of the annual financial statements and the consolidated financial statements by the Audit Committee. Having received the final results of the review conducted by the Audit Committee and concluded our own examination, we see no reason for objection to the aforementioned documents. We have agreed to the results of the audit. The assessment by the Management Board of the position of the company and the Group coincides with our own appraisal. At our meeting of February 23, 2016, we concurred with the recommendations of the Audit Committee and therefore approved the annual financial statements, the consolidated financial statements and the combined management report as prepared by the Management Board.

Additionally, we discussed and approved the proposal by the Management Board to pay out of the unappropriated profit of Henkel AG & Co. KGaA a dividend of 1.45 euros per ordinary share and of 1.47 euros per preferred share, and to carry the remainder and the amount attributable to the treasury shares held by the company at the time of the Annual General Meeting forward to the following year. This proposal takes into account the financial and earnings position of the corporation, its medium-term financial and investment planning, and the interests of our shareholders.

In our meeting on February 23, 2016, we also ratified our proposal for resolution by the Annual General Meeting relating to the appointment of the external auditor for the next fiscal year, based on the recommendations of the Audit Committee.

## Risk management

Risk management issues were examined not only by the Audit Committee but also the plenary Supervisory Board, with emphasis on the risk management system in place at Henkel and any major individual risks of which we needed to be notified. There were no identifiable risks that might jeopardize the continued existence of the corporation as a going concern. The structure and function of the risk early warning system were also integral to the audit performed by KPMG, which found no cause for reservation. It is also our considered opinion that the risk management system corresponds to the statutory requirements and is fit for the purpose of early identification of developments that could endanger the continuation of the corporation as a going concern.

## Changes in the Supervisory Board and Management Board

There were no changes in the Supervisory Board in the year under review.

As announced in mid-January 2016, Kasper Rorsted will leave the company at his own request as of April 30, 2016. Hans Van Bylen, who is currently Executive Vice President with lead responsibility for the Beauty Care business unit, has been appointed as the new Chairman of the Management Board effective May 1, 2016. Pascal Houdayer has been appointed to the Management Board effective March 1, 2016, and will take over as Executive Vice President with lead responsibility for the Beauty Care business unit as of May 1, 2016.

Kasper Rorsted achieved a lot for Henkel during his 11 years as a member of the Management Board, 8 of which he served as Chairman of the Management Board. Under his leadership since 2008, the company has delivered successful performance in a challenging market environment. Sales, profitability and market capitalization have increased significantly and our top brands have been strengthened. For this, I would like to sincerely thank Kasper Rorsted on behalf of all governance committees, employees and shareholders of Henkel.

Hans Van Bylen has long-standing, international experience at Henkel – both in managing brands and markets, and on the Management Board. He started his successful career at Henkel back in 1984. In the more than 31 years since then, he has occupied various management posts involving extensive regional responsibility in both the Laundry & Home Care and Beauty Care business units. Hans Van Bylen was appointed to the Management Board in 2005 with responsibility for the Beauty Care business.

Pascal Houdayer was appointed Corporate Senior Vice President at the Laundry & Home Care business unit in 2011. Since that time he has been responsible for International Marketing within the Home Care business area, the digital activities of the business unit, and also its operations in the Asia-Pacific region. Prior to this, he worked from 1993 for another globally active corporation, occupying a number of positions of international responsibility in the laundry detergent / household cleaner and toiletry segments.

We wish Hans Van Bylen and Pascal Houdayer every success in their new roles. We are delighted to have two experienced leaders from within Henkel moving into these positions on the Management Board.

The year ahead will once again present challenges to all of our employees and our management. Many of the issues and changes encountered and tackled in 2015 will remain important for us in 2016. Henkel is well equipped for these challenges and we look toward the continued development of our corporation with confidence.

We thank you for your ongoing trust and support.

Düsseldorf, February 23, 2016

On behalf of the Supervisory Board

Simone Bagel-Trah

**Dr. Simone Bagel-Trah**
(Chairwoman)


## Outperform

# Digitalization drives business success

Leveraging digital technology to keep pace with changing customer and consumer trends remained an important driver of our business success in 2015. We also continued to strengthen our top brands, maintained high innovation rates across all business units and deepened our relationships with key customers and consumers.

Digitalization offers an abundance of choices and creates transparency about quality and prices. It also helps to build strong brands in order to meet customer and consumer demands. This has a significant impact on our business operations, innovations, production technologies and processes. It also changes the way global teams around the world collaborate and communicate. We anticipated these trends early on and included digitalization as a main component of our strategic priority “Outperform.” This has given us the ability to leverage digital opportunities that lie ahead.


A clear strategic framework guides digital projects and initiatives across all business units and functions at Henkel. As members of our Digital Steering Group, Dr. Nils Daecke, Dr. Salima Douven and Georg Wawer (from the left) regularly discuss current and future trends and align on the execution of key digital initiatives – from internal processes and systems to customer-facing platforms and channels.

Our digital strategy provides a clear framework for a consistent and integrated approach to digitalization throughout the entire company. It enables us to evolve our digital culture, leverage data and technology, engage customers and consumers across all digital touchpoints and grow our business through digitalization.

Our Digital Council promotes and coordinates this strategy. Within this Council, senior managers and digital experts from all business units and functions work together on strategic digital projects. In 2015, we made progress on the integration of our SAP systems into one platform. We also launched our internal networking platform Yammer, which connects our global workforce and enables digital exchange and collaboration. We expanded our customer-facing digital activities, for example through targeted social media campaigns. We also successfully grew our eCommerce activities, such as in our Beauty Care business in China or with our business-to-business platform “Henkel POD.”

## Strengthening our top brands

In 2015, we continued to focus on strengthening our top brands and were able to expand their share of sales: Our top 10 brands accounted for 61 percent of our total Group sales, up from 59 percent in the previous year. Our top three brands, Persil, Schwarzkopf and Loctite, generated combined sales of around 5.9 billion euros in 2015 compared to around 5 billion euros in 2014. We focus on our top brands and strengthen them through investments in innovation and brand equity as they generate above-average growth and profitability.

Persil is the leading brand for our Laundry & Home Care business unit and has been characterized by a commitment to innovation and performance for more than 100 years. Today, Persil is available in more than 50 countries, gaining market share and new customers year after year. In 2015, we launched Persil ProClean in the US market, supported by a successful, targeted social media campaign. It is now being rolled out nationwide. In 2015, our high-performance laundry detergents from Persil achieved global sales of around 1.2 billion euros.

Our Schwarzkopf brand is the global hair expert and the largest brand of our Beauty Care business unit. Schwarzkopf products are available in more than 60 countries. Since its creation in 1898, outstanding innovation, quality, passion and competence have been the key characteristics of this iconic brand. Thanks to its winning innovations in both its professional and retail markets, Schwarzkopf has continuously gained market shares in all categories and generated sales of more than 2 billion euros. Supported by a holistic, consumer-centered approach with a clear focus on digital activities, we successfully introduced Schwarzkopf in the US retail market in 2015. The brand, with its premium positioned hair care, styling and color products, is now being rolled out nationwide.

# Outperform

Loctite is the largest brand within our Adhesive Technologies business unit and one of the most trusted brands for adhesives, sealants and coating solutions. Loctite products are used in more than 130 countries globally and in many different industries, including aerospace, automotive, and industrial assembly and repair. It is also widely used in consumer applications. In 2015, Loctite products achieved sales of around 2.7 billion euros. Loctite became the first-ever adhesives brand to advertise during the annual National Football League Super Bowl® in the USA in 2015. The commercial generated 45 million page impressions on social media and was the number-one trending topic on Twitter directly after airing. The campaign significantly increased brand awareness and helped position Loctite as a leading adhesives brand.

## Focus on customers

Customer focus is one of our values at Henkel. We put our customers at the center of everything we do and promote customer understanding and connection across the entire company. We put particular emphasis on deepening our relationships with our largest customers through "top-to-top" exchanges led by our Management Board. This helps us to better understand their dynamic business environment and growth ambitions, and to adapt our cooperation with them accordingly to drive joint business success.

Our Laundry & Home Care Global Experience Center in Düsseldorf provides a unique platform for such "top-to-top" meetings. Here, visitors learn firsthand

## Powerful innovations

In highly competitive markets, we continuously strengthen our innovation capabilities to better anticipate and meet the needs of our customers and consumers around the world. Our regional research centers allow us to develop customer-specific solutions and innovations. Since the start of our current strategy cycle in 2013, we have opened or expanded five research and development centers globally.

In 2015, we achieved high innovation rates in all three business units. In both Laundry & Home Care and Beauty Care, the innovation rate – the share of products launched within the last three years – was more than 45 percent. In Adhesive Technologies, the share of sales from products launched within the last five years was around 30 percent.


With our new-generation fabric softener Silan Soft & Oils, our Laundry & Home Care business answers consumer demand for "affordable luxury" in Eastern and Western Europe. It is the first transparent fabric softener on the market and allows for extra softness as well as an intensive, long-lasting fragrance. This innovation has enabled us to significantly increase value in the fabric softener category, giving us a clear competitive advantage. The product is available in 19 European countries under the brand names Silan and Vernel. Here we see a Polish consumer using Silan Soft & Oils.

about our innovation capabilities through cutting-edge technology, live demonstrations and opportunities for interaction. Since its opening at the beginning of 2015, we have welcomed numerous customers as well as other stakeholders from all over the world.

Within Beauty Care, our strong customer focus forms one of the key pillars for our long-term profitable growth. Through both the Beauty Care Lighthouse, our well-established customer center in Düsseldorf, and extended strategic partnerships with key retailers around the world, we have been able to leverage global and local agreements and work together on joint business planning. This enables us to generate above-average growth and regularly earns us top rankings in global customer surveys as well as prestigious industry awards as best supplier in the beauty category.

Within our Adhesive Technologies business unit, we have further reinforced our innovation capabilities worldwide to develop tailor-made solutions together with our customers. In our global innovation centers, we offer a broad portfolio of application technologies, specification testing, validation, and training for various industries. With our new innovation center in Shanghai, for example, our customers particularly benefit from our expert knowledge based on strong collaboration across all our business areas.

## Globalize

# Strong performance worldwide

We continued to globalize our businesses, delivering growth in emerging and mature markets in 2015. This successful development was driven by strategic investments in brands and technologies as well as in R&D and manufacturing capacities. We also grew our businesses through winning digital initiatives and expansion into new markets and categories.

In order to strengthen our market and category positions around the world, we continued to invest in our leading brands and technologies to meet local or regional needs. We expanded our R&D capabilities and enhanced our manufacturing setup – in particular in emerging markets. Digital initiatives also played an increasingly important role in driving our business success in many markets. Targeted acquisitions across all business units helped to further strengthen and complement our positions in


Singles' Day, which is held each year on November 11 in China, has become the world's largest online retail day with sales of more than 13 billion euros and over 500,000 packages shipped. From the left: Adele Zhang, Tony Wan, Mark Gu and Thea Lang from the Henkel Beauty Care team in Shanghai discuss our product and promotion strategy for the 2015 Singles' Day. With a focused strategy in place, Beauty Care has achieved a breakthrough in the eCommerce domain with an impressive quota of online sales catering to the highly mobile lifestyle of the world's largest eCommerce markets.

selected markets and categories or add specific technological expertise. Our successful development in a volatile business environment is testament to the strength and commitment of our teams in both emerging and mature markets.

## Strong performance in emerging markets

In 2015, emerging markets continued to be the main growth driver for Henkel with an organic sales growth of 5.9 percent. The share of sales generated in emerging markets was 43 percent.

With a population of over 1.3 billion, China is not only the world's leading emerging country, but also the largest eCommerce market. While we saw the impact of the economic slowdown in our industrial business, our Beauty Care business continued to deliver double-digit organic sales growth, also driven by strong online sales.

To further expand our leading position in the Chinese hair cosmetics market, our Beauty Care business unit launched an advanced strategic partnership with Alibaba, China's largest online commerce company. In 2015, Beauty Care generated around 30 percent of its sales in China through eCommerce, which is double the amount from the previous year. This also exceeds the high growth rates in the Chinese eCommerce market. Driven by tailored eInnovations and a dedicated, passionate team of local experts, Schwarzkopf now is the number one hair care brand on Tmall, Alibaba's business-to-consumer platform.

Our Laundry & Home Care business unit has created global impact for its brands with over 6.5 billion qualitative ad impressions from digital campaigns in 2015. We have gained over 30 percent growth in reach on social media platforms and are constantly exploring new marketing technologies. We have also made significant progress in eCommerce in emerging markets: For example, over 30 percent of our revenue in South Korea is generated through digital channels, and we are constantly expanding this share. The strategic focus of our brands such as Persil, Bref and Somat is to utilize these digital trends. We are constantly improving marketing efficiency, exploring new communication channels and focusing on engaging video content. We have partnered with digital start-ups in order to stay up-to-date on trends and ensure business model innovation. In 2016, we plan to further increase our investment in digital marketing by a high double-digit percentage.

In our Adhesive Technologies business unit, we continued to invest in modern multi-technology production sites, especially in emerging markets. In India, the second-largest emerging market globally, we began construction of a new adhesives production facility. When completed in early 2017, the 20,000 square meter plant will be the largest of its kind in India with a potential output of around 80,000 metric tons per year. In Mumbai, we inaugurated the Henkel Flexible Packaging Academy, the first of its kind in the India, Middle East and Africa region. This academy

# Globalize

offers certified training programs for professionals in the flexible packaging industry in association with the Indian Institute of Packaging. In addition, we opened new adhesives production facilities in Russia and in Bosnia and Herzegovina. We also began construction of a new plant in Georgia.

## Top positions in mature markets

Henkel holds leading positions in many mature markets around the world. In 2015, we achieved organic sales growth of 0.7 percent in these markets. This was driven in particular by positive development in North America.

Our Laundry & Home Care business unit has continuously strengthened its leading position in its mature markets – from Western Europe to the USA – and expanded into new markets in Australia and New Zealand. In 2015, we acquired Colgate-Palmolive's entire range of laundry detergent and pre-wash brands in Australia and New Zealand. This acquisition makes the Laundry Care business one of the leading players in the detergents category in those countries. In Western Europe, the integration of Spotless Group, which was acquired in 2014, has created new growth potential in highly profitable categories, complementing our existing Laundry & Home Care portfolio. In the USA, we successfully launched our flagship detergent brand Persil ProClean.


Working closely with customers like Morey, an electronics manufacturing services partner in the United States, enables Henkel to provide tailor-made solutions around the world. Morey employee Kevin Hussey explains to Hailey Kamen from Henkel how he tracks the application of Loctite GC 10 on circuit boards.

Further leveraging country and category opportunities, our Beauty Care business unit complemented its strong performance in the USA, the largest hair market worldwide, with the successful launch of our top brand Schwarzkopf in the retail market. Introduced in parallel across all hair categories, the brand and products have been recognized with multiple industry and consumer awards. In Europe, Beauty Care invested in the expansion of its production facility for shampoos and shower gels in Germany. This advanced, high-throughput facility serves all Western European markets as well as selected markets in Eastern Europe.

Based on the strong positions of its different business areas, Adhesive Technologies was able to leverage its innovation competence and introduce state-of-the-art technologies globally. With the first-ever temperature-stable solder paste Loctite GC 10, for example, we offer customers in the electronics industry process improvements and cost reductions by providing them with a solution to logistical and storage challenges. The product cuts energy consumption and reduces waste by eliminating the need for refrigerated transport and storage. Loctite GC 10 has been a catalyst for expanding partnerships with our customers, such as with the US-based electronics manufacturing service partner Morey Corporation. The company recently selected Henkel as its primary solder paste and adhesives partner.


## Simplify

# Creating competitive advantage

In 2015, we made significant progress in driving operational excellence and building a scalable business model, which will increase our efficiency and competitiveness. We successfully launched our global supply chain organization, expanded shared services and advanced the integration of our IT platforms.

Continuously simplifying our organization is one of our strategic priorities. We aim to improve operational excellence in all dimensions of our business processes. Building a scalable business model with standardized, digitalized and accelerated processes will help us create competitive advantages in terms of speed, agility and cost efficiency.

### Rollout of one global supply chain

Our newly established global supply chain organization blends the knowledge of a company with nearly 140 years of history with the energy and excitement of a start-up. Within this new organization, colleagues from all business units and functions work together

Around 150 employees from all functions and business units work together in our new global supply chain company, located in one of the world's most sustainable buildings, The Edge, in Amsterdam, the Netherlands. From the left: Andrea Hermanns, Chen Zhang, Diego Patruno, May ElMenshawy, Nataliya Soloveva and Marilia Figueiredo use the open space of our new global supply chain office to team up on projects and coordinate tasks.

in our Amsterdam office. Here, we established a centralized hub for global decision-making for both supply chain and purchasing activities in 2015. The new entity manages supply planning, sourcing, manufacturing, inventory and distribution for all our business units. This harmonization across the entire company will lead to higher process standardization, improved customer service levels and enhanced efficiency – and thereby drive competitive advantages for Henkel.

The global rollout of our global supply chain structure will continue in 2016 and beyond. We achieved our first major milestone in July 2015 with the successful launch in Benelux and Switzerland as well as at the Beauty Care sites in Germany and Slovenia. By 2017, we will finalize the implementation for 30 countries in Europe, with other regions following subsequently.

During the fourth quarter of 2015, we also began establishing our second hub in Singapore. This office will provide support for the Amsterdam office in the Asia-Pacific region.

## Expansion of shared services

In 2015, we continued to expand our shared services organization. Already by the end of 2015, we had more than 3,000 employees in six global shared service centers handling key processes for our global organization. We have also successfully integrated these shared services with our global IT in our Integrated Business Solutions organization.

## Strong focus on IT

Digitalization at Henkel goes beyond customer-facing platforms. The ongoing implementation of our SAP platforms plays a key role in establishing our scalable business model, and we have successfully completed this process in the Asia-Pacific region. We also made progress on the implementation in Europe in 2015.

As part of our "Sourcing@Best" initiative, we continued to improve cost efficiency and increase the flexibility of our global sourcing processes in 2015. We expanded our eSourcing activities across the entire company.

In 2015, we also introduced our internal digital networking platform Yammer for all employees around the world. From its launch in September to the end of 2015, around 20,000 employees had registered on this platform. It complements the digital workplaces at Henkel and facilitates collaboration and simplified communication across the company.

## Inspire

# Developing strong leadership

In 2015, we continued to strengthen our leadership capabilities, focused on the development of our talents, reinforced our performance culture and promoted the diversity of our global workforce.

Diverse and increasingly virtual teams that operate in a complex and fast-paced business environment need strong leadership in order to perform successfully. With this in mind, we developed the Leadership Forum in cooperation with the Harvard Business School in the USA. This unique forum is based on the concept of “leaders teaching leaders” and it provided an intense learning platform for our senior leaders in 2015. Here, we further developed our leadership team with a shared understanding of our Leadership Principles. These principles provide a clear framework and guidance for successfully managing teams worldwide. As of 2015, a total of 140 senior leaders had completed the program.

Focus on strong leadership: Around 1,700 Henkel employees participated in classroom and webinar leadership training throughout the year. As of 2015, a total of 140 senior leaders had completed the Leadership Forum – a program specifically developed with the Harvard Business School in Boston, Massachusetts, USA. From the left: Henkel Vice Presidents Nicolas Krauss, Alfredo Morales and Marie-Laure Marduel engage in a discussion during a lecture break.

## Focus on leadership

Strengthening our pipeline of strong leaders, particularly in emerging markets, is essential to reaching our ambitious growth targets. Our EXCEED program offers talents with strong development potential opportunities for interaction with top management and peers and gives them the opportunity to build diverse networks as future leaders. Since its successful launch in the previous year, around 200 employees have participated in the program.

## Managing talent development and performance culture

Henkel is regularly recognized as an attractive employer around the world. In 2015, for example, we were included in Argentina's "Best Employers" ranking for the third consecutive year. Opportunities for individual development of our employees play a key role in attracting the best talents.

Our Henkel Global Academy combines all training offerings, providing employees with a concise outline of learning opportunities. This gives them a transparent overview of which training offerings best fit their individual development needs and also establishes a stronger link between talent management and learning.

Our annual Development Round Table has also been an integral part of talent development and performance management at Henkel since 2008. This globally standardized procedure enables us to evaluate the performance and development potential of our managers worldwide in one integrated process. As a result, we can identify managers with strong development potential and actively manage their careers within Henkel. In 2015, we promoted around 1,300 employees.

## Diversity as a competitive advantage

Our company culture and diverse workforce provide us with a competitive edge in a highly dynamic business environment. In 2015, our global internal diversity and inclusion campaign created awareness of how we support employees in all dimensions of diversity. We also systematically support female career development. The share of female managers was around 33 percent of our global leadership team by the end of 2015.

## Sustainability

# On track toward our long-term goal

For Henkel, sustainability means contributing to the quality of life of a growing population while using less resources and causing less emissions. This is the idea at the heart of our long-term goal: By 2030, we want to triple the value we create in relation to our environmental footprint. In 2015, we exceeded our first milestone targets toward this highly ambitious goal.

By the year 2050, the world's population is expected to grow to 9 billion. The accompanying acceleration in global economic activity will lead to rising consumption and resource depletion. The effect of increasing pressure on available resources is becoming more noticeable around the world. If we are to meet the needs of a growing population, we must become more efficient in the way we use our planet's limited resources to create value – for our customers and consumers, for the communities we operate in, and for our company.

Our production site in Viersen-Dülken, Germany, achieved a reduction in electricity consumption of 10 percent in 2015. Regular check-ups of the plant and equipment ensure the efficient use of resources and optimize energy consumption. Here, Reinhard Borowczak and Dr. Dagmar Preis-Amberger use a special detector to identify leakages in compressed air tubes. The generation of compressed air is energy-intensive and even the smallest of leaks in tubes can result in a significant amount of wasted energy and higher costs. With the leakage detector, employees can test for leaks, even in noisy production areas.

We are committed to leadership in sustainability – this is one of our company values. As sustainability leaders, we pioneer new solutions while continuing to shape our business responsibly and increase our economic success. We are convinced that sustainability will be more important than ever before, supporting our growth, improving our cost efficiency and reducing risks.

## All interim sustainability targets achieved

Our long-term goal for 2030 to triple our efficiency, which we call Factor 3, requires an average improvement of 5 to 6 percent each year. For the five-year period up to 2015, we had set interim targets for each focal area that would result in a 30 percent overall improvement in efficiency.

With a 38 percent overall efficiency improvement, we have clearly achieved the first set of interim targets for the period from 2011 to 2015 – and we are well on track toward meeting our long-term goal.

By the end of 2015, we had reached all five of our 2015 targets: We improved net sales per ton of product by 11 percent (target: 10 percent) and we lowered our worldwide accident rate by 33 percent (target: 20 percent). We reduced our energy consumption by 18 percent, water usage by 23 percent and waste by 17 percent – exceeding our reduction targets of 15 percent in each of these three focal areas.

To stay on track for our long-term goal for 2030, we will need to increase our efficiency by 75 percent by 2020, which is our next milestone. We have defined corresponding targets in our focal areas:

- 22 percent improvement in net sales per ton of product
- 30 percent reduction in our carbon dioxide emissions from energy consumption, water usage and waste per ton of product
- 40 percent reduction in our worldwide accident rate

compared to the base year 2010.

We have also committed to drive progress along the entire value chain. Accordingly, we are continuously expanding and refining our measurement systems. This has enabled us to assess our entire footprint, including our raw materials as well as the consumption and use of our products. Based on this comprehensive assessment, we have identified additional improvement opportunities and ambitions to create more value and reduce our footprint along the value chain.

# Sustainability

## Focus on products is integral to our goal

If we are to decouple increased quality of life from resource use, product innovations will play an essential role. Our products need to offer customers and consumers more value and better performance while generating a smaller environmental footprint. For us, this is not a question of developing individual “green” products with a focus on selected environmental facets. Our aim is to continuously improve all products across our entire portfolio, taking every aspect into account.

This includes the smarter and more efficient aerosol cans we introduced for our Fa, Souplesse and Neutromed deodorant ranges. The cans are both lighter and contain 25 percent recycled aluminum, significantly reducing their carbon footprint. Our Persil ProClean laundry detergents contain high-performing enzymes that enable powerful stain removal and full washing performance even at low temperatures, helping consumers in the USA save energy. And our innovative Loctite GC 10 solder paste for the assembly of electronic components helps our customers save energy and costs. Unlike traditional solder pastes, it does not need to be refrigerated during transport and storage.

## Preferred partner in sustainability

The importance of sustainability in our relationships with customers and consumers continues to grow. Our customers expect their suppliers and business partners to ensure compliance with global environmental, safety, and social standards and to drive sustainability along the entire value chain. Our standards and management systems, our long tradition in sustainability reporting, our experience in aligning our activities to sustainable development, and our recognition by external rating agencies help us to position ourselves as a preferred partner. Cooperating closely with our customers in trade and industry, we are able to leverage our experience to optimize logistics, increase the efficiency of production processes, develop more sustainable products and foster sustainable, resource-conserving consumption.

## Our people make the difference

Our employees play a key role in implementing our strategy and leveraging sustainability to strengthen our business. That is why we strive to give our

“Say yes! to the future”: This special training course enables sales employees to integrate sustainability topics more effectively in retail customer dialogs. Our long-term commitment to sustainable business activities reaches across all business units and functions with the initiative. From the left: Steffi Götzel, Uta Steffen-Holderbaum and Eva Braem prepare for a customer meeting.

employees a clear understanding of sustainability and enable them to convey its importance to others. Sustainability plays a key role in our internal communications and forms an integral part of our training and education programs.

We further promote the involvement of our employees through our Sustainability Ambassadors program. The program was launched in 2012 to engage employees more deeply on the topic of sustainability. Since then, Henkel has trained around 6,200 Sustainability Ambassadors – including all Management Board members – in 74 countries. Ambassadors are encouraged to visit elementary schools in order to explain the concept of sustainability by means of simple, everyday examples. Since the start of the program, the Sustainability Ambassadors have helped to educate around 63,000 schoolchildren in 43 countries.

We also engaged our employees around the world through our campaign "(Y)our move toward sustainability." Here we informed and encouraged them to contribute to a sustainable society in their everyday lives. In 2015, we expanded the program and developed an additional module focusing on our retail partners: "Say yes! to the future" combines training for our sales teams, information on Henkel and its product portfolio as well as a systematic approach to partnering with our customers.

# Management Board

**Jan-Dirk Auris**

Executive Vice President
Adhesive Technologies

Born in Cologne, Germany
on February 1, 1968;
with Henkel since 1984.

**Bruno Piacenza**

Executive Vice President
Laundry & Home Care

Born in Paris, France
on December 22, 1965;
with Henkel since 1990.

**Hans Van Bylen**

Executive Vice President
Beauty Care

Born in Berchem, Belgium
on April 26, 1961;
with Henkel since 1984.

**Kasper Rorsted**

Chairman of the
Management Board

Born in Aarhus, Denmark
on February 24, 1962;
with Henkel since 2005.

**Kathrin Menges**

Executive Vice President
Human Resources /
Infrastructure Services

Born in Pritzwalk, Germany
on October 16, 1964;
with Henkel since 1999.

**Carsten Knobel**

Executive Vice President
Finance (CFO) / Purchasing /
Integrated Business Solutions

Born in Marburg / Lahn, Germany
on January 11, 1969;
with Henkel since 1995.

# Combined management report

# Corporate governance at Henkel AG & Co. KGaA

The Management Board, the Shareholders' Committee and the Supervisory Board are committed to ensuring that the management and stewardship of the corporation are conducted in a responsible and transparent manner aligned to achieving a long-term increase in shareholder value. With this in mind, they have pledged themselves to the following three principles:

- **Value creation** as the foundation of our management approach
- **Sustainability** achieved through the application of socially responsible management principles
- **Transparency** supported by an active and open information policy

## Corporate governance report / Statement on corporate governance

The German Corporate Governance Code [DCGK] was introduced in order to promote confidence in the management and oversight of listed German corporations. It sets out the nationally and internationally recognized regulations and standards of responsible corporate governance applicable in Germany. The DCGK is aligned to the statutory provisions applicable to a German joint stock corporation ("Aktiengesellschaft" [AG]). It is applied analogously by Henkel AG & Co. KGaA (the corporation). For a better understanding of Henkel's situation, this report describes the principles underlying the management and control structure of the corporation. It also outlines the special features distinguishing us from an AG which derive from our specific legal form and our Articles of Association. The primary rights of shareholders of Henkel AG & Co. KGaA are likewise explained. The report takes into account the recommendations of the DCGK and contains all disclosures and explanations required according to Sections 289 (4), 289a and 315 (4) of the German Commercial Code [HGB].

### Legal form / Special statutory features of Henkel AG & Co. KGaA

Henkel is a "Kommanditgesellschaft auf Aktien" [KGaA]. A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company's creditors (personally liable partner). The other partners' liability is limited to their shares in the capital stock and they are thus not liable for the company's debts (limited partners per Section 278 (1) German Stock Corporation Act [AktG]).

In terms of its legal structure, a KGaA is a mixture of a joint stock corporation [AG] and a limited partnership [KG], with a leaning toward stock corporation law. The differences with respect to an AG are primarily as follows: The duties of the executive board of an AG are performed at Henkel AG & Co. KGaA by Henkel Management AG – acting through its Management Board – as the sole Personally Liable Partner (Sections 278 (2) and 283 AktG in conjunction with Art. 11 of our Articles of Association).

The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. Specifically, the supervisory board is not authorized to appoint personally liable partners, preside over the partners' contractual arrangements, impose procedural rules on the management board, or rule on business transactions. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany's Codetermination Act of 1976.

The general meeting of a KGaA essentially has the same rights as the shareholders' meeting of an AG. For example, it votes on the appropriation of earnings, formally approves the actions of the management board, elects members of the supervisory board (shareholder representatives), and formally approves the supervisory board's actions. It appoints the auditor and also votes on amendments to the articles of association and measures that change the company's capital, which are implemented by the management board. Additionally, as stipulated by the legal form, it also votes on the adoption of the annual financial statements of the company, formally approves the actions of the personally liable partner(s), and elects and approves the actions of the members of the shareholders' committee as established under the articles of association. Resolutions passed in general meeting require the approval of the personally liable partner(s) where they involve matters which, in the case of a partnership, require the authorization of the personally liable partners and also that of the limited partners (Section 285 (2) AktG) or relate to the adoption of annual financial statements (Section 286 (1) AktG).

According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of 10 members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). The Shareholders' Committee is required in particular to perform the following functions (Section 278 (2) AktG in conjunction with Sections 114 and 161 HGB, and Articles 8, 9 and 26 of the Articles of Association):

- It acts in place of the Annual General Meeting in guiding the business activities of the corporation.
- It decides on the appointment and dismissal of the Personally Liable Partner(s).
- It holds both the power of representation and executive powers over the legal relationships prevailing between the corporation and Henkel Management AG, the Personally Liable Partner.
- It exercises the voting rights of the corporation in the Annual General Meeting of Henkel Management AG, thereby choosing its three-member Supervisory Board which, in turn, appoints and dismisses the members of the Management Board.
- It issues rules of procedure incumbent upon Henkel Management AG.

**Capital stock denominations / Shareholder rights / Amendments to the Articles of Association**

The capital stock of the corporation amounts to 437,958,750 euros. It is divided into a total of 437,958,750 bearer shares of no par value, of which 259,795,875 are ordinary bearer shares (nominal proportion of capital stock: 1 euro per ordinary share or a total of 259,795,875 euros, representing 59.3 percent) and 178,162,875 are preferred bearer shares (nominal proportion of capital stock: 1 euro per preferred share or a total of 178,162,875 euros, representing 40.7 percent). All shares are fully paid in. Multiple share certificates for shares may be issued. In accordance with Art. 6 (4) of the Articles of Association, there is no right to individual share certificates.

Each ordinary share grants to its holder one vote (Art. 21 (1) of the Articles of Association). The preferred shares grant to their holders all shareholder rights apart from the right to vote (Section 140 (1) AktG). The preferred shares carry the following preferential right in the distribution of profit (Section 139 (1) AktG in conjunction with Art. 35 (2) of the Articles of Association) unless otherwise resolved by the Annual General Meeting:

- The holders of preferred shares receive a preferred dividend in the amount of 0.04 euros per preferred share. If the profit to be distributed in a fiscal year is insufficient for payment of a preferred dividend of 0.04 euros per preferred share, the arrears are paid without interest from the profit of the following years, with older arrears to be paid in full before more recent arrears and the preferred dividend from the profit of a particular fiscal year paid only after the clearance of all arrears. The holders of ordinary shares then receive a preliminary dividend from the remaining unappropriated profit of 0.02 euros per ordinary share, with the residual amount being distributed to the holders of ordinary and preferred shares in accordance with the proportion of the capital stock attributable to them.
- If the preferred dividend is not paid out either in part or in whole in a year, and the arrears are not paid off in the following year together with the full preferred share dividend for that second year, the holders of preferred shares are accorded voting rights until such arrears are paid (Section 140 (2) AktG). Cancellation or limitation of this preferred dividend requires the consent of the holders of preferred shares (Section 141 (1) AktG).

There are no shares carrying multiple voting rights, preference voting rights, maximum voting rights or special controlling rights.

The shareholders exercise their rights in the Annual General Meeting as per the relevant statutory provisions and the Articles of Association of Henkel AG & Co. KGaA. In particular, they may exercise their right to vote (ordinary shares only) – either personally, by postal vote, through a legal representative or through a proxyholder nominated by the corporation (Section 134 (3) and (4) AktG in conjunction with Art. 21 (2 and 3) of the Articles of Association) – and are also entitled to submit motions on the resolution proposals of management, speak on agenda items, and raise pertinent questions and motions (Section 126 (1), Section 131 AktG in conjunction with Art. 23 (2) of the Articles of Association). The ordinary Annual General Meeting usually takes place within the first four months of the fiscal year.

Shareholders whose shares jointly represent at least one twentieth of the capital stock – corresponding to 21,897,938 ordinary or preferred shares or a combination of both – may request that a general meeting of shareholders be called. If their proportionate amount of the capital stock jointly amounts to 500,000 euros – corresponding to 500,000 ordinary or preferred shares or a combination of both – they may request that items be placed on the agenda and published (Section 122 (1 and 2) AktG). In addition, shareholders whose combined share of the capital stock amounts to 100,000 euros or more may, subject to certain conditions, request that a special auditor be appointed by the court to examine certain matters (Section 142 (2) AktG).

Through the use of electronic communications, particularly the internet, the corporation makes it easy for shareholders to participate in the Annual General Meeting. It also enables them to be represented by proxyholders for exercising their voting rights. The reports, documents and information required by law for the Annual General Meeting, including the financial statements and annual reports, are made available on the internet, as are the agenda for the Annual General Meeting and any countermotions or nominations for election by shareholders that require publication.

Unless otherwise mandated by statute or the Articles of Association, the resolutions of the Annual General Meeting are adopted by simple majority of the votes cast. If a majority of capital is required by statute, resolutions are adopted by simple majority of the voting capital represented (Art. 24 of the Articles of Association). This also applies to changes in the Articles of Association. However, modifications to the object of the corporation require a three-quarters' majority (Section 179 (2) AktG). The Supervisory Board and Shareholders' Committee have the authority to resolve purely formal modifications of and amendments to the Articles of Association (Art. 34 of the Articles of Association). By resolution of the Annual General Meeting, the Supervisory Board is also authorized to amend Articles 5 and 6 of the Articles of Association with respect to each use of the Authorized Capital and upon expiration of the term of the authorization.

### Authorized Capital / Share buy-back / Treasury shares

According to Art. 6 (5) of the Articles of Association, there is an Authorized Capital limit. Acting within this limit, the Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to increase the capital stock of the corporation until April 12, 2020, by up to a nominal total of 43,795,875 euros through the issue of up to 43,795,875 new preferred shares with no voting rights against cash and/or payment in kind. The authorization can be used in full or also in one or several acts. The proportion of capital stock represented by shares issued against payment in kind on the basis of this authorization must not exceed a total of 10 percent of the capital stock existing at the time the authorization takes effect.

The Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to set aside the pre-emptive rights of shareholders in the case of a capital increase against payment in kind, particularly for the purpose of business combinations or the (direct or indirect) acquisition of entities, operations, parts of businesses, equity interests or other assets, including claims against the corporation or companies dependent upon it within the meaning of Section 17 AktG.

If capital is increased against payment in cash, all shareholders are essentially assigned pre-emptive rights. However, these may be set aside in three cases, subject to the approval of the Shareholders' Committee and of the Supervisory Board: (1) in order to dispose of fractional amounts; (2) to grant to creditors/holders of bonds with warrants or conversion rights or a conversion obligation issued by the corporation or one of the companies dependent upon it, pre-emptive rights corresponding to those that would accrue to such creditors/bondholders following exercise of their warrant or conversion rights or on fulfillment of their conversion obligations; or (3) if the issue price of the new shares is not significantly below the quoted market price at the time of issue price fixing.

In addition, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 12, 2020, up to a maximum nominal proportion of the capital stock of 10 percent. This authorization can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests of entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. Treasury shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner has also been authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury shares without the need for further resolution by the Annual General Meeting.

Insofar as shares are issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

Concerning the number of treasury shares and their use, please refer to the disclosures provided in the notes to the consolidated financial statements under Note 10 on pages 141 and 142.

### Restrictions with respect to voting rights or the transfer of shares

A share-pooling agreement has been concluded between members of the families of the descendants of company founder Fritz Henkel which contains restrictions with respect to transfers of the ordinary shares covered (Art. 7 of the Articles of Association).

Henkel preferred shares acquired by employees through the Employee Share Program, including bonus shares acquired without additional payment, are subject to a company-imposed lock-up period of three years, which begins on the first day of the respective participation period. Essentially, the shares should not be sold before the end of this period. If employee shares are sold during the lock-up period, the bonus shares are forfeited.

Contractual agreements also exist with members of the Management Board governing lock-up periods for Henkel preferred shares which they are required to purchase as part of their variable annual cash remuneration (for additional information, please see the remuneration report on pages 41 to 51).

**Major shareholders**
According to notifications received by the corporation on December 17, 2015, a total of 61.02 percent of the voting rights are held by members of the Henkel family share-pooling agreement. (For additional information, please see the disclosures provided in the notes to the consolidated financial statements under Note 40 on page 178.) No other direct or indirect investment in capital stock exceeding 10 percent of the voting rights has been reported to us or is known to us.

61.02 %

of voting rights are held by members of the Henkel family share-pooling agreement.

**Management Board**
The Supervisory Board of Henkel Management AG is responsible for the appointment and dismissal of members of the Management Board of Henkel Management AG (Management Board). The appointments are for a maximum tenure of five years. A reappointment or extension of the tenure is permitted for a maximum period of five years in each case (Section 84 AktG).

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board of Henkel Management AG is also responsible for determining the number of members on the Management Board. The Supervisory Board of Henkel Management AG can appoint a member of the Management Board as Chairperson.

As the executive body of the Group, the Management Board is bound to uphold the interests of the business and is responsible for ensuring a sustainable increase in shareholder value. The members of the Management Board are responsible for managing Henkel's business operations in their entirety. The individual Management Board members are assigned, in accordance with a business distribution plan, areas of competence for which they bear lead responsibility. The members of the Management Board cooperate closely as colleagues, informing one another of all major occurrences within their areas of competence and conferring on all actions that may affect several such areas. Further details relating to cooperation and the division of operational responsibilities within the Management Board are regulated by the rules of procedure issued by the Supervisory Board of Henkel Management AG. The Management Board reaches its decisions by a simple majority of the votes cast. In the event of a tie, the Chairperson has the casting vote.

It is the duty of the Management Board to prepare the annual financial statements of Henkel AG & Co. KGaA, the consolidated financial statements for each quarter, half year and year and also the corresponding management reports. The Management Board is responsible for management of the overall business including planning, coordination, allocation of resources, financial control, and risk management. It must also ensure compliance with legal provisions, regulatory requirements and internal company guidelines, and take steps to ensure that Group companies also observe them.

**Supervisory Board and Shareholders' Committee; other committees**
It is the responsibility of the Supervisory Board to advise and supervise the Management Board in the performance of its business management duties. The Supervisory Board regularly discusses business performance and planning with the Management Board. It reviews the annual financial statements of Henkel AG & Co. KGaA and the Group's consolidated financial statements as well as the associated management reports, taking into account the reviews and audit reports submitted by the auditor. It also votes on the proposal of the Management Board regarding the appropriation of profit and submits to the Annual General Meeting a proposal indicating its recommendation for the appointment of the external auditor.

As a general rule, the Supervisory Board meets four times per year. It passes resolutions by a simple majority of the votes cast. In the event of a tie, the Chairperson has the casting vote. The Supervisory Board has established an Audit Committee and a Nominations Committee.

The Audit Committee is made up of three shareholder and three employee representative members of the Supervisory Board. Each member is elected by the Supervisory Board based on nominations of their fellow shareholder or fellow employee representatives on the Board. The Chairperson of the Audit Committee is elected based on a proposal of the shareholder representative members. It is a statutory requirement that the Audit Committee includes at least one independent member of the Supervisory Board with expertise in the fields of accounting or auditing. The Chairperson of the Audit Committee in 2015, Prof. Dr. Theo Siegert, who is not the Chairperson of the Supervisory Board nor a present or former member of the Management Board, satisfies these requirements.

The Audit Committee, which generally meets four times a year, prepares the proceedings and resolutions of the Supervisory Board relating to the adoption of the annual financial statements and the consolidated financial statements, and also the auditor appointment proposal to be made to the Annual General Meeting. It issues audit mandates to the auditor and defines the focal areas of the audit as well as deciding on the fee for the audit and other advisory services provided by the auditor. It monitors the independence and qualifications of the auditor, requiring the latter to submit a declaration of independence which it then evaluates. Furthermore, the Audit Committee monitors the accounting process and assesses the effectiveness of the Internal Control System, the Risk Management System and the Internal Auditing and Review System. It is likewise involved in compliance issues. The Group's Internal Audit function reports regularly to the Audit Committee. It discusses with the Management Board – with the external auditor in attendance – the quarterly reports and the financial report for the half year, prior to their publication.

The Nominations Committee comprises the Chairperson of the Supervisory Board and two further shareholder representatives elected by the Supervisory Board based on nominations of the shareholders' representatives. The Chairperson of the Supervisory Board is also Chairperson of the Nominations Committee. The Nominations Committee prepares the resolutions of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members to the Supervisory Board (shareholder representatives).

The Shareholders' Committee generally meets six times per year and holds a joint conference with the Management Board lasting several days. The Shareholders' Committee reaches its decisions by a simple majority of the votes cast. It has established Finance and Human Resources Subcommittees that likewise meet six times per year, as a rule. Each subcommittee comprises five of the members of the Shareholders' Committee.

The Finance Subcommittee deals primarily with financial matters, questions of financial strategy, financial position and structure, taxation and accounting policy, as well as risk management within the corporation. It also performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it.

The Human Resources Subcommittee deals primarily with personnel matters relating to members of the Management Board, with issues pertaining to human resources strategy, and with remuneration. It performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. The Subcommittee also addresses issues concerned with succession planning and management potential within the individual business units, taking into account relevant diversity aspects.

At regular intervals, the Supervisory Board and the Shareholders' Committee hold an internal review to determine the efficiency with which they and their committees/subcommittees carry out their duties. This self-assessment is performed on the basis of an extensive checklist, whereupon points relating to corporate governance and improvement opportunities are also discussed.

Conflicts of interest must be disclosed in an appropriate manner to the Supervisory Board or Shareholders' Committee, particularly those that may arise as the result of a consultancy or committee function performed in the service of customers, suppliers, lenders or other business partners. Members encountering material conflicts of interest that are not of a merely temporary nature are required to resign their mandate.

Some members of the Supervisory Board and of the Shareholders' Committee are or were in past years holders of senior managerial positions in other companies. If and when Henkel pursues business activities with these companies, the same arm's length principles apply as those applicable to transactions with and between unrelated third parties. In our view, such transactions do not affect the impartiality of the members in question.

**Interaction between Management Board, Supervisory Board and Shareholders' Committee**
The Management Board, Supervisory Board and Shareholders' Committee work in close cooperation for the benefit of the corporation.

The Management Board agrees the strategic direction of the corporation with the Shareholders' Committee and discusses with it the status of strategy implementation at regular intervals.

In keeping with good corporate governance, the Management Board informs the Supervisory Board and the Shareholders' Committee regularly, and in a timely and comprehensive fashion, of all relevant issues concerning business policy, corporate planning, profitability, the business development of the corporation and our major affiliated companies, and also matters relating to risk exposure and risk management.

For transactions of fundamental significance, the Shareholders' Committee has established a right of veto in the procedural rules governing the actions of Henkel Management AG in its function as sole Personally Liable Partner (Art. 26 of the Articles of Association). This covers, in particular, decisions or measures that materially change the net assets, financial position or results of operations of the corporation. The Management Board complies with these rights of consent of the Shareholders' Committee and also duly submits to the decision authority of the corporation's Annual General Meeting.

**Principles of corporate governance / Compliance**
The members of the Management Board conduct the corporation's business with the care of a prudent and conscientious business director in accordance with legal requirements, the Articles of Association of Henkel Management AG and the Articles of Association of Henkel AG & Co. KGaA, the rules of procedure governing the actions of the Management Board, the provisions contained in the individual contracts of employment of its members, and also the compliance guidelines and resolutions adopted by and within the Management Board.

Corporate management principles which go beyond the statutory requirements are derived from our vision and our values. For our corporation to be successful, it is essential that we share a common approach to entrepreneurship. The corporation's vision provides our management and employees worldwide with both direction and a primary objective. It reaffirms our ambition to meet the highest ethical standards in everything we do.

**Our vision:**
- A global leader in brands and technologies.

Our vision provides the foundation for building a company with a common ethic.

**Our values:**
- We put our customers at the center of what we do.
- We value, challenge and reward our people.
- We drive excellent sustainable financial performance.
- We are committed to leadership in sustainability.
- We build our future on our family business foundation.

These values guide our employees in all the day-to-day decisions they make, providing a compass for their conduct and actions.

Henkel is committed to ensuring that all business transactions are conducted in an ethically irreproachable, legal fashion. Consequently, Henkel expects all our employees not only to respect the corporation's internal rules and all relevant laws, but also to avoid conflicts of interest, to protect Henkel's assets and to respect the social values of the countries and cultural environments in which the corporation does business. The Management Board has therefore issued a series of Group-wide codes and standards with precepts that are binding worldwide. These regulatory instruments are periodically reviewed and amended as appropriate, evolving in step with the changing legal and commercial conditions that affect Henkel as a globally active corporation. The Code of Conduct supports our employees in ethical and legal issues. The Leadership Principles, for example, define the scope of responsibilities for managers. The Code of Corporate Sustainability describes the principles that drive our sustainable, socially responsible approach to business. This code also enables Henkel to meet the commitments derived from the United Nations Global Compact.

Ensuring compliance in the sense of adherence to laws and regulations is an integral component of our business processes. Henkel has established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (CCO). The General Counsel & CCO, supported by the Corporate Compliance Office and the interdisciplinary Compliance & Risk Committee, manages and controls compliance-related activities undertaken at the corporate level, coordinates training courses, oversees fulfillment of both internal and external regulations, and takes appropriate action in the event of compliance violations.

The local and regional compliance officers are responsible for organizing and overseeing the training activities and implementation measures tailored to the specific requirements of their locations. They report to the Corporate Compliance Office. The General Counsel & CCO reports regularly to the Management Board and to the Audit Committee of the Supervisory Board on identified compliance violations.

The issue of compliance is also a permanent item in the target agreements signed by all managerial staff of Henkel. Due to their position, it is particularly incumbent on them to set the right example for their subordinates, to effectively communicate the compliance rules and to ensure that these are obeyed through the implementation of suitable organizational measures.

The procedures to be followed in the event of complaints or suspicion of malpractice also constitute an important element of the compliance policy. In addition to our internal reporting system and complaint registration channels, employees may also, for the purpose of reporting serious violations to the Corporate Compliance Office, anonymously use a compliance hotline operated by an external service provider. The Head of the Corporate Compliance Office is mandated to initiate the necessary follow-up procedures.

Our corporate compliance activities are focused on antitrust law and the fight against corruption. In our Code of Conduct, the corporate guidelines based upon it, and other publications, the Management Board clearly expresses its rejection of all violations of the principles of compliance, particularly antitrust violations and corruption. We do not tolerate such violations in any way. For Henkel, bribery, anticompetitive agreements, or any other violations of laws are no way to conduct business.

A further compliance-relevant area relates to capital market law. Supplementing the legal provisions, internal codes of conduct have been put in place to regulate the treatment of information that has the potential to affect share prices. The corporation has an Ad Hoc Committee comprised of representatives from various departments. In order to ensure that all insider information is handled as required by law, this Committee reviews developments and events for their possible effect on share prices, determining the need to issue reports to the capital markets on an ad hoc basis. There are also rules that go beyond the legal requirements, governing the behavior of the members of the Management Board, the Supervisory Board and the Shareholders' Committee, and also employees of the corporation who, due to their function or involvement in projects, have access to insider information. An insider register is duly kept of the people involved.

**Transparency / Communication**

An active and open communication policy ensuring prompt and continuous information dissemination is a major component of the value-based management approach at Henkel. Hence shareholders, shareholder associations, participants in the capital market, financial analysts, the media and the public at large are kept informed of the current situation and major business changes relating to the Henkel Group. All stakeholders are treated equally in this respect. All such information is also promptly made available on the internet.

Up-to-date information is likewise incorporated in the regular financial reporting undertaken by the corporation. The dates of the major recurring publications, and also the dates for the press conference on the preceding fiscal year and the Annual General Meeting, are announced in our financial calendar, which is also available on the internet.

The corporation's advancements and targets in relation to the environment, safety, health and social responsibility are published annually in our Sustainability Report. Shareholders, the media and the public at large are further provided with comprehensive information through press releases and information events, while occurrences with the potential to materially affect the price of Henkel shares are communicated in the form of ad hoc announcements.

Further information on corporate governance can be found in the section **"Principles of corporate governance / Compliance"** on page 36. The composition of the Management Board is shown on page 187. For more details on the composition of the Supervisory Board and the Shareholders' Committee or the (sub)committees established by the Supervisory Board and Shareholders' Committee, please refer to pages 184 to 186. Details of the compensation of the Management Board, the Supervisory Board and the Shareholders' Committee can be found in the remuneration report on pages 41 to 51.

**Targets for the proportion of women on the Management Board and in the first two management levels below the Management Board**

In accordance with Section 76 (4) and Section 111 (5) AktG, targets must be set for the proportion of women on the Management Board and in the first two management levels below the Management Board. If the proportion of women is below 30 percent at the time the targets are set, the targets may not be below the proportion already achieved. Deadlines for achievement of the targets must be established at the same time. Each deadline must be within five years and the first deadline can be no later than June 30, 2017.

**Proportion of women on the Management Board**

In September 2015, the Supervisory Board of Henkel Management AG, as the body responsible for appointing the Management Board, established in agreement with the recommendations of the Shareholders' Committee and its Human Resources Subcommittee, a target for the proportion of women on the Management Board of 17 percent, taking into account the remaining tenures of current members and an appropriate Management Board size for the corporation. This proportion will apply, and the target will be met, by December 31, 2016.

The proportion of women on the Management Board at December 31, 2015 was 17 percent.

**Proportion of women in the management levels below the Management Board**

In September 2015, the Management Board established the following targets for the first two levels of management below the Management Board within the meaning of Section 76 (4) AktG in consideration of the current personnel mix. These targets are expected to be achieved by December 31, 2016:
- First management level: Proportion of 17 percent women
- Second management level: Proportion of 28 percent women

In accordance with the legal requirements, the point of reference for the definition of the management levels was based exclusively on Henkel AG & Co. KGaA and not the Henkel Group – regardless of Henkel's globally aligned management organization. As a result, the figures include only employees of Henkel AG & Co. KGaA with management responsibility who report directly to the Management Board (management level 1) and those who report to management level 1 (management level 2).

Separately from the targets listed above for the first two levels of management below the Management Board of Henkel AG & Co. KGaA – and mindful of our globally aligned management organization – it is our goal to increase our ratio of women at all levels of management at Henkel in the long term. Worldwide, our overall proportion of women in management at December 31, 2015 was around 33 percent.

**Objectives regarding Supervisory Board composition**

Given Henkel's position as a listed corporation subject to the Codetermination Act, the Supervisory Board of Henkel AG & Co. KGaA must consist of at least 30 percent women and at least 30 percent men (Section 96 (2) AktG). These minimums apply to all new elections on or after January 1, 2016.

In consideration of the specific situation of the corporation, the Supervisory Board has, in addition to the statutory requirements listed above, established the objectives described below with respect to its composition in accordance with Item 5.4.1 of the German Corporate Governance Code [DCGK]. In 2015, the Supervisory Board updated these objectives taking into account the amendments to the DCGK issued on May 5, 2015. These objectives will be taken into account by the Supervisory Board when proposing election candidates to the Annual General Meeting for all re-electable and ad hoc replacement Supervisory Board positions:
- The members of the Supervisory Board should, generally speaking, offer the knowledge, skills and relevant experience necessary in order to properly perform their duties. In particular, experience and expertise are required in one or several of the fields of corporate management, accounting, financial control/risk management, corporate governance/compliance, research and development, production/engineering, and marketing/sales/distribution, as is knowledge of the industrial or consumer businesses and of the primary markets in which Henkel is active. Members of the Supervisory Board should also have sufficient time at their disposal in order to carry out their mandate.
- The international activities of the corporation should be appropriately reflected in the composition of the Supervisory Board. Thus, it aims to include several members with an international background. The mix of candidates proposed for election should also contain an appropriate number of women. Efforts will therefore be made for upcoming new and ad hoc replacement elections to achieve a proportion higher than the minimum 30 percent required by law.

- In addition, the Supervisory Board should have an appropriate number of independent members. Specifically, the Supervisory Board should contain no more than two former members of the Management Board, no persons who perform board or committee functions or act as consultants for major competitors, and no persons whose relationship with the corporation or members of the Management Board could give rise to material conflicts of interest that are not of a merely temporary nature. Assuming that the exercise of their Supervisory Board mandate by the employee representatives cannot be the sole basis for doubt as to whether the independence criteria as defined by Item 5.4.2 of the DCGK are fulfilled, the Supervisory Board should include at least 13 members who are independent as defined by the DCGK. Consistent with the corporation's tradition as an open family business, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that creates a conflict of interest in the meaning above. However, irrespective of this, at least three of the shareholder representatives on the Supervisory Board should, as a rule, be neither members of the Henkel family share-pooling agreement nor members of the Shareholders' Committee nor members of the Supervisory Board of Henkel Management AG.
- No persons shall be proposed for election at the Annual General Meeting who, at the time of the election, have already reached their 70th birthday. Also, as a rule, no persons should be proposed who, at the time of the election, have already served more than two full terms of office on the Supervisory Board. However, to ensure continuity, members may also serve on the Supervisory Board for longer periods of time in individual cases. Consistent with the tradition of Henkel AG & Co. KGaA as an open family business, this applies particularly to members of the Henkel family share-pooling agreement.

The statutory minimums listed above, or objectives within the meaning of the DCGK, were achieved in full in the year under review.

Among the 16 members of the Supervisory Board are nine men and seven women. Shareholder representatives consist of five men and three women, while the employee representatives consist of four men and four women. This represents an overall ratio on the Supervisory Board of around 56 percent men and 44 percent women. Throughout the entire year under review, each gender was represented by at least 30 percent among both the shareholder representatives and the employee representatives.

Overall, the Supervisory Board has at its disposal the knowledge, skills and technical abilities needed to properly and effectively perform its duties. In addition, several members of the Supervisory Board offer international business experience or other international expertise. No individual on the Supervisory Board exceeds the specified maximum age.

None of the Supervisory Board members elected by the Annual General Meeting is a former Management Board member, or performs board or committee functions or acts as a consultant for major competitors, and none are persons whose relationship with the corporation or members of the Management Board could give rise to material conflicts of interest that are not of a merely temporary nature. Four of the eight shareholder representatives are not members of the Henkel family share-pooling agreement, and seven of the eight shareholder representatives are neither members of the Shareholders' Committee nor members of the Supervisory Board of Henkel Management AG.

**Application of the German Corporate Governance Code**

Taking into account the special features arising from our legal form and Articles of Association, Henkel AG & Co. KGaA complies with the recommendations ("shall" provisions) of the DCGK, latest edition, with one exception: So as to protect the legitimate interests and privacy of those members of the corporate management bodies who are also members of the Henkel family, in deviation from Section 6.3 of the DCGK as amended on June 24, 2014 and subsequently on May 5, 2015, the shareholdings of those members exceeding one percent of the shares issued by the corporation have not been and will not be disclosed unless required by law. The DCGK requires disclosure of shareholdings upward of one percent. In accordance with the Declaration of Compliance, the following information is reported concerning the aggregate shareholdings of all members of a corporate body, taking the relevant provisions for attribution into account: The aggregate holdings of the members of the Supervisory Board and of the members of the Shareholders' Committee exceed in each case one percent of the shares issued by the corporation. The members of the Management Board together hold less than one percent of the shares issued by the corporation.

Around **44**%

female membership on the Supervisory Board.

Henkel also complies with all non-compulsory suggestions (“may/should” provisions) of the DCGK, in keeping with our legal form and the special statutory features anchored in our Articles of Association.

The corresponding declarations of compliance together with the reasons for deviations from recommendations can be found on our website at
www.henkel.com/ir

### Directors’ dealings

In accordance with Section 15a of the German Securities Trading Act [WpHG] (Directors’ Dealings), members of the Management Board, the Supervisory Board and the Shareholders’ Committee, and parties related to same, are obliged to disclose notifiable transactions involving shares in Henkel AG & Co. KGaA or their derivative financial instruments where the value of such transactions by the member, and parties related to the member, attains or exceeds 5,000 euros in a calendar year. The transactions reported to the corporation in the past fiscal year were properly disclosed and can be seen on the website www.henkel.com/ir

## Statutory and regulatory situation

Our business is governed by national rules and regulations and – within the European Union (EU) – increasingly by harmonized pan-European laws. In addition, some of our activities are subject to rules and regulations derived from approvals, licenses, certificates or permits.

Our manufacturing operations are bound by rules and regulations with respect to the registration, evaluation, usage, storage, transportation and handling of certain substances and also in relation to emissions, wastewater, effluent and other waste. The construction and operation of production facilities and other plant and equipment are governed by framework rules and regulations – including those relating to the decontamination of soil.

Product-specific regulations of relevance to us relate in particular to ingredients and input materials, safety in manufacturing, the handling of products and their contents, and the packaging and marketing of these items. The control mechanisms include statutory material-related regulations, usage prohibitions or restrictions, procedural requirements (test and inspection, identification marking, provision of warning labels, etc.), and product liability law.

Our internal standards are geared to ensuring compliance with statutory regulations and the safety of our manufacturing facilities and products. The associated requirements have been incorporated within, and implemented throughout, our management systems, and are subject to a regular audit and review regime. This includes monitoring and evaluating relevant statutory and regulatory requirements and changes in a prompt and timely fashion.

## Remuneration report

This remuneration report provides an outline of the compensation system for the Management Board, Henkel Management AG as the Personally Liable Partner, the Supervisory Board and the Shareholders' Committee of Henkel AG & Co. KGaA, and the Supervisory Board of Henkel Management AG; it also explains the level and structure of the remuneration paid.

The report takes into account the recommendations of the German Corporate Governance Code [DCGK] and contains all disclosures and explanations pursuant to the provisions of the German Commercial Code [HGB] and the appropriate principles of German Accounting Standards [DRS], and as required by International Financial Reporting Standards (IFRS). The remuneration report forms part of the combined management report for Henkel AG & Co. KGaA and the Group; the associated information has not therefore been additionally disclosed in the notes to the consolidated financial statements.

### 1. Management Board remuneration

#### Regulation, structure and amounts

The compensation for members of the Management Board of Henkel Management AG is set by the Supervisory Board of Henkel Management AG in consultation with the Human Resources Subcommittee of the Shareholders' Committee. The Supervisory Board of Henkel Management AG is comprised of three members of the Shareholders' Committee.

The structure and amounts of Management Board remuneration are aligned to the size and international activities of the corporation, its economic and financial position, its performance and future prospects, the normal levels of remuneration encountered in comparable companies, and also the general compensation structure within the corporation. The compensation package is further determined on the basis of the functions, responsibilities and personal performance of the individual executives, and the performance of the Management Board as a whole. The variable annual remuneration components have been devised such that they take into account both positive and negative developments. The overall remuneration mix is designed to be internationally competitive while also providing an incentive for sustainable business development and a sustainable increase in shareholder value in a dynamic environment.

The Supervisory Board of Henkel Management AG regularly reviews the compensation system as well as the appropriateness of the compensation, based on the aforementioned criteria. In doing so, Management Board remuneration is analyzed relative to the compensation paid to senior management and the staff as a whole, both overall and over time, whereby the Supervisory Board determines the boundaries between senior management and relevant staff members.

As recommended by the Human Resources Subcommittee of the Shareholders' Committee, the Supervisory Board of Henkel Management AG reviewed the remuneration system for the Management Board and approved amendments for application from fiscal 2015 onwards. The former breakdown of remuneration into non-performance-related and variable, performance-related components remains unchanged. What has changed is the ratio of the individual components of remuneration to one another, with greater weight being given to the multi-year component. The basis for determining annual variable cash remuneration has also been modified, and the company pension plan simplified. This modified remuneration system was approved by the 2015 Annual General Meeting with a large majority.

Members of the Management Board receive remuneration consisting of non-performance-related components and variable, performance-related components. The non-performance-related compensation is made up of their fixed salary together with various in-kind and other benefits (other emoluments). The performance-related compensation has two parts. The first is a variable annual cash payment (short-term incentive or "STI"), 65 percent of which is short-term variable cash remuneration and 35 percent of which is long-term variable cash remuneration in the form of an investment financed by the recipient in Henkel preferred shares (share deferral). The second is a variable cash payment based on the long-term performance of the business (long-term incentive or "LTI"). The remuneration targeting long-term performance thus consists of the share deferral and the LTI.

If all performance targets are met in full ("at target"), around 21 percent of the remuneration (excluding other emoluments and pension benefits) is paid as the fixed component, while the STI and share deferral account for around 56 percent, and the LTI for around 23 percent.

Pension benefits also form part of the remuneration package. In addition, the Supervisory Board of Henkel Management AG may, at its discretion and after due consideration, grant a special payment in recognition of exceptional achievements.

## Remuneration structure

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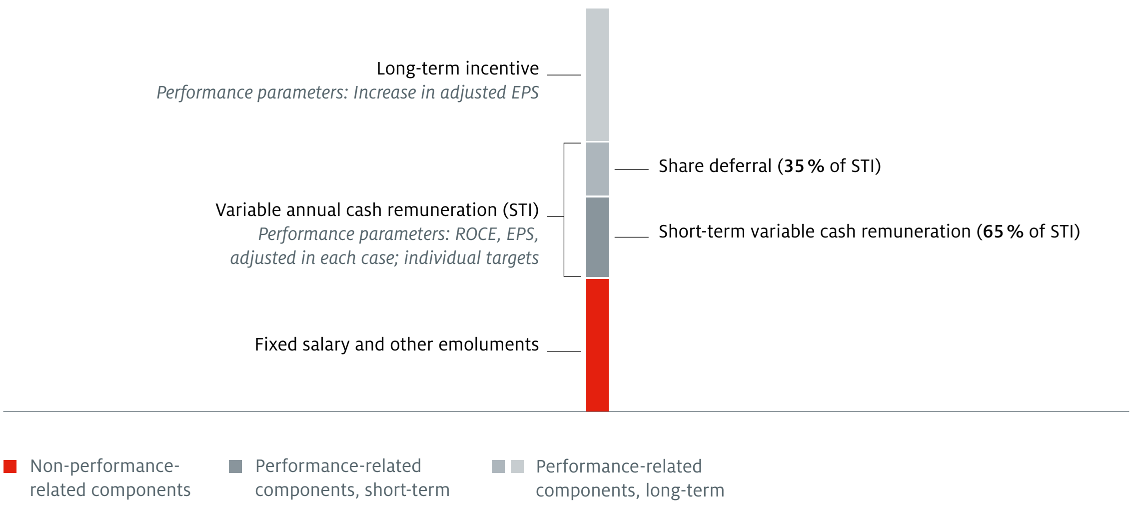


The components in detail:

### Non-performance-related compensation

#### Fixed salary

The fixed remuneration takes into account the assigned function and responsibility and the market conditions. It is paid out monthly as salary and amounts to 1,200,000 euros per year for the Chairman of the Management Board and 750,000 euros per year for the other Management Board members.

#### Other emoluments

The members of the Management Board also receive other emoluments, primarily in the form of costs associated with, or the cash value of, in-kind benefits and other fringe benefits such as standard commercial insurance policies, reimbursement of accommodation/moving costs, costs associated with preventive medical examinations, and provision of a company car or use of a car service, including any taxes on same. All members of the Management Board are entitled, in principle, to the same emoluments, whereby the amounts vary depending on personal situation.

### Performance-related compensation

#### Variable annual cash remuneration

The performance criteria governing the variable annual cash remuneration (STI) are return on capital employed (ROCE) and earnings per preferred share (EPS) in the relevant fiscal year ("year of payment"), adjusted in each case for exceptional items, together with separate targets for each individual member.

The ROCE targets are derived from a strategic target yield. EPS performance is measured on the basis of actual-to-actual comparison, i.e. the EPS in the year of payment is compared to the EPS from the previous year.

Thresholds have been defined for both key financials; payment is withheld if the minimum targets are not met. If adjusted EPS in the year of payment is more than 25 percent above or below the comparable prior-year figure as a result of extraordinary events, the Supervisory Board of Henkel Management AG may, at its discretion and after due consideration, decide to adjust the target within this corridor, or may determine a new reference value for measuring performance in the following year.

The STI is calculated on the basis of a 40-percent weighting each of ROCE and EPS performance in the year of payment, and a 20-percent weighting of individual targets. The following factors play a key role in measuring individual performance: the Group results and the results of the relevant business unit, the quality of management demonstrated in those business units, and the individual contribution made by the Management Board member concerned. The application of these performance parameters ensures that profitable growth is duly rewarded by Henkel.

In determining the STI, the Supervisory Board of Henkel Management AG also takes into account the apparent sustainability of the economic performance delivered in the course of the year, and the performance levels of the Management Board members.

The total amount of the STI is subject to a cap of 150 percent of the target amount.

### Short-term and long-term components of the variable annual cash remuneration

The STI is paid annually in arrears in the full amount in cash once the corporation's annual financial statements have been approved by the Annual General Meeting.

The recipients can dispose of around 65 percent of this payment as they wish. This constitutes their short-term variable cash remuneration. The members of the Management Board invest the remaining amount, corresponding to around 35 percent, in Henkel preferred shares which they purchase on the stock exchange at the price prevailing at the time of acquisition. This constitutes their long-term variable cash remuneration, known as the share deferral. These shares are placed in a blocked custody account with a drawing restriction. The lock-up period in each case expires on December 31 of the fourth year following the year of payment. This share deferral ensures that the members of the Management Board participate through a portion of their compensation in the long-term performance of the corporation.

### Long-term incentive (LTI)

The long-term incentive is a variable cash payment based on the long-term performance of the corporation, the amount payable being dependent on the future increase registered in EPS over three consecutive years (the performance period).

On completion of the performance period, target achievement is ascertained by the Supervisory Board of Henkel Management AG on the basis of the increase in EPS attained. The EPS of the fiscal year preceding the year of payment is compared to the EPS of the second fiscal year following the year of payment. The figures used for the calculation of the increase are, in each case, the earnings per preferred share adjusted for exceptional items, as disclosed in the certified and approved consolidated financial statements of the relevant fiscal years.

The total amount of the long-term incentive is subject to a cap.

### Special payments

In addition to the remuneration components described above, the Supervisory Board of Henkel Management AG may, at its discretion and after due consideration, grant a special payment in recognition of exceptional achievements. Such special payment is limited to an amount equating to the respective Management Board member's fixed salary; the maximum compensation level – as determined by remuneration for a fiscal year if the caps on STI and LTI are reached – may not be exceeded as a result of such payment.

### Caps on remuneration

Taking into account the above-mentioned caps for the variable performance-related components of remuneration, the table below shows the minimum and maximum remuneration amounts that result for a fiscal year (excluding other emoluments and pension benefits).

Caps on remuneration

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| in euros | Fixed salary | Short-term variable cash remuneration | Long-term variable cash remuneration (share deferral) | Long-term incentive, conditional entitlement | Total compensation minimum | Total compensation maximum |
|---|---|---|---|---|---|---|
| Chairman of the Management Board | 1,200,000 | 0 to 3,315,000 | 0 to 1,785,000 | 0 to 2,100,000 | **1,200,000** | **8,400,000** |
| Ordinary member of the Management Board | 750,000 | 0 to 1,950,000 | 0 to 1,050,000 | 0 to 1,200,000 | **750,000** | **4,950,000** |

### Pension benefits (retirement pensions and survivors' benefits)

The former pension scheme affording members of the Management Board a superannuation lump-sum payment once a covered event occurs, and a continuing basic annuity, has been simplified and converted to a purely defined contribution system since January 1, 2015. Accordingly, members of the Management Board now receive a superannuation lump-sum payment comprised of the total contributions to the plan during their time in office. The annual contributions – based on a full fiscal year – are 750,000 euros for the Chairman and 450,000 euros each for the other members of the Management Board.

An entitlement to pension benefits arises on retirement, on termination of the employment relationship on or after attainment of the statutory retirement age, in the event of death, or in the event of permanent complete incapacity for work. If a member of the Management Board has received no pension benefits prior to their death, the superannuation lump sum accumulated up to time of death is paid out to the surviving spouse or surviving children.

**Provisions governing termination of position on the Management Board**
If an active member of the Management Board who was first appointed prior to 2009 retires, or dies while still in office, payment of their fixed remuneration continues for a further six months, but not beyond their 65th birthday. In the event of death in service, the payments are made to the surviving spouse or entitled dependent children.

In the event that a member's position on the Management Board is terminated prematurely by the corporation without that member providing good cause or reason for the termination, the executive contract provides for a severance settlement amounting to the remuneration for the remaining contractual term (fixed remuneration plus variable annual remuneration for single or multiple years) in the form of a discounted lump-sum payment. These severance payments are limited to two years' compensation (severance payment cap) and may not extend over a period that exceeds the residual term of the executive contract. In the event that the sphere of responsibility/executive function is altered or restricted to such an extent that it is no longer comparable to the position prior to the change or restriction, the affected members of the Management Board are entitled to resign from office and request premature termination of their contract. In such case, members are entitled to severance payments amounting to not more than two years' compensation.

Upon an executive's departure from the Management Board, the STI is paid on a time-proportion basis on the ordinary payment date after the end of the fiscal year in which the appointment ends. If not already expired, lock-up periods for the share deferral end six months after departure. This applies accordingly to entitlements under the LTI. However, entitlements from any tranche whose performance period has not yet ended at the date of departure are forfeited without replacement if the departure is based on good cause or reason that would have justified revocation of the appointment or termination of the employment contract.

In addition, the executive contracts include a post-contractual non-competition clause with a term of up to two years. This attracts a discretionary payment totaling 50 percent of the annual compensation after allowing for any severance payments and is payable unless the Supervisory Board of Henkel Management AG waives the non-competition clause. Similarly, any earnings from new extra-contractual activities during the non-competition period shall be offset against this discretionary payment to the extent that such earnings and discretionary payment together exceed the actual compensation paid in the last fully ended fiscal year by 10 percent or more. No entitlements exist in the event of premature termination of executive duties resulting from a change in control.

**Other provisions**
The corporation maintains directors and officers insurance (D&O insurance) for directors and officers of the Henkel Group. For members of the Management Board there is a deductible amounting to 10 percent per loss event, subject to a maximum for a fiscal year of one and a half times their annual fixed remuneration.

**Remuneration for 2015**
Excluding pension entitlements, the total compensation paid to members of the Management Board for the performance of their duties for and on behalf of Henkel AG & Co. KGaA and its subsidiaries during the year under review amounted to 25,804,019 euros (previous year: 27,404,426 euros). Fixed salaries accounted for 4,950,000 euros (previous year: 4,550,000 euros), other emoluments for 360,477 euros (previous year: 319,926 euros), short-term variable cash remuneration for 9,810,801 euros (previous year: 12,576,000 euros), long-term variable cash remuneration – share deferral – for 5,282,741 euros (previous year: 8,384,000 euros), and the long-term incentive for 5,400,000 euros (previous year: 1,574,500 euros). In accordance with legal regulations, the value of the long-term incentive granted for 2015, which is payable in 2018 contingent on the achievement of performance objectives, is recognized here based on the target amount that would be paid assuming a 30 percent increase in EPS within the performance period.

Compensation for the reporting period granted to members of the Management Board serving in 2015, separated into the above-mentioned components, is shown in the following table:

## Remuneration of Management Board members who served in 2015

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| in euros | | Kasper Rorsted (Chairman) Member of the Management Board since 4/1/2005 | Jan-Dirk Auris (Adhesive Technologies) Member of the Management Board since 1/1/2011 | Carsten Knobel (Finance) Member of the Management Board since 7/1/2012 | Kathrin Menges (Human Resources) Member of the Management Board since 10/1/2011 | Bruno Piacenza (Laundry & Home Care) Member of the Management Board since 1/1/2011 | Hans Van Bylen (Beauty Care) Member of the Management Board since 7/1/2005 | Total |
|---|---|---|---|---|---|---|---|---|
| **1. Fixed salary** [1] | **2015** | **1,200,000** | **750,000** | **750,000** | **750,000** | **750,000** | **750,000** | **4,950,000** |
| | 2014 | 1,050,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 4,550,000 |
| **2. Other emoluments** [1] | **2015** | **79,206** | **47,361** | **50,806** | **40,285** | **99,033** | **43,786** | **360,477** |
| | 2014 | 65,252 | 51,276 | 53,072 | 43,126 | 59,236 | 47,964 | 319,926 |
| **3. Short-term variable cash remuneration** [1] | **2015** | **2,418,846** | **1,375,171** | **1,527,921** | **1,466,821** | **1,527,921** | **1,494,121** | **9,810,801** |
| | 2014 | 3,216,000 | 1,872,000 | 1,872,000 | 1,872,000 | 1,872,000 | 1,872,000 | 12,576,000 |
| Single-year remuneration (Total of 1 to 3) | **2015** | **3,698,052** | **2,172,532** | **2,328,727** | **2,257,106** | **2,376,954** | **2,287,907** | **15,121,278** |
| | 2014 | 4,331,252 | 2,623,276 | 2,625,072 | 2,615,126 | 2,631,236 | 2,619,964 | 17,445,926 |
| **4. Long-term variable cash remuneration (share deferral)** [1] | **2015** | **1,302,456** | **740,477** | **822,727** | **789,827** | **822,727** | **804,527** | **5,282,741** |
| | 2014 | 2,144,000 | 1,248,000 | 1,248,000 | 1,248,000 | 1,248,000 | 1,248,000 | 8,384,000 |
| **5. Long-term incentive** [2] | **2015** | **1,400,000** | **800,000** | **800,000** | **800,000** | **800,000** | **800,000** | **5,400,000** |
| | 2014 | 399,500 | 235,000 | 235,000 | 235,000 | 235,000 | 235,000 | 1,574,500 |
| Multi-year remuneration (Total of 4 and 5) | **2015** | **2,702,456** | **1,540,477** | **1,622,727** | **1,589,827** | **1,622,727** | **1,604,527** | **10,682,741** |
| | 2014 | 2,543,500 | 1,483,000 | 1,483,000 | 1,483,000 | 1,483,000 | 1,483,000 | 9,958,500 |
| **Total remuneration (Total of 1 to 5)** | **2015** | **6,400,508** | **3,713,009** | **3,951,454** | **3,846,933** | **3,999,681** | **3,892,434** | **25,804,019** |
| | 2014 | 6,874,752 | 4,106,276 | 4,108,072 | 4,098,126 | 4,114,236 | 4,102,964 | 27,404,426 |

[1] The payout is reported pursuant to HGB / IFRS.
[2] Target amount pursuant to HGB / IFRS, based on a 30-percent increase in adjusted earnings per preferred share within the performance period of three years. LTI payout for 2015 occurs in 2018; LTI payout for 2014 occurs in 2017.

In the year under review, no member of the Management Board was granted non-standard benefits by the company in connection with premature termination of their tenure, nor were any such entitlements or arrangements modified. No member of the Management Board was pledged payments from third parties in respect of their duties as executives of the company, nor were any such payments granted in the reporting period.

## Structure of Management Board remuneration

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| | | Components of single-year remuneration | | | Components of multi-year remuneration | | |
|---|---|---|---|---|---|---|---|
| in euros | | Fixed salary | Other emoluments | Short-term variable cash remuneration | Long-term variable cash remuneration (share deferral) | Long-term incentive | Total remuneration |
| **Total** | **2015** | **4,950,000** | **360,477** | **9,810,801** | **5,282,741** | **5,400,000** | **25,804,019** |
| | | **19.2%** | **1.4%** | **38.0%** | **20.5%** | **20.9%** | **100%** |
| Total | 2014 | 4,550,000 | 319,926 | 12,576,000 | 8,384,000 | 1,574,500 | 27,404,426 |
| | | 16.6% | 1.2% | 45.9% | 30.6% | 5.7% | 100% |

## Pension benefits

The figures calculated in accordance with the German Commercial Code [HGB] and International Accounting Standards (IAS) 19 for service cost for entitlements acquired in the reporting year and the present value of total pension benefits accruing to the end of the fiscal year are shown in the following table:

### Service cost / Present value of pension benefits

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| | | HGB | | IAS | |
|---|---|---|---|---|---|
| in euros | | Service cost for pension benefits in the reporting year | Present value of pension benefits as of December 31 | Service cost for pension benefits in the reporting year | Present value of pension benefits as of December 31 |
| Kasper Rorsted | **2015** | **791,760** | **7,057,239** | **798,237** | **7,116,328** |
| | 2014 | 649,406 | 5,759,924 | 650,059 | 5,849,341 |
| Jan-Dirk Auris | **2015** | **456,041** | **2,628,382** | **456,927** | **2,746,697** |
| | 2014 | 393,196 | 1,980,974 | 394,602 | 2,495,849 |
| Carsten Knobel | **2015** | **455,659** | **1,994,619** | **457,887** | **2,103,255** |
| | 2014 | 396,020 | 1,402,326 | 399,364 | 2,002,885 |
| Kathrin Menges | **2015** | **454,902** | **2,051,174** | **455,704** | **2,113,541** |
| | 2014 | 395,533 | 1,451,597 | 397,958 | 1,661,415 |
| Bruno Piacenza | **2015** | **454,174** | **2,045,361** | **454,174** | **2,049,561** |
| | 2014 | 392,296 | 1,458,826 | 393,045 | 1,465,545 |
| Hans Van Bylen | **2015** | **460,637** | **5,506,250** | **460,637** | **5,937,632** |
| | 2014 | 392,372 | 4,598,944 | 392,994 | 5,346,432 |
| **Total** | **2015** | **3,073,173** | **21,283,025** | **3,083,566** | **22,067,014** |
| | 2014 | 2,618,823 | 16,652,591 | 2,628,022 | 18,821,467 |

For pension obligations to former members of the Management Board and the former management of Henkel KGaA, as well as the former management of its legal predecessor and surviving dependents, 98,729,434 euros (previous year: 108,218,489 euros) is deferred. Amounts paid to such recipients during the year under review totaled 7,163,382 euros (previous year: 7,138,469 euros).

**Disclosures in accordance with the German Corporate Governance Code [DCGK]**

In accordance with the recommendations of the DCGK, the following tables show

a) the benefits granted for fiscal 2015, including the maximum and minimum achievable compensation for variable remuneration components, and

b) the allocation for fiscal 2015.

## Pursuant to DCGK, payments / benefits granted for the reporting year to members of the Management Board serving in 2015

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| in euros | | 1. Fixed salary[1] | 2. Other emoluments[1] | Total (1 and 2) | 3. Short-term variable cash remuneration[2] | 4. Long-term variable cash remuneration (share deferral)[2] | 5. Long-term incentive[3] | Total (1 to 5) | 6. Service cost[4] | Total remuneration pursuant to DCGK (Total of 1 to 6) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Kasper Rorsted (Chairman)** | **2015** | **1,200,000** | **79,206** | **1,279,206** | **2,484,464** | **1,337,788** | **1,400,000** | **6,501,458** | **798,237** | **7,299,695** |
| Member of the Management Board since 4/1/2005 | **2015 (min)** | **1,200,000** | **79,206** | **1,279,206** | **0** | **0** | **0** | **1,279,206** | **798,237** | **2,077,443** |
| | **2015 (max)** | **1,200,000** | **79,206** | **1,279,206** | **3,315,000** | **1,785,000** | **2,100,000** | **8,479,206** | **798,237** | **9,277,443** |
| | 2014 | 1,050,000 | 65,252 | 1,115,252 | 3,135,150 | 2,090,100 | 399,500 | 6,740,002 | 650,059 | 7,390,061 |
| **Jan-Dirk Auris (Adhesive Technologies)** | **2015** | **750,000** | **47,361** | **797,361** | **1,461,449** | **786,934** | **800,000** | **3,845,744** | **456,927** | **4,302,671** |
| Member of the Management Board since 1/1/2011 | **2015 (min)** | **750,000** | **47,361** | **797,361** | **0** | **0** | **0** | **797,361** | **456,927** | **1,254,288** |
| | **2015 (max)** | **750,000** | **47,361** | **797,361** | **1,950,000** | **1,050,000** | **1,200,000** | **4,997,361** | **456,927** | **5,454,288** |
| | 2014 | 700,000 | 51,276 | 751,276 | 1,836,300 | 1,224,200 | 235,000 | 4,046,776 | 394,602 | 4,441,378 |
| **Carsten Knobel (Finance)** | **2015** | **750,000** | **50,806** | **800,806** | **1,461,449** | **786,934** | **800,000** | **3,849,189** | **457,887** | **4,307,076** |
| Member of the Management Board since 7/1/2012 | **2015 (min)** | **750,000** | **50,806** | **800,806** | **0** | **0** | **0** | **800,806** | **457,887** | **1,258,693** |
| | **2015 (max)** | **750,000** | **50,806** | **800,806** | **1,950,000** | **1,050,000** | **1,200,000** | **5,000,806** | **457,887** | **5,458,693** |
| | 2014 | 700,000 | 53,072 | 753,072 | 1,836,300 | 1,224,200 | 235,000 | 4,048,572 | 399,364 | 4,447,936 |
| **Kathrin Menges (Human Resources)** | **2015** | **750,000** | **40,285** | **790,285** | **1,461,449** | **786,934** | **800,000** | **3,838,668** | **455,704** | **4,294,372** |
| Member of the Management Board since 10/1/2011 | **2015 (min)** | **750,000** | **40,285** | **790,285** | **0** | **0** | **0** | **790,285** | **455,704** | **1,245,989** |
| | **2015 (max)** | **750,000** | **40,285** | **790,285** | **1,950,000** | **1,050,000** | **1,200,000** | **4,990,285** | **455,704** | **5,445,989** |
| | 2014 | 700,000 | 43,126 | 743,126 | 1,836,300 | 1,224,200 | 235,000 | 4,038,626 | 397,958 | 4,436,584 |
| **Bruno Piacenza (Laundry & Home Care)** | **2015** | **750,000** | **99,033** | **849,033** | **1,461,449** | **786,934** | **800,000** | **3,897,416** | **454,174** | **4,351,590** |
| Member of the Management Board since 1/1/2011 | **2015 (min)** | **750,000** | **99,033** | **849,033** | **0** | **0** | **0** | **849,033** | **454,174** | **1,303,207** |
| | **2015 (max)** | **750,000** | **99,033** | **849,033** | **1,950,000** | **1,050,000** | **1,200,000** | **5,049,033** | **454,174** | **5,503,207** |
| | 2014 | 700,000 | 59,236 | 759,236 | 1,836,300 | 1,224,200 | 235,000 | 4,054,736 | 393,045 | 4,447,781 |
| **Hans Van Bylen (Beauty Care)** | **2015** | **750,000** | **43,786** | **793,786** | **1,461,449** | **786,934** | **800,000** | **3,842,169** | **460,637** | **4,302,806** |
| Member of the Management Board since 7/1/2005 | **2015 (min)** | **750,000** | **43,786** | **793,786** | **0** | **0** | **0** | **793,786** | **460,637** | **1,254,423** |
| | **2015 (max)** | **750,000** | **43,786** | **793,786** | **1,950,000** | **1,050,000** | **1,200,000** | **4,993,786** | **460,637** | **5,454,423** |
| | 2014 | 700,000 | 47,964 | 747,964 | 1,836,300 | 1,224,200 | 235,000 | 4,043,464 | 392,994 | 4,436,458 |

[1] Payment amount.
[2] Pursuant to DCGK, expected amount based on an average probability scenario (not the actual amount paid out).
[3] Target amount pursuant to DCGK, based on a 30-percent increase in adjusted earnings per preferred share within the performance period of three years. LTI payout for 2015 occurs in 2018; LTI payout for 2014 occurs in 2017.
[4] Pursuant to DCGK, service cost determined in accordance with IAS.

## Pursuant to DCGK, payments / benefits made for the reporting year to members of the Management Board serving in 2015

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| | | | | | | | 5. Long-term incentive[3] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| in euros | | 1. Fixed salary[1] | 2. Other emoluments[1] | Total (1 and 2) | 3. Short-term variable cash remuneration[2] | 4. Long-term variable cash remuneration (share deferral)[2] | 2013 tranche (term 1/1/2013 – 12/31/2015) | 2012 tranche (term 1/1/2012 – 12/31/2014) | Total (1 to 5) | 6. Service cost[4] | Total remuneration pursuant to DCGK (Total of 1 to 6) |
| **Kasper Rorsted (Chairman)** | **2015** | **1,200,000** | **79,206** | **1,279,206** | **2,418,846** | **1,302,456** | **426,838** | | **5,427,346** | **798,237** | **6,225,583** |
| Member of the Management Board since 4/1/2005 | 2014 | 1,050,000 | 65,252 | 1,115,252 | 3,216,000 | 2,144,000 | | 536,637 | 7,011,889 | 650,059 | 7,661,948 |
| **Jan-Dirk Auris (Adhesive Technologies)** | **2015** | **750,000** | **47,361** | **797,361** | **1,375,171** | **740,477** | **251,081** | | **3,164,090** | **456,927** | **3,621,017** |
| Member of the Management Board since 1/1/2011 | 2014 | 700,000 | 51,276 | 751,276 | 1,872,000 | 1,248,000 | | 315,669 | 4,186,945 | 394,602 | 4,581,547 |
| **Carsten Knobel (Finance)** | **2015** | **750,000** | **50,806** | **800,806** | **1,527,921** | **822,727** | **251,081** | | **3,402,535** | **457,887** | **3,860,422** |
| Member of the Management Board since 7/1/2012 | 2014 | 700,000 | 53,072 | 753,072 | 1,872,000 | 1,248,000 | | 157,834 | 4,030,906 | 399,364 | 4,430,270 |
| **Kathrin Menges (Human Resources)** | **2015** | **750,000** | **40,285** | **790,285** | **1,466,821** | **789,827** | **251,081** | | **3,298,014** | **455,704** | **3,753,718** |
| Member of the Management Board since 10/1/2011 | 2014 | 700,000 | 43,126 | 743,126 | 1,872,000 | 1,248,000 | | 268,318 | 4,131,444 | 397,958 | 4,529,402 |
| **Bruno Piacenza (Laundry & Home Care)** | **2015** | **750,000** | **99,033** | **849,033** | **1,527,921** | **822,727** | **251,081** | | **3,450,762** | **454,174** | **3,904,936** |
| Member of the Management Board since 1/1/2011 | 2014 | 700,000 | 59,236 | 759,236 | 1,872,000 | 1,248,000 | | 315,669 | 4,194,905 | 393,045 | 4,587,950 |
| **Hans Van Bylen (Beauty Care)** | **2015** | **750,000** | **43,786** | **793,786** | **1,494,121** | **804,527** | **251,081** | | **3,343,515** | **460,637** | **3,804,152** |
| Member of the Management Board since 7/1/2005 | 2014 | 700,000 | 47,964 | 747,964 | 1,872,000 | 1,248,000 | | 315,669 | 4,183,633 | 392,994 | 4,576,627 |

[1] Payment amount.
[2] Pursuant to DCGK, based on the payment amount of the remuneration components granted for the relevant fiscal year; actual allocation occurs in the following year.
[3] Pursuant to DCGK, based on the payment amount of those tranches for which the plan term of three years ended in the relevant fiscal year; actual allocation occurs in the following year.
[4] Pursuant to DCGK, service cost determined in accordance with IAS.

### 2. Remuneration of Henkel Management AG for assumption of personal liability, and reimbursement of expenses to same

For assumption of personal liability and management responsibility, Henkel Management AG in its function as Personally Liable Partner receives an annual payment of 50,000 euros (= 5 percent of its capital stock) plus any value-added tax (VAT) due, said fee being payable irrespective of any profit or loss made.

Henkel Management AG may also claim reimbursement from or payment by the corporation of all expenses incurred in connection with the management of the corporation's business, including the remuneration and pensions paid to its corporate management bodies.

### 3. Remuneration of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA

#### Regulation, structure and amounts

The remuneration for the Supervisory Board and the Shareholders' Committee is determined by the Annual General Meeting; the corresponding provisions are contained in Articles 17 and 33 of the Articles of Association.

Each member of the Supervisory Board and of the Shareholders' Committee receives a fixed fee of 70,000 euros and 100,000 euros per year respectively. The Chairs of the Supervisory Board and the Shareholders' Committee each receive double this amount, and the Vice Chair in each case one and a half times the aforementioned amount.

Members of the Shareholders' Committee who are also members of one or more subcommittees of the Shareholders' Committee each receive additional remuneration of 100,000 euros; if they chair one or more subcommittees, they receive 200,000 euros.

Members of the Supervisory Board who are also members of one or more committees each receive additional remuneration of 35,000 euros; if they chair one or more committees, they receive 70,000 euros. Activity in the Nominations Committee is not remunerated separately.

The higher remuneration allocated to the members of the Shareholders' Committee as compared to the Supervisory Board takes into account that, under the Articles of Association, the Shareholders' Committee participates in the management of the corporation.

#### Other provisions

The members of the Supervisory Board or a committee receive an attendance fee amounting to 1,000 euros for each meeting in which they participate. If several meetings take place on one day, the attendance fee is only paid once. In addition, the members of the Supervisory Board and of the Shareholders' Committee are reimbursed expenses incurred in connection with their positions. The members of the Supervisory Board are also reimbursed the value-added tax (VAT) payable on their total remunerations and reimbursed expenses.

The corporation maintains directors and officers insurance for directors and officers of the Henkel Group. For members of the Supervisory Board and Shareholders' Committee there is a deductible amounting to 10 percent per loss event, subject to a maximum for the fiscal year of one and a half times their annual fixed remuneration.

#### Remuneration for 2015

Total remuneration paid to the members of the Supervisory Board for the year under review (fixed fee, attendance fee, remuneration for committee activity) amounted to 1,546,000 euros plus VAT (previous year: 1,562,000 euros plus VAT). Of this amount, fixed fees accounted for 1,225,000 euros, attendance fees for 59,000 euros, and remuneration for committee activity (including associated attendance fees) for 262,000 euros.

Total remuneration paid to the members of the Shareholders' Committee for the year under review (fixed fee and remuneration for subcommittee activity) amounted to 2,350,000 euros (previous year: 2,350,000 euros). Of this amount, fixed fees were 1,150,000 euros and remuneration for subcommittee activity 1,200,000 euros.

In the year under review, no compensation or benefits were paid or granted for personally performed services, including in particular advisory or intermediation services.

The remuneration of the individual members of the Supervisory Board and of the Shareholders' Committee, broken down according to the above-mentioned components, is presented in the tables on the following pages.

## Supervisory Board remuneration

17

| in euros | | Components of total remuneration: Fixed fee | Attendance fee | Fee for committee activity[1] | Total remuneration[2] |
|---|---|---|---|---|---|
| Dr. Simone Bagel-Trah[3], Chair | **2015** | **140,000** | **4,000** | **38,000** | **182,000** |
| | 2014 | 140,000 | 4,000 | 38,000 | 182,000 |
| Winfried Zander[3], Vice Chair | **2015** | **105,000** | **4,000** | **38,000** | **147,000** |
| | 2014 | 105,000 | 4,000 | 39,000 | 148,000 |
| Jutta Bernicke | **2015** | **70,000** | **3,000** | **–** | **73,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Dr. Kaspar von Braun | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Boris Canessa | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Ferdinand Groos | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Béatrice Guillaume-Grabisch | **2015** | **70,000** | **2,000** | **–** | **72,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Peter Hausmann[3] | **2015** | **70,000** | **3,000** | **37,000** | **110,000** |
| | 2014 | 70,000 | 3,000 | 38,000 | 111,000 |
| Birgit Helten-Kindlein[3] | **2015** | **70,000** | **4,000** | **38,000** | **112,000** |
| | 2014 | 70,000 | 4,000 | 39,000 | 113,000 |
| Prof. Dr. Michael Kaschke[3] | **2015** | **70,000** | **3,000** | **38,000** | **111,000** |
| | 2014 | 70,000 | 3,000 | 38,000 | 111,000 |
| Barbara Kux | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Mayc Nienhaus | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Andrea Pichottka | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| Dr. Martina Seiler | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 4,000 | – | 74,000 |
| Prof. Dr. Theo Siegert[3] | **2015** | **70,000** | **4,000** | **73,000** | **147,000** |
| | 2014 | 70,000 | 4,000 | 74,000 | 148,000 |
| Edgar Topsch | **2015** | **70,000** | **4,000** | **–** | **74,000** |
| | 2014 | 70,000 | 5,000 | – | 75,000 |
| **Total** | **2015** | **1,225,000** | **59,000** | **262,000** | **1,546,000** |
| | 2014 | 1,225,000 | 71,000 | 266,000 | 1,562,000 |

[1] Remuneration for service on the Audit Committee, including attendance fee; there is no separate remuneration payable for service on the Nominations Committee.
[2] Figures do not include VAT.
[3] Member of the Audit Committee. Audit Committee Chair: Prof. Dr. Theo Siegert.

### 4. Remuneration of the members of the Supervisory Board of Henkel Management AG

According to Article 14 of the Articles of Association of Henkel Management AG, the members of the Supervisory Board of Henkel Management AG are each entitled to receive annual remuneration of 10,000 euros. However, those members of said Supervisory Board who are also and simultaneously members of the Supervisory Board or the Shareholders' Committee of Henkel AG & Co. KGaA do not receive this remuneration.

As the Supervisory Board of Henkel Management AG is only comprised of members who also belong to the Shareholders' Committee, no remuneration was paid in respect of this Supervisory Board in the year under review.

## Shareholders' Committee remuneration

18

| in euros | | Components of total remuneration: Fixed fee | Components of total remuneration: Fee for subcommittee activity | Total remuneration |
|---|---|---|---|---|
| Dr. Simone Bagel-Trah, Chair (Chair Human Resources Subcommittee) | **2015** | **200,000** | **200,000** | **400,000** |
| | 2014 | 200,000 | 200,000 | 400,000 |
| Dr. Christoph Henkel, Vice Chair (Chair Finance Subcommittee) | **2015** | **150,000** | **200,000** | **350,000** |
| | 2014 | 150,000 | 200,000 | 350,000 |
| Prof. Dr. Paul Achleitner (Member Finance Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Johann-Christoph Frey (Member HR Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Stefan Hamelmann (Vice Chair Finance Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Prof. Dr. Ulrich Lehner (Member Finance Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Dr. Dr. Norbert Reithofer (Member Finance Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Konstantin von Unger (Vice Chair HR Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Jean-François van Boxmeer (Member HR Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| Werner Wenning (Member HR Subcommittee) | **2015** | **100,000** | **100,000** | **200,000** |
| | 2014 | 100,000 | 100,000 | 200,000 |
| **Total** | **2015** | **1,150,000** | **1,200,000** | **2,350,000** |
| | 2014 | 1,150,000 | 1,200,000 | 2,350,000 |

+ 15.4 %

increase in Henkel preferred share price.

+ 10.2 %

increase in Henkel ordinary share price.

€ 41.4 bn

market capitalization.

# Shares and bonds

Henkel shares recorded very positive price performance in 2015. The price of Henkel preferred shares increased significantly by 15.4 percent to 103.20 euros. The ordinary shares also showed a strong gain and closed at 88.62 euros, 10.2 percent higher year on year. Over the course of the year, the DAX rose by 9.6 percent to 10,743 points. The EURO STOXX® Consumer Goods Index increased 18.9 percent, closing at 634 points. Henkel shares therefore outperformed the DAX, but growth was lower than other shares representing the consumer goods sector.

Henkel shares largely tracked the overall market in the course of the year. Within this environment, Henkel preferred shares reached an all-time high on April 10, 2015 of 115.20 euros. The ordinary shares also recorded their highest price ever, 99.26 euros, on April 13, 2015. After a notable decline in share prices in the third quarter, the equity markets posted a significant recovery in the fourth quarter.

The preferred shares traded at an average premium of 15.9 percent over the ordinary shares in 2015.

Year on year, the trading volume (Xetra) of preferred shares declined. Each trading day saw an average of around 571,000 preferred shares changing hands (2014: around 614,000). The average volume for our ordinary shares increased to around 104,000 shares per trading day (2014: 81,000). Due to positive share price developments, the market capitalization of our ordinary and preferred shares increased from 36.8 billion euros to 41.4 billion euros.

Henkel shares remain an attractive investment for long-term investors. Shareholders who invested the equivalent of 1,000 euros when Henkel preferred shares were issued in 1985, and re-invested the dividends received (before tax deduction) in the stock, had a portfolio value of 34,171 euros at the end of 2015. This represents an increase in value of 3,317 percent or an average yield of 12.4 percent per year. Over the same period, the DAX provided an annual yield of 7.7 percent. Over the last five and ten years, the Henkel preferred share has shown an average yield of 19.0 and 15.6 percent per year respectively, offering a significantly higher return than the average DAX returns of 10.3 percent and 8.8 percent per year for the same periods.

### Key data on Henkel shares 2011 through 2015

19

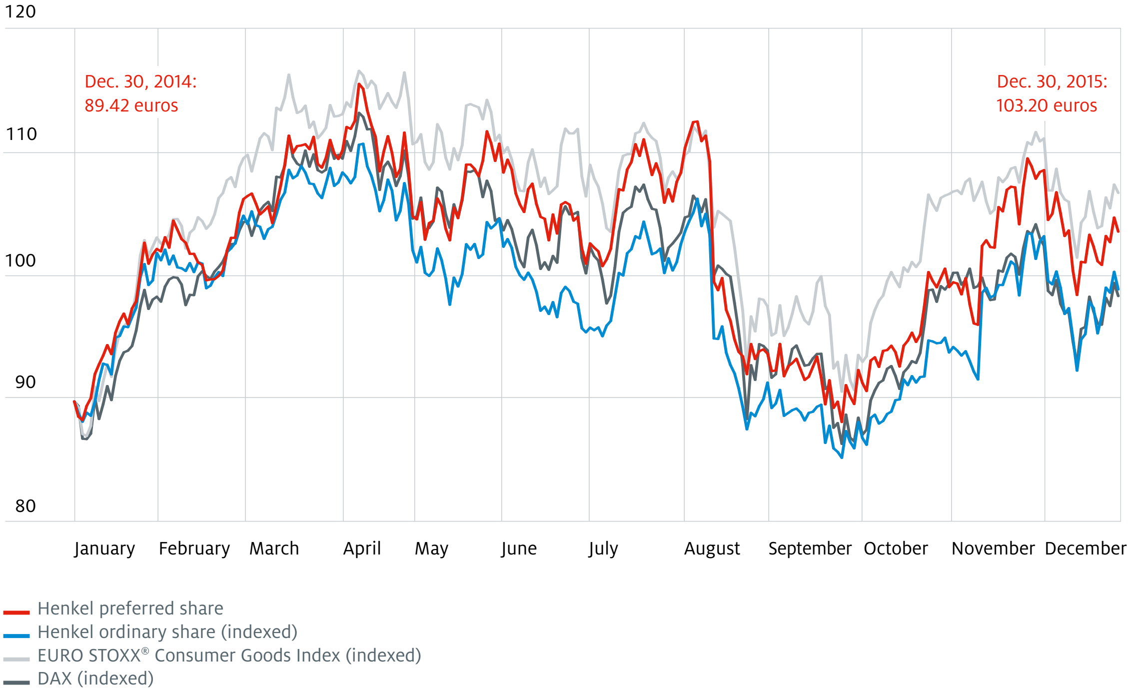
| in euros | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Earnings per share** | | | | | |
| Ordinary share | 2.67 | 3.40 | 3.65 | 3.74 | **4.42** |
| Preferred share | 2.69 | 3.42 | 3.67 | 3.76 | **4.44** |
| **Share price at year-end** [1] | | | | | |
| Ordinary share | 37.40 | 51.93 | 75.64 | 80.44 | **88.62** |
| Preferred share | 44.59 | 62.20 | 84.31 | 89.42 | **103.20** |
| **High for the year** [1] | | | | | |
| Ordinary share | 41.10 | 52.78 | 75.81 | 80.44 | **99.26** |
| Preferred share | 49.81 | 64.61 | 84.48 | 90.45 | **115.20** |
| **Low for the year** [1] | | | | | |
| Ordinary share | 30.78 | 37.25 | 50.28 | 67.00 | **76.32** |
| Preferred share | 36.90 | 44.31 | 59.82 | 72.64 | **87.75** |
| **Dividends** | | | | | |
| Ordinary share | 0.78 | 0.93 | 1.20 | 1.29 | **1.45** [2] |
| Preferred share | 0.80 | 0.95 | 1.22 | 1.31 | **1.47** [2] |
| **Market capitalization** [1] **in bn euros** | **17.6** | **24.6** | **34.7** | **36.8** | **41.4** |
| Ordinary shares in bn euros | 9.7 | 13.5 | 19.7 | 20.9 | **23.0** |
| Preferred shares in bn euros | 7.9 | 11.1 | 15.0 | 15.9 | **18.4** |

[1] Closing share prices, Xetra trading system.
[2] Proposal to shareholders for the Annual General Meeting on April 11, 2016.

## Henkel share performance versus market January through December 2015

20

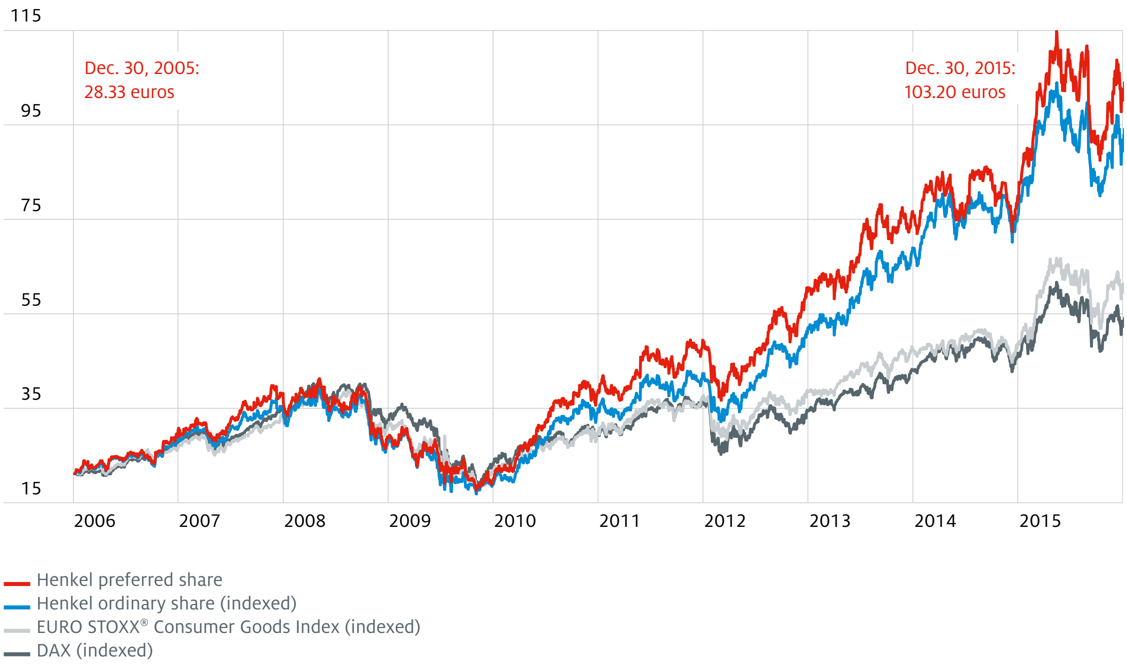
in euros




## Henkel share performance versus market 2006 through 2015

21

in euros



## Henkel represented in all major indices

Henkel shares are traded on the Frankfurt Stock Exchange, predominantly on the Xetra electronic trading platform. Henkel is also listed on all regional stock exchanges in Germany. In the USA, investors are able to invest in Henkel preferred and ordinary shares by way of stock ownership certificates obtained through the Sponsored Level I ADR (American Depositary Receipt) program. The number of ADRs outstanding for ordinary and preferred shares at the end of the year was approximately 1.7 million (2014: 2.5 million).

The international importance of Henkel preferred shares derives not least from their inclusion in many leading indices that serve as important indicators for capital markets, and benchmarks for fund managers. Particularly noteworthy in this respect are the MSCI World, STOXX® Europe 600, and the FTSE World Europe indices. Henkel's inclusion in the Dow Jones Titans 30 Personal & Household Goods Index makes it one of the most important corporations in the personal and household goods sector worldwide. As a DAX stock, Henkel is one of the 30 most important exchange-listed companies in Germany.

### Share data

22

| | Preferred shares | Ordinary shares |
|---|---|---|
| Security code no. | 604843 | 604840 |
| ISIN code | DE0006048432 | DE0006048408 |
| Stock exch. symbol | HEN3.ETR | HEN.ETR |
| Number of shares | 178,162,875 | 259,795,875 |

### ADR data

23

| | Preferred shares | Ordinary shares |
|---|---|---|
| CUSIP | 42550U208 | 42550U109 |
| ISIN code | US42550U2087 | US42550U1097 |
| ADR symbol | HENOY | HENKY |

Once again our advances and achievements in sustainable management earned recognition from external experts in 2015. Henkel's standing was confirmed in a variety of national and international sustainability ratings and indices. Henkel has been represented in the ethics index FTSE4Good since 2001, and in the STOXX® Global ESG Leaders index family since its launch by Deutsche Börse in 2011. Our membership in the Ethibel Pioneer Investment Register and the sustainability indices Euronext Vigeo World 120, Europe 120, and Eurozone 120 was also confirmed, as was our membership in the MSCI Global Sustainability Index series. As one of only 50 companies worldwide, Henkel was also once again confirmed in 2015 as a member of the Global Challenges Index.

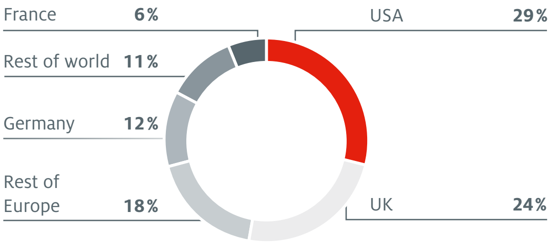
At year-end 2015, the market capitalization of the preferred shares included in the DAX index was 18.4 billion euros. Henkel thus retained its rank of 18th. In terms of trading volume, Henkel ranked 23rd (2014: 21st). Our DAX weighting increased to 2.05 percent (2014: 1.65 percent).

## International shareholder structure

Our preferred shares are the significantly more liquid class of Henkel stock. Apart from the treasury shares, they are entirely in free float. A large majority are owned by institutional investors whose portfolios are usually broadly distributed internationally.

According to notices received by the company, members of the Henkel family share-pooling agreement owned a majority of the ordinary shares amounting to 61.02 percent as of December 17, 2015. We have received no other notices indicating that a shareholder holds more than 3 percent of the voting rights (notifiable ownership). As of December 31, 2015, treasury stock amounted to 3.7 million shares.

Shareholder structure:
institutional investors holding Henkel shares 24




At November 30, 2015
Source: Nasdaq.

## Employee share program

Since 2001, Henkel has offered an employee share program (ESP). For each euro invested in 2015 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added 33 eurocents. Around 11,300 employees in 56 countries purchased Henkel preferred shares under this program in 2015. At year-end, some 14,500 employees held a total of around 2.7 million shares, representing approximately 1.5 percent of total preferred shares outstanding. The lock-up period for newly acquired ESP shares is three years.

Investing in Henkel shares through participation in our share program has proven to be very beneficial for our employees in the past. Employees who invested 100 euros each month in Henkel shares since the program was first launched, and waived interim payouts, held portfolios valued at 81,753 euros at the end of 2015. This represents an increase in value of around 387 percent or an average yield of around 12.0 percent per year.

## Henkel bonds

Henkel was represented in the international bond markets by one hybrid bond with a total nominal volume of 1.3 billion euros. On October 16, 2015, Henkel called the bond certificates for repayment at their nominal value plus accrued interest. The repayment took place on November 25, 2015.

Further information can be found on the website:
www.henkel.com/creditor-relations

**61.02 %**

of voting rights are held by members of the Henkel family share-pooling agreement.

## Pro-active capital market communication

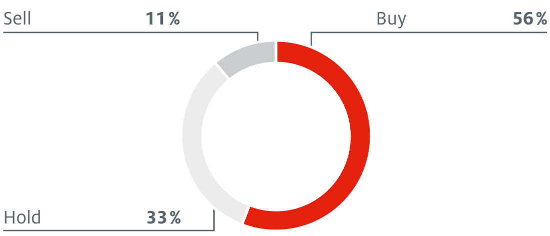
Henkel is covered by numerous financial analysts at an international level. Around 30 equity and debt analysts regularly publish reports and commentaries on the current performance of the company.

Henkel places great importance on dialog with investors and analysts. At 21 capital market conferences and roadshows held in Europe and North America, institutional investors and financial analysts had an opportunity to engage with the company and, in many instances, directly with the top management. We also conducted regular telephone conferences and numerous one-on-one meetings.

One highlight was our Investor and Analyst Day for the Laundry & Home Care business unit on June 1, 2015, held in Düsseldorf. Under the theme "Experience Reinvention," the business unit not only presented its strategy and provided information about its business performance, but also introduced its new Global Experience Center for customers.

Retail investors can obtain all relevant information on request or via the Investor Relations website at www.henkel.com/ir. This also serves as the portal for the live broadcast of telephone conferences and parts of the Annual General Meeting (AGM). The AGM offers all shareholders the opportunity to directly obtain extensive information about the company.

### Analyst recommendations 25




At December 31, 2015
Basis: 27 equity analysts.

The quality of our capital market communication was again evaluated in 2015 by various independent rankings. Once again, our Investor Relations team took leading positions compared to other European corporations in the Home & Personal Care sector and other DAX companies – including third place in the Household Products & Personal Care sector in the Thomson Extel Pan-European Awards. In the Institutional Investor ranking, Henkel was chosen by investors as having the best Investor Relations team in the European Household & Personal Care Products sector. Additionally, our Investor and Analyst Day 2015 was selected in a new Institutional Investor ranking as "Best Investor & Analyst Day" in the European Household & Personal Care Products sector.

The quality of our communication and our performance with respect to non-financial indicators (environmental, social and governance themes) was reflected in regular positive assessments by various rating agencies and further confirmed by our inclusion in major sustainability indices as described above.

A financial calendar with all important dates is provided on the inside back cover of this Annual Report.

# Fundamental principles of the Group

## Operational activities

### Overview

Henkel was founded in 1876. Therefore, the year under review marks the 139th in our corporate history. Today, Henkel employs around 49,450 people worldwide, and we occupy globally leading market positions in our consumer and industrial businesses.

### Organization and business units

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. It is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. Henkel AG & Co. KGaA performs its tasks within the legal scope afforded to it as part of the Henkel Group, with the affiliated companies otherwise operating as legally independent entities.

Operational management and control is the responsibility of the Management Board of Henkel Management AG in its function as sole Personally Liable Partner. The Management Board is supported in this by the corporate functions.

Henkel is organized into three business units:
- Laundry & Home Care
- Beauty Care
- Adhesive Technologies

Our product range in the Laundry & Home Care business unit comprises heavy-duty detergents, specialty detergents and cleaning products. The portfolio of the Beauty Care business unit encompasses hair cosmetics, products for body, skin and oral care, and products for the hair salon business. The Adhesive Technologies business unit provides customer-specific solutions worldwide with adhesives, sealants and functional coatings in two business areas: Industry, and Consumers, Craftsmen and Building.

1876
Year of foundation.

Laundry & Home Care, Beauty Care, and Adhesive Technologies are managed on the basis of globally responsible strategic business units. These are supported by the corporate functions of Henkel AG & Co. KGaA, our shared services, and our globally integrated supply chain organization in order to ensure optimum utilization of corporate network synergies. Implementation of the strategies at a country and regional level is the responsibility of the national affiliated companies whose operations are supported and coordinated by regional centers. The executive bodies of these national affiliates manage their businesses in line with the relevant statutory regulations, supplemented by their own articles of association, internal procedural rules and the principles incorporated in our globally applicable management standards, codes and guidelines.

Henkel around the world: regional centers 26

## Strategy and financial targets 2016

In November 2012, we presented our Strategy 2016 based on thorough analysis of the long-term megatrends that are relevant for Henkel, and of Henkel's individual business units. As a result, we see considerable potential both for further organic growth and for enhanced profitability in all three business units.

Three megatrends played a key role in the definition of our financial targets:

1. We expect progressive consolidation among our competitors, customers and suppliers. Scale will become an increasingly important factor in our ability to compete over the long term. As such, increasing our sales is essential to allow us to continue to operate successfully in our markets in the future.
2. The shift of economic growth to the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) will continue. This will require Henkel to steadily expand its position in these important markets and further increase sales in emerging markets.
3. The speed and volatility of our markets will remain high and may even increase further. This requires processes and structures that are more flexible and more efficient, to enable us to respond to changes faster than our competitors. We therefore want to continuously improve our operational excellence and deliver outstanding financial performance.

This is why

- absolute sales of the corporation as a whole,
- sales in emerging markets, and
- growth in earnings per preferred share (EPS)

form the cornerstones of our financial targets through to 2016.

**Financial targets 2016**

By the end of 2016, we aim to generate net sales of 20 billion euros in order to further strengthen our position in the competitive global market environment. The setting of our target reflects the growing importance of emerging markets. We aim to continue achieving above-average growth in these markets and to generate net sales of 10 billion euros there by the end of 2016.

We intend to continue our outstanding financial performance through a balanced combination of growth and increasing profitability. Consequently, we aim to increase adjusted earnings per preferred share by an average of 10 percent per year (CAGR: compound annual growth rate) between 2013 and 2016.

The definition of our financial targets up to the end of 2016 assumes not only that we will constantly adapt our structures to market conditions, but also that we will strive to continuously optimize our portfolio. This will encompass both smaller and mid-sized acquisitions as well as divestments or the discontinuation of non-strategic activities (representing total sales of around 500 million euros in the period between 2013 and 2016). Potential major acquisitions or divestments are not accounted for in the financial targets.

We have defined clear selection criteria for possible acquisitions to make sure they fit our strategy, both in terms of financial attractiveness and implementability. The focus in Laundry & Home Care and Beauty Care will center on strengthening our categories in the respective regions, while the focus in Adhesive Technologies will primarily be on advancing technology leadership.

Progress in fiscal 2015:

- Sales increased in 2015 by 10.1 percent to 18,089 million euros. This positive sales performance was comprised of solid organic growth of 3.0 percent, positive foreign exchange effects of 4.4 percent, and acquisitions that contributed 2.7 percent.
- Sales in our emerging markets matched the strong performance of previous years, with organic growth coming in at 5.9 percent. Nominal sales amounted to 7,797 million euros.
- In a difficult environment, we increased adjusted earnings per preferred share by 11.4 percent in 2015 compared to the level of 2014.
- We also effectively strengthened our position in all three business units through acquisitions.

**Financial targets 2016** 27

**20** bn € sales

**10** bn € sales in emerging markets

**10** % annual growth in earnings per share[1]

[1] Average annual growth in adjusted earnings per preferred share (compound annual growth rate / CAGR).

Including continuous portfolio optimization.

## Strategic priorities in summary

### Outperform: leverage potential in categories

In order to outperform our competitors in our individual business units, we will leverage the growth potential in our product categories even more. In our core categories, we will make investments that further strengthen and expand our leading positions. In our growth categories, we will also make targeted investments, including the development of new segments. In our value categories, we will tap existing earnings potential by making suitable investments while at the same time actively adjusting our portfolio. Between 2013 and 2016, we expect to discontinue or divest businesses and operations representing total sales of 500 million euros.

In addition to this active portfolio management, we intend to leverage the potential of our categories by concentrating on three key areas: strengthening our top brands, innovations, and focusing on customers and consumers. By 2016, we intend to have increased the share of sales attributable to our top 10 brands to around 60 percent. A substantial portion of this will come from our rigorous customer orientation and particular focus on innovations.

We are also planning to open and/or significantly expand seven research and development sites in emerging markets around the world in order to underpin our claim to innovation leadership while benefiting from the proximity to our customers and consumers in these strategically important markets.


Progress in fiscal 2015:

- In 2015, we were able to further raise the share of sales attributable to our top 10 brands by 2 percentage points to 61 percent. We therefore achieved our goal of around 60 percent for year-end 2016 one year ahead of time.
- Numerous innovations strengthened our business performance: In 2015, the research and development centers we opened in the emerging markets in recent years again acted as hubs for innovations targeted specifically at regional customers' needs. For examples, please refer to the "Research and development" section on pages 83 to 87.
- We opened the Global Experience Center in Düsseldorf for the Laundry & Home Care business unit in 2015, creating a new platform through which we can further enhance collaboration with international customers. In the Beauty Care business unit, the Beauty Care Lighthouse was once again a central point of contact for our customers worldwide.

61 %
of sales generated by top 10 brands.

### Acquisitions completed in fiscal 2015

28

| | Key brands | Key countries | Contract signed on | Completion on | Annual sales in million euros | Purchase price in million euros | For further information, see pages |
|---|---|---|---|---|---|---|---|
| Hairstyling brand in Latin America | Xtreme | Mexico | 7/15/2014 | 7/16/2015 | ~ 40 | 55 | 71, 95, 126 – 127, 161 |
| Novamelt, pressure-sensitive hotmelt adhesives | | Germany | 4/14/2015 | 6/1/2015 | ~ 50 | 48 | 71, 100 – 101, 126 – 127 |
| Laundry detergent and pre-wash brands in Australia and New Zealand | Cold Power, Dynamo, Fab, Sard | Australia, New Zealand | 5/11/2015 | 12/1/2015 | ~ 100 | 194 | 18, 71, 91, 126 – 127, 161 |
| Magna-Tech, vacuum impregnation | | USA | 12/14/2015 | 12/14/2015 | ~ 15 | 32 | 71, 100 – 101, 126 – 127 |

- In 2015, we opened an additional training center for the Adhesive Technologies business unit in Mumbai, India, where we offer customers both theoretical and practical training in the area of adhesives for flexible packaging.

### Globalize: focus on regions with high potential

We will continue the successful globalization of our company in previous years and concentrate on regions and countries offering particularly high growth potential. In addition to further expanding our strong positions in mature markets, we specifically want to focus on further expanding our existing positions in emerging markets and on accelerating growth. We also plan to enter new markets on a selective basis.

By the end of 2016, we aim to have increased sales in emerging markets to 10 billion euros. We expect 12 countries from the emerging markets to rank among our top 20 countries with the highest sales by 2016. At the same time, we want to take full advantage of our strong positions and potential in mature markets to increase our earning power compared to 2012 and to achieve more top positions.

5.9%

organic sales growth in emerging markets.

Progress in fiscal 2015:

- The emerging markets again made an above-average contribution to growth of the Group with strong organic sales expansion of 5.9 percent. Growth momentum came in particular from Eastern Europe, Africa/Middle East and Latin America.
- Acquisitions enabled us to expand our portfolio in both the mature and our emerging markets in 2015, thus considerably strengthening our position in attractive segments.

### Simplify: drive operational excellence

We will continuously improve our operational excellence to enable us to respond to the increasing speed and persisting volatility in our markets. To this end, we intend to further standardize our processes, invest in information technology (IT) to make these processes faster and more efficient, improve our cost efficiency and reduce the ratio of administrative costs to total sales. We also plan to further optimize our global presence by continuing to consolidate our production sites through to the end of 2016. In addition, we aim to keep our net working capital relative to sales at the low level already achieved.

Plans for the future also include further optimization of our purchasing processes, and expansion of our shared services. Between 2013 and 2016, we want to reduce the number of global suppliers by around 40 percent, and increase the number of employees working in our shared service centers to more than 3,000. We also plan to establish two more shared service centers during this period.

Overall, we intend to raise our investments by more than 40 percent to around 2 billion euros between 2013 and 2016. Investments in IT infrastructure will be one key lever for optimizing our processes. These will increase between 2013 and 2016. At the same time, we intend to reduce the complexity of our IT systems and significantly decrease the number of processes.

Progress in fiscal 2015:

- In 2015, the number of employees in shared service centers grew to more than 3,000. We have therefore reached the intended number of employees one year earlier than planned.
- Net working capital as a percentage of sales was 3.8 percent in 2015, an improvement of 0.4 percentage points over the previous year.
- We have also integrated our production, logistics and purchasing activities across all business units into one global supply chain organization. This organization is based in Amsterdam and commenced operations in November 2014. The first phase of the European implementation has been successfully completed, and a branch office was opened in Singapore at the end of 2015.

### Inspire: strengthen our global team

Further strengthening our global team will be a key element in the successful development of Henkel.

We will adopt an even more active approach to competing internationally for talented professionals to ensure Henkel's continued ability to recruit the best possible candidates around the world and promote their development within the corporation. One key driver of this will be the rigorous alignment of short-term and long-term remuneration components to individual performance and overall company performance. The diversity of our teams is also vital to our economic success.

Progress in fiscal 2015:

- We supported the professional and personal development of our employees through a variety of programs. The extensive program offered by the Henkel Global Academy was expanded worldwide and supplemented with digital learning platforms.
- We strengthened our initiatives in the emerging markets in particular in order to recruit and effectively develop top talent for Henkel.
- We also made significant advances in driving our performance-based culture. Within our globally standardized system of management assessment,

we are increasingly focusing on individual interests and personalized options for career planning and development.
- With the continued digitalization of day-to-day work through digital networking platforms, we have created the essential conditions for efficient global collaboration and a lively exchange among employees.

## Sustainability strategy 2030

### Our corporate values as the foundation

Commitment to leadership in sustainability is one of our core corporate values. Maintaining a balance between economic success, protection of the environment, and social responsibility has been fundamental to our corporate culture for decades. We aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increase our economic success. This ambition encompasses all of our company's activities – along the entire value chain.

### Achieving more with less

We are facing immense challenges: The global human footprint is already greater today than the planet's resources can bear. By the year 2050, the world's population is expected to grow to nine billion. The simultaneous increase in global economic output will lead to rising consumption and resource needs. The pressure on available resources will thus intensify even further in the coming decades. This is why the idea at the heart of our sustainability strategy is to achieve more with less.

We want to create more value – for our customers and consumers, for the communities we operate in, and for our company – while at the same time reducing our environmental footprint. To accomplish this, we need innovations, products and technologies that can enhance quality of life while using less input materials. Building on our decades of experience in sustainable development, we aim to work together with our customers and consumers to develop and implement viable solutions for the future. By doing so, we will be contributing both to sustainable development and to our company's economic success.

### Our goal for 2030: triple our efficiency

Our long-term goal reflects the global challenges of sustainable development. We will have to significantly improve our efficiency in order to reconcile people's desire to live well with the resource limits of the planet and to allow us to build on our economic success.

Therefore, compared to 2010 as the base year, we want to triple the value we create through our business operations in relation to the environmental footprint of our products and services by 2030. This means we want to be three times more efficient. We call this goal "Factor 3." One way to achieve it is to triple the value we create while leaving the footprint at the same level. Or we can reduce the environmental footprint to one third of today's level, and achieve our "Factor 3" improvement in efficiency by delivering the same value.

FACTOR 3

To reach this goal by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. We had therefore set concrete interim targets for our focal areas for the five years from 2011 to 2015 that we were able to meet and exceed by year-end 2015 (see chart on the next page).

We are continuing our efforts to further improve our performance in these areas in the coming years as we move toward our long-term goal of "Factor 3." To this end, we have defined the following new medium-term targets (again, see chart on the next page). For the period up to 2020, we intend to improve the relationship between the value we create and our environmental footprint by 75 percent overall.

In order to achieve our aim of driving sustainability along the entire value chain, we engaged in a comprehensive process to assess our environmental footprint, identify opportunities for improvement, and define key action areas for the coming years. These include working with our partners to improve social standards in our supply chain and helping our customers and consumers reduce energy use and carbon dioxide emissions with our products and expertise.


Our ambition is to become three times more efficient by 2030. We call this "Factor 3." This means tripling the value we create through our business operations in relation to the environmental footprint of our products and services.

### Our contributions in six focal areas

To successfully implement our strategy, we are concentrating on six focal areas that reflect the key challenges of sustainable development as they relate to our operations. In each of these focal areas, we drive progress along the entire value chain through our products and processes in two dimensions: "more value" and "reduced footprint." Three focal areas therefore represent the value we want to deliver to our customers, shareholders and our company, for example in the form of enhanced occupational health and safety, and contributions to social progress. The three other focal areas describe the ways in which we want to reduce our environmental footprint, for instance through reduced water and energy use and less waste.

### Our approach for sustainable business processes

In order to successfully establish our strategy and reach our goals, we rely on our products, our cooperation with our partners, and the involvement of our employees.

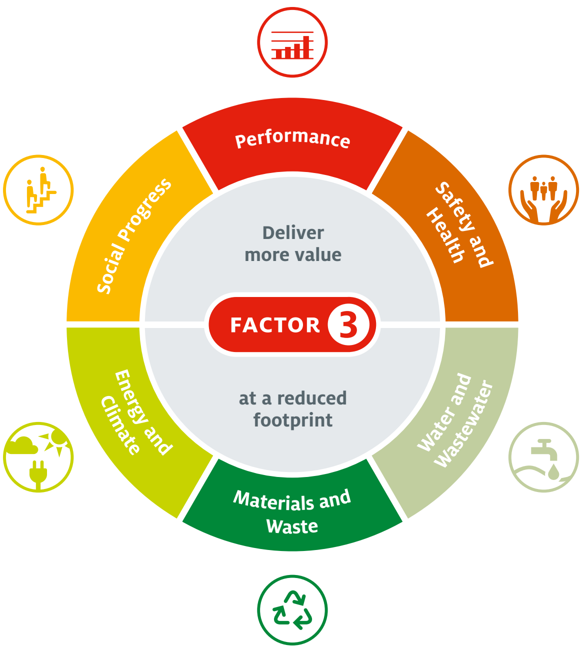
Our products deliver more value for our customers and consumers. We achieve this through innovation and information, and through products that offer better performance with a smaller environmental footprint, thus reducing resource use and negative environmental impacts.

Our partners are key to driving sustainability along our value chains and in all areas of business and daily life. We support them with our products and expertise. And we work together with selected suppliers so that they can supply us with raw materials offering an improved environmental footprint. At the other end of the chain, we help our customers and consumers reduce their own environmental footprint.

Our people make the difference – through their dedication, skills and knowledge. They make their own contributions to sustainable development, both in their daily business lives and as members of society. They interface with our customers and make innovation possible, develop successful strategies and give our company its unique identity.

## Our focal areas and targets

29




| 2015 targets | Achieved | 2020 targets |
|---|---|---|
| +10% | +11% more net sales per ton of product | +22% |
| +20% | +33% safer per million hours worked | +40% |
| –15% | –18% less energy / $CO_2$ emissions per ton of product | –30% |
| –15% | –17% less waste per ton of product | –30% |
| –15% | –23% less water per ton of product | –30% |
| +30% | +38% overall efficiency | +75% |

We concentrate our activities along the value chain on six focal areas. They reflect the challenges of sustainable development of relevance to us. Efficiency is the product of performance relative to footprint.

## Organization

The Management Board bears overall responsibility for our sustainability strategy and objectives, and their implementation in the corporation. Henkel's Sustainability Council steers our global sustainability activities in collaboration with the individual business units and functions, and our regional and national affiliated companies.

Our understanding of responsible behavior has been specified and communicated to our employees worldwide in our Code of Conduct and Code of Corporate Sustainability. These codes apply together with our more detailed internal standards governing safety, health and environmental protection that were derived from them, our Henkel Social Standards and our Group purchasing standards. Compliance with these rules is regularly monitored throughout the Group by internal audits performed at our production and administrative sites, and increasingly also at our toll manufacturers and logistics centers.

By joining the United Nations Global Compact in July 2003, we also publicly underscored our commitment to respect human rights, fundamental labor standards and environmental protection, and to work against all forms of corruption.

## Stakeholder dialog

Viable solutions for promoting sustainability can only be developed in dialog with all relevant social groups. These include our employees, shareholders, customers, suppliers, civil authorities, politicians, associations, governmental and non-governmental organizations, academia, and the public at large. We view dialog with our stakeholders as an opportunity to identify the requirements of our different markets at an early stage and to define the directions which our activities should take. Our dialog with various stakeholder groups enables us to access new ideas for our company, which flow continuously into our strategy development and reporting.

We use a wide range of communication instruments in order to meet the specific information requirements of our stakeholders, ranging from our own publications and technical articles to events and direct dialog. More details and background reading on the subject of sustainability can be found in our Sustainability Report. In this we document the high priority sustainability has in our company, while at the same time satisfying the reporting requirements laid down in the United Nations Global Compact.

## Progress in fiscal 2015

- We have achieved our targets for 2015 in all five areas, and in some cases we were even able to exceed them. We have increased our overall efficiency by 38 percent since 2010. By the end of 2015, we generated 11 percent more in net sales per metric ton of product compared to the base year of 2010. We have reduced our energy use per ton of product by 18 percent, our use of water by 23 percent, and our waste by 17 percent. And occupational safety has improved by 33 percent.
- In the joint program sponsored by our three business units "Say yes! to the future," we combined the approaches by which we convey the added value of our product innovations to our customers – best possible performance combined with responsibility toward people and the environment.
- Since mid-2012, we have trained some 6,200 employees around the world as Sustainability Ambassadors. This program has helped to educate around 63,000 schoolchildren in 43 countries.
- Henkel's leading role in sustainability has been confirmed once again by various national and international sustainability ratings and indices. Examples of this recognition can be found on page 54.

Further information, reports, background details and the latest news on sustainable development at Henkel can be found on the following website:
www.henkel.com/sustainability


Detailed information and background reading on the subject of sustainability can be found in our Sustainability Report – available in both print and online versions

www.henkel.com/sustainabilityreport

**38%**

more efficient than in 2010: We are creating more value while at the same time reducing our environmental footprint.

8.5 %

Group WACC before tax in fiscal 2015.

## Management system and performance indicators

Henkel manages the company based on the strategy and the financial targets for 2016.

As defined and described in the section "Strategy and financial targets 2016," our financial targets are as follows: For 2016 we aim to generate net sales of 20 billion euros. We recognize the increasing importance of the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) by targeting above-average growth in these regions. Here we intend to generate net sales of 10 billion euros in 2016. Furthermore, we aim to increase adjusted[1] earnings per preferred share by an average of 10 percent per year through to 2016. The financial targets for 2016 are our most important performance indicators.

For efficient management of the Group, we have transferred the Henkel Group strategy into strategic plans for the three business units, Laundry & Home Care, Beauty Care, and Adhesive Technologies, as well as for their respective business areas. The financial targets are represented together with the businesses in both the year and the medium-term plans. A regular comparison of these plans with current developments and reporting of expected figures enables focused management of the company based on the described performance indicators.

Our management system is supplemented by additional key financials relevant to the capital market – primarily, adjusted return on sales (EBIT).

Moreover, we report further key performance indicators, such as net working capital as a percentage of sales, and the return on capital employed (ROCE).

## Cost of capital

The cost of capital is calculated as a weighted average of the cost of equity and debt capital (WACC). In fiscal 2015, we applied a WACC of 8.5 percent before tax and 6.0 percent after tax. We regularly review our cost of capital in order to reflect changing market conditions. For fiscal 2016, we will be applying a WACC of 8.25 percent before tax and 5.75 percent after tax.

We apply different WACC rates depending on the business unit involved. These are based on business unit-specific beta factors determined from a peer group benchmark. For the reporting year, we applied a WACC before tax of 8.5 percent (6.0 percent after tax) for both the Laundry & Home Care and the Beauty Care business units, and of 10.5 percent before tax (7.5 percent after tax) for the Adhesive Technologies business unit. In 2016 we will be applying a WACC of 9.0 percent before tax (6.25 percent after tax) for the Laundry & Home Care and Beauty Care business units. For the Adhesive Technologies business unit, we will be applying a WACC of 10.75 percent before tax (7.5 percent after tax) in 2016.

### WACC before tax by business unit

30

| | 2015 | 2016 |
|---|---|---|
| Laundry & Home Care | 8.5 % | 9.0 % |
| Beauty Care | 8.5 % | 9.0 % |
| Adhesive Technologies | 10.5 % | 10.75 % |
| **Henkel Group** | **8.5 %** | **8.25 %** |

### WACC after tax by business unit

31

| | 2015 | 2016 |
|---|---|---|
| Laundry & Home Care | 6.0 % | 6.25 % |
| Beauty Care | 6.0 % | 6.25 % |
| Adhesive Technologies | 7.5 % | 7.5 % |
| **Henkel Group** | **6.0 %** | **5.75 %** |

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

# Economic report

## Macroeconomic and industry-related conditions

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

**Overview:**
**moderate growth while general economic conditions remain difficult**
In 2015, the global economy achieved only moderate growth. Gross domestic product expanded by 2.5 percent around the world. The mature markets grew by approximately 2 percent, while the emerging markets achieved an increase of around 4 percent. This trend reflects economic resilience in Western Europe and the USA, and a continuing slowdown of growth in the emerging markets.

**Industry and consumption:**
**slowdown in industrial production**
At around 2 percent, growth in industrial production was lower year on year. While the export-dependent industries showed moderate increases, growth in consumer-related sectors was subdued. Private consumption rose by approximately 2.5 percent, matching the level of the previous year.

**Regions:**
**slowing growth in the emerging markets**
Over the year as a whole, the North American economy grew by around 2 percent. Western Europe showed moderate growth of around 2 percent, while the economy in Japan was weaker, with growth of around 1 percent. Asia (excluding Japan) recorded economic growth of approximately 5.5 percent. This trend was characterized over the course of the year by slowing growth in China. Growth in the Africa/Middle East region was 2.5 percent, while economic performance in the Eastern Europe and Latin America regions was negative.

**Direct materials:**
**prices moderately below prior-year level**
Prices for direct materials (raw materials, packaging, and purchased goods and services) declined moderately compared to the previous year, driven by lower prices for relevant input materials, particularly crude oil and palm kernel oil.

**Currencies:**
**devaluation of currencies in emerging markets**
Currencies in the emerging markets of relevance to Henkel trended downward on average for the year, driven particularly by the strong devaluation of the Russian ruble against the euro. Against the US dollar, the euro grew steadily weaker over the course of the year before closing at 1.09 US dollars at year-end.

Changes in the exchange rates of the currencies of relevance to Henkel are indicated in the following table:

Average rates of exchange versus the euro 32

| | 2014 | 2015 |
|---|---|---|
| Chinese yuan | 8.19 | **6.97** |
| Mexican peso | 17.66 | **17.61** |
| Russian ruble | 50.87 | **68.05** |
| Turkish lira | 2.91 | **3.02** |
| US dollar | 1.33 | **1.11** |

Source: ECB daily foreign exchange reference rates.

**Inflation:**
**moderate rise in global price levels**
Global inflation was around 2 percent. Consumer prices increased by around 5 percent in the emerging markets, with only a slight rise being registered in the mature markets. The overall trend differed by region and country. In Western Europe – including Germany – and in North America, consumer prices were virtually flat. Price increases were moderate in Africa/Middle East and Asia, in the high single digits in Eastern Europe, and double-digit in Latin America.

**Unemployment:**
**global level unchanged year on year**
Global unemployment was on a par with the prior year at around 7 percent. The unemployment rate in North America improved versus the previous year to 5.5 percent, while remaining flat in Western Europe at approximately 10 percent. Year on year, the unemployment rate in Germany was unchanged at approximately 6.5 percent. In Latin America, unemployment was above the level of the previous year at around 8 percent. The unemployment rate in Eastern Europe and Asia (excluding Japan) remained virtually unchanged compared to the previous year.

**Development by sector: moderate rise in global consumption**

Private consumer spending grew moderately at a rate of approximately 2.5 percent. Consumer spending in mature markets increased by approximately 2 percent year on year. Consumers in North America increased their spending by 3 percent. In Western Europe, consumer spending grew by approximately 2 percent compared to the previous year. At approximately 2.5 percent, the increase in consumer spending in the emerging markets was lower than in the previous year.

**Industry weaker year on year**

Industrial production expanded by around 2 percent in 2015, below the rate of the previous year.

A particularly important customer sector for Henkel, the transport industry, saw production expand by 2 percent. Output in the electronics sector rose by approximately 3.5 percent and in the metal industry by 1.5 percent. Growth was subdued in consumer-related sectors, such as the global packaging industry, which recorded an increase of approximately 1 percent.

Growth in production in the construction industry, at approximately 3 percent, matched the level of the previous year.

Developments in industrial production differed from one region to the next. Manufacturing expanded in North America by around 2 percent and in Western Europe by approximately 1 percent. At approximately 3.5 percent, growth in industrial production in the emerging markets was lower than in the previous year. Industrial production increased by 2 percent in Africa/Middle East and by approximately 5 percent in Asia (excluding Japan), while continuing to decline in Latin America. In Eastern Europe, industrial growth slowed to approximately 1 percent.

## Review of overall business performance

The economic environment in 2015 was challenging. Nevertheless, Henkel continued the success of the previous year with a solid performance.

Henkel's business development was impacted by the prevailing global macroeconomic conditions as described above. The economic environment was particularly affected by slowing growth in China, political and social unrest in Africa/Middle East, and the conflict between Russia and Ukraine. The euro depreciated against the US dollar. Prices for direct materials showed a moderate decline, mainly as the result of low crude oil prices.

Within this environment, Henkel significantly increased its sales to 18,089 million euros. Organically we achieved a sales increase of 3.0 percent. The solid increase in organic sales was particularly driven by the strong performance of our businesses in emerging markets. Here, Henkel was able to increase its organic sales by 5.9 percent. The share of Group sales from emerging markets was 43 percent, slightly below the prior-year level due to currency effects (2014: 44 percent). We were able to increase organic sales in the mature markets overall.

We increased adjusted[1] gross margin by 0.8 percentage points to 48.3 percent. The increase was driven by selective price increases, savings from cost-reduction measures, and improvements in production and supply chain efficiency. Moderately lower prices for direct materials (raw materials, packaging, and purchased goods and services) also had a positive effect.

As a result of the increase in gross margin and the continuous adjustment of our structures to our markets and customers, we were able to further improve our profitability compared to prior year. For the first time in a fiscal year, 2015 saw us achieve adjusted return on sales of 16.2 percent (2014: 15.8 percent).

Adjusted earnings per preferred share grew to 4.88 euros, a substantial increase of 11.4 percent over the 2014 figure of 4.38 euros.

We were able to improve net working capital as a percentage of sales by 0.4 percentage points to 3.8 percent.

We generated free cash flow of 1,690 million euros. We closed the year with a net financial position of 335 million euros (2014: –153 million euros).

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

# Results of operations

## Sales and profits

Sales in fiscal 2015 were significantly higher than in the previous year, at 18,089 million euros. The development of currencies had a positive effect on sales of 4.4 percent. Adjusted for foreign exchange effects, sales grew by 5.7 percent. With growth of 3.0 percent, organic sales, i.e. adjusted for foreign exchange and acquisitions/divestments, showed a solid rate of increase. This was driven by both price and volume.

### Sales development[1]

33

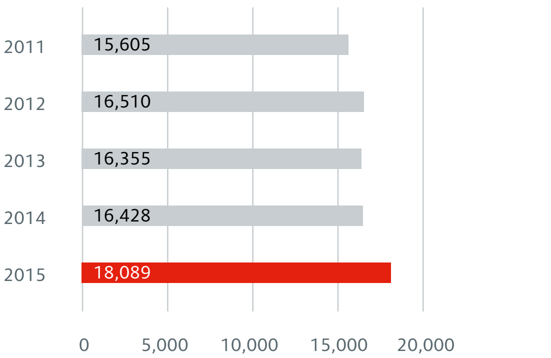
| in percent | 2015 |
|---|---|
| **Change versus previous year** | **10.1** |
| Foreign exchange | **4.4** |
| **Adjusted for foreign exchange** | **5.7** |
| Acquisitions / divestments | **2.7** |
| **Organic** | **3.0** |
| of which price | **1.7** |
| of which volume | **1.3** |

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

### Sales

in million euros

34




We achieved a solid increase in organic sales in each of our business units, further expanding share in our relevant markets. The Laundry & Home Care business unit recorded organic sales growth of 4.9 percent. Sales in the Beauty Care business unit grew organically by 2.1 percent and Adhesive Technologies achieved organic sales growth of 2.4 percent.

### Price and volume effects

35

| in percent | Organic sales growth | of which price | of which volume |
|---|---|---|---|
| Laundry & Home Care | **4.9** | 2.2 | 2.7 |
| Beauty Care | **2.1** | 1.5 | 0.6 |
| Adhesive Technologies | **2.4** | 1.5 | 0.9 |
| Henkel Group | **3.0** | 1.7 | 1.3 |

+3.0% organic sales growth.

In a market environment that continues to be highly competitive, we were able to increase sales in the Western Europe region by 5.6 percent to 6,045 million euros. Compared to the previous year organic sales decreased slightly, by –0.3 percent. The positive performance in countries such as France and the United Kingdom could not entirely compensate for the decline in Switzerland and the northern European countries. The share of sales from the region decreased to 34 percent.

Due to the significant devaluation of the Russian ruble and other currencies in the region, sales in Eastern Europe declined year on year to 2,695 million euros. Organically, however, we were able to increase sales by 7.3 percent. This very strong organic sales growth was primarily driven by the performance of our businesses in Russia and Turkey. The share of sales from the region declined to 15 percent.

Despite the political and social unrest in some countries, our sales in the Africa/Middle East region increased nominally by 17.3 percent to 1,329 million euros. Organically we were able to grow sales by a strong 6.8 percent. All of our business units made an important contribution to this performance. The share of sales from the region remained stable at 7 percent.

Sales in the North America region increased substantially by 26.5 percent to 3,648 million euros. Positive foreign exchange effects and our acquisitions in 2014 contributed to the increase. Organically the region posted solid sales growth of 2.3 percent. The share of sales from the region increased to 20 percent.

Sales in the Latin America region rose by 7.9 percent versus prior year, to 1,110 million euros, with organic sales growth of 8.8 percent. Double-digit organic sales growth by our businesses in Mexico made an especially important contribution to this performance. The share of sales from the region remained unchanged at 6 percent.

Sales in the Asia-Pacific region increased year on year by 17.1 percent to 3,134 million euros. Despite slowing growth in China, we were able to increase our sales in the region by 2.5 percent organically. The share of sales from the Asia-Pacific region rose versus the previous year from 16 to 17 percent.

Sales in the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased substantially year on year, to 7,797 million euros. We achieved a strong increase in organic sales of 5.9 percent, driven by all three business units. Thus the emerging markets again made an above-average contribution to organic sales growth. Due to currency effects, the share of sales from the emerging markets declined slightly to 43 percent.

**43%**

of our sales generated in emerging markets.

In order to continuously adapt our structures to our markets and customers, we spent 193 million euros on restructuring (previous year: 213 million euros), a large part of which was allocated to the Adhesive Technologies business unit. To create a scalable business model, we are – among other things – expanding our shared services and progressing with the combination of our supply chain and sourcing activities into one integrated global supply chain organization. We are also advancing the integration of our acquisitions.

The following explanations relate to the results adjusted for one-time charges/gains and restructuring charges, in order to provide a more transparent presentation of operational performance:

## Adjusted operating profit (EBIT)

36

| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| **EBIT (as reported)** | **2,244** | **2,645** | **17.9%** |
| One-time gains | –28 | **–15** | |
| One-time charges | 159 | **100** | |
| Restructuring charges | 213 | **193** | |
| **Adjusted EBIT** | **2,588** | **2,923** | **12.9%** |

We were able to increase adjusted operating profit (adjusted EBIT) to 2,923 million euros, a rise of 12.9 percent on the prior-year figure of 2,588 million euros. All three business units contributed to this positive development. We improved adjusted return on sales (adjusted EBIT margin) for the Group by 0.4 percentage points to 16.2 percent.

In our consumer businesses, we benefited from our successful innovations together with ongoing measures to reduce costs and improve efficiency. Lower prices for direct materials also had a positive effect. The Laundry & Home Care business unit showed a very strong improvement in profitability, increasing this metric to 17.1 percent (previous year: 16.2 percent). Beauty Care also posted a very strong increase in adjusted return on sales to 15.9 percent (previous year: 15.3 percent). Adjusted return on sales in the Adhesive Technologies business unit at 17.1 percent was slightly below the high level of the previous year.

Further explanations relating to our business performance can be found in the description of the business units starting on page 90.

## Key financials by region[1]

37

| in million euros | Western Europe | Eastern Europe | Africa/ Middle East | North America | Latin America | Asia-Pacific | Total Regions | Corporate | Henkel Group |
|---|---|---|---|---|---|---|---|---|---|
| **Sales[2] 2015** | **6,045** | **2,695** | **1,329** | **3,648** | **1,110** | **3,134** | **17,961** | **128** | **18,089** |
| Sales[2] 2014 | 5,724 | 2,854 | 1,133 | 2,884 | 1,029 | 2,676 | **16,300** | 128 | **16,428** |
| Change from previous year | 5.6% | –5.6% | 17.3% | 26.5% | 7.9% | 17.1% | **10.2%** | – | **10.1%** |
| Adjusted for foreign exchange | 4.6% | 7.1% | 6.8% | 6.6% | 10.3% | 3.6% | **5.8%** | – | **5.7%** |
| Organic | –0.3% | 7.3% | 6.8% | 2.3% | 8.8% | 2.5% | **3.0%** | – | **3.0%** |
| **Proportion of Group sales 2015** | **34%** | **15%** | **7%** | **20%** | **6%** | **17%** | **99%** | **1%** | **100%** |
| Proportion of Group sales 2014 | 35% | 17% | 7% | 18% | 6% | 16% | **99%** | 1% | **100%** |
| **Operating profit (EBIT) 2015** | **1,223** | **356** | **141** | **544** | **110** | **434** | **2,809** | **–164** | **2,645** |
| Operating profit (EBIT) 2014 | 1,046 | 378 | 121 | 420 | 73 | 343 | **2,381** | –137 | **2,244** |
| Change from previous year | 16.9% | –5.7% | 16.8% | 29.5% | 50.5% | 26.6% | **18.0%** | – | **17.9%** |
| Adjusted for foreign exchange | 15.5% | 10.9% | 3.5% | 5.7% | 51.1% | 5.9% | **12.1%** | – | **12.7%** |
| **Return on sales (EBIT) 2015** | **20.2%** | **13.2%** | **10.6%** | **14.9%** | **9.9%** | **13.9%** | **15.6%** | **–** | **14.6%** |
| Return on sales (EBIT) 2014 | 18.3% | 13.2% | 10.7% | 14.6% | 7.1% | 12.8% | **14.6%** | – | **13.7%** |

[1] Calculation on the basis of units of 1,000 euros.
[2] By location of company.

**Comparison between actual business performance and guidance**

In November 2015, we updated our guidance for fiscal 2015, indicating that we expected to achieve organic sales growth of approximately 3 percent, following our original forecast of 3 to 5 percent. In the Laundry & Home Care business unit, we anticipated organic sales growth of between 4 and 5 percent, and organic growth of approximately 2 percent in the Beauty Care business unit. We expected that organic sales growth in the Adhesive Technologies business unit would be between 2 and 3 percent, mainly influenced by slowing growth in China. The update of our sales guidance for the Adhesive Technologies business unit resulted in the adjustment of our sales guidance for the Henkel Group as a whole. We furthermore expected stable development in the share of sales from our emerging markets. We expected adjusted return on sales (EBIT) to increase versus 2014 to approximately 16 percent and an increase in adjusted earnings per preferred share of over 10 percent.

With organic growth of 3.0 percent we achieved our sales growth guidance of approximately 3 percent. The business units were also able to generate the expected sales growth. At 43 percent, the share of sales from emerging markets was slightly below the prior-year level and the stable development forecasted in our guidance, the decline being mainly attributable to negative foreign exchange effects. At Group level, we posted a strong increase in adjusted return on sales from 15.8 to 16.2 percent, thus achieving our guidance of approximately 16 percent. We increased adjusted earnings per preferred share by 11.4 percent to 4.88 euros (2014: 4.38 euros) and thus realized the anticipated increase of over 10 percent.

**16.2%**
adjusted return on sales (EBIT), up 0.4 percentage points.

Prices for direct materials (raw materials, packaging, and purchased goods and services) decreased moderately compared to the previous year. The decline was therefore slightly stronger than anticipated. Our restructuring expenses totaled 193 million euros, and were thus at the expected level of approximately 200 million euros. In November 2015, we adjusted our guidance for investments in property, plant and equipment and intangible assets to approximately 650 million euros, mainly due to currency effects. The actual capital expenditures of 625 million euros in 2015 were slightly lower than the expected level.

### Guidance versus performance 2015

38

| | Guidance for 2015 | Updated guidance for 2015 * | Performance in 2015 |
|---|---|---|---|
| Organic sales growth | Henkel Group: 3–5 percent<br><br>Laundry & Home Care: 3–5 percent<br>Beauty Care: approximately 2 percent<br>Adhesive Technologies: 3–5 percent | Henkel Group: approximately 3 percent<br><br>Laundry & Home Care: 4–5 percent<br>Beauty Care: approximately 2 percent<br>Adhesive Technologies: 2–3 percent | Henkel Group: 3.0 percent<br><br>Laundry & Home Care: 4.9 percent<br>Beauty Care: 2.1 percent<br>Adhesive Technologies: 2.4 percent |
| Percentage of sales from emerging markets | At prior-year level | At prior-year level | Slightly below prior-year level |
| Adjusted return on sales (EBIT) | Increase to around 16 percent | Increase to around 16 percent | Increase to 16.2 percent |
| Adjusted earnings per preferred share | Increase of around 10 percent | Increase of over 10 percent | Increase of 11.4 percent |

* Updated November 11, 2015.

## Reconciliation from sales to adjusted operating profit[1]

39

| in million euros | 2014 | % | 2015 | % | Change |
|---|---|---|---|---|---|
| **Sales** | **16,428** | **100.0** | **18,089** | **100.0** | **10.1 %** |
| Cost of sales | – 8,630 | – 52.5 | **– 9,350** | **– 51.7** | 8.3 % |
| **Gross profit** | **7,798** | **47.5** | **8,739** | **48.3** | **12.1 %** |
| Marketing, selling and distribution expenses | – 4,103 | – 25.0 | **– 4,521** | **– 25.0** | 10.2 % |
| Research and development expenses | – 410 | – 2.5 | **– 464** | **– 2.6** | 13.2 % |
| Administrative expenses | – 733 | – 4.5 | **– 878** | **– 4.8** | 19.8 % |
| Other operating income/charges | 36 | 0.3 | **47** | **0.3** | – |
| **Adjusted operating profit (EBIT)** | **2,588** | **15.8** | **2,923** | **16.2** | **12.9 %** |

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

### Expense items

The following explanations relate to our operating expenses adjusted for one-time charges/gains and restructuring charges. The reconciliation statement and the allocation of the restructuring charges between the various expense items of the consolidated statement of income can be found on page 120.

The cost of sales increased by 8.3 percent to 9,350 million euros. Gross profit increased by 12.1 percent to 8,739 million euros. We increased gross margin by 0.8 percentage points to 48.3 percent. Selective price increases, savings from cost-reduction measures, and improvements in production and supply chain efficiency contributed to this increase. Moderately lower prices for direct materials also had a positive effect.

At 4,521 million euros, marketing, selling and distribution expenses were above the prior-year level of 4,103 million euros, due in part to acquisitions and also as a result of foreign exchange effects. At 25.0 percent, the ratio to sales remained unchanged versus fiscal 2014. We spent a total of 464 million euros on research and development, raising the ratio to sales slightly to 2.6 percent. Administrative expenses increased compared to the prior-year period to 878 million euros, mainly due to acquisitions and foreign exchange effects. At 4.8 percent, the ratio of administrative expenses to sales was above the level of the previous year.

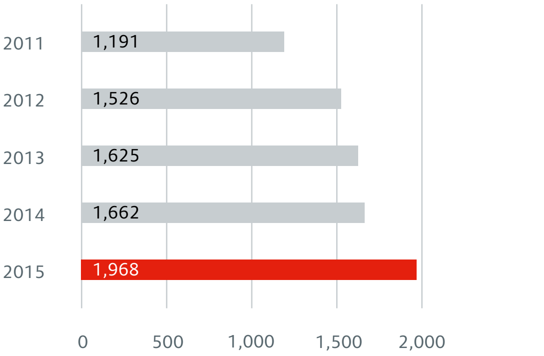
### Other operating income and charges

At 47 million euros, the balance of adjusted other operating income and charges increased year on year (2014: 36 million euros). The absolute increase resulted mainly from the disposal of assets held for sale.

## Net income

in million euros

40



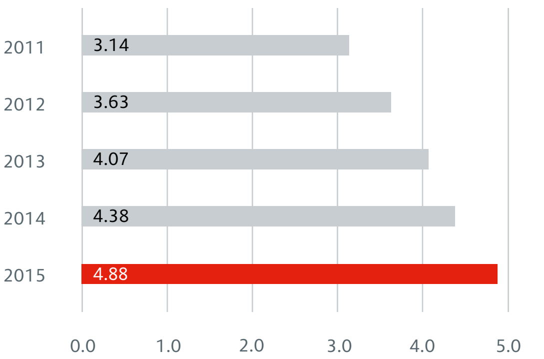

### Financial result

The financial result improved from –49 million euros to –42 million euros, partly attributable to an improvement in the foreign exchange result.

## Adjusted earnings per preferred share

in euros

41



### Net income and earnings per share (EPS)

Income before tax increased by 408 million euros to 2,603 million euros. Taxes on income amounted to 635 million euros. The tax rate of 24.4 percent was slightly higher than in the previous year (2014: 24.3 percent). The adjusted tax rate increased year on year by 1.0 percentage points to 25.0 percent. Net income increased by 18.4 percent from 1,662 million euros to 1,968 million euros. After consideration of 47 million euros attributable to non-controlling interests, net income attributable to shareholders of Henkel AG & Co. KGaA amounted to 1,921 million euros, 18.0 percent higher than the prior-year figure (2014: 1,628 million euros). Adjusted net income after deducting non-controlling interests was 2,112 million euros compared to 1,896 million euros in fiscal 2014. A condensed version of the annual financial statements of the parent company of the Henkel Group – Henkel AG & Co. KGaA – can be found on pages 102 to 105.

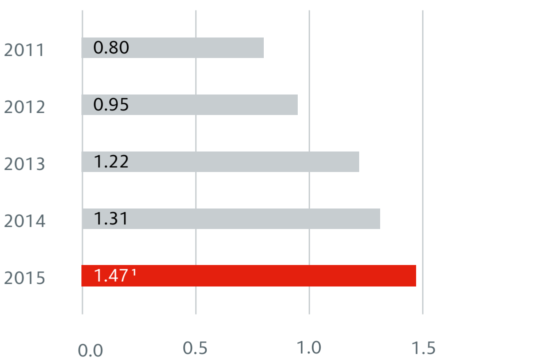
Earnings per preferred share (EPS) rose from 3.76 euros to 4.44 euros. Earnings per ordinary share increased from 3.74 euros to 4.42 euros. Adjusted earnings per preferred share rose by 11.4 percent to 4.88 euros (previous year: 4.38 euros).

### Dividends

According to our dividend policy, dividend payouts of Henkel AG & Co. KGaA shall, depending on the company's asset and profit positions as well as its financial requirements, amount to 25 percent to 35 percent of net income after non-controlling interests and adjusted for exceptional items. Accordingly, we will propose to the Annual General Meeting an increased dividend compared to the previous year: 1.47 euros per preferred share and 1.45 euros per ordinary share. The payout ratio would then be 30.2 percent.

**Preferred share dividends**
in euros

42




¹ Proposal to shareholders for the Annual General Meeting on April 11, 2016.

### Return on capital employed (ROCE)

At 18.2 percent, return on capital employed (ROCE) decreased year on year. It was negatively impacted by the capital effect of acquisitions and by foreign exchange effects.

### Economic Value Added (EVA®)

Economic Value Added (EVA®) increased to 1,410 million euros.

**€1,968m**
net income.

## Net assets and financial position

### Acquisitions and divestments

Effective May 11, 2015, we entered into an agreement with Colgate-Palmolive Company for the purchase of all the laundry detergent and pre-wash brands owned by the company in Australia and New Zealand. The associated full consolidation commenced on December 1, 2015. This acquisition is part of our global strategy to invest in attractive country category positions in mature markets.

Effective June 1, 2015, we completed the acquisition of all shares of Novamelt GmbH, Wehr, Germany, expanding our business in pressure-sensitive hotmelt adhesives in the Adhesive Technologies business unit.

**+11.4%**
increase in adjusted earnings per preferred share.

Effective July 16, 2015, we concluded the acquisition of the hairstyling business and the associated brands of Industrias Wet Line S.A. de C.V. in Latin America. The acquisition is part of our strategy to further strengthen our presence in emerging markets.

**25–35%**
future dividend payout ratio.

Effective December 14, 2015, we completed the acquisition of all shares of Magna-Tech Manufacturing LLC, Ohio, USA, and MT Canada LLC, Ohio, USA, expanding our vacuum impregnation business in the Adhesive Technologies business unit.

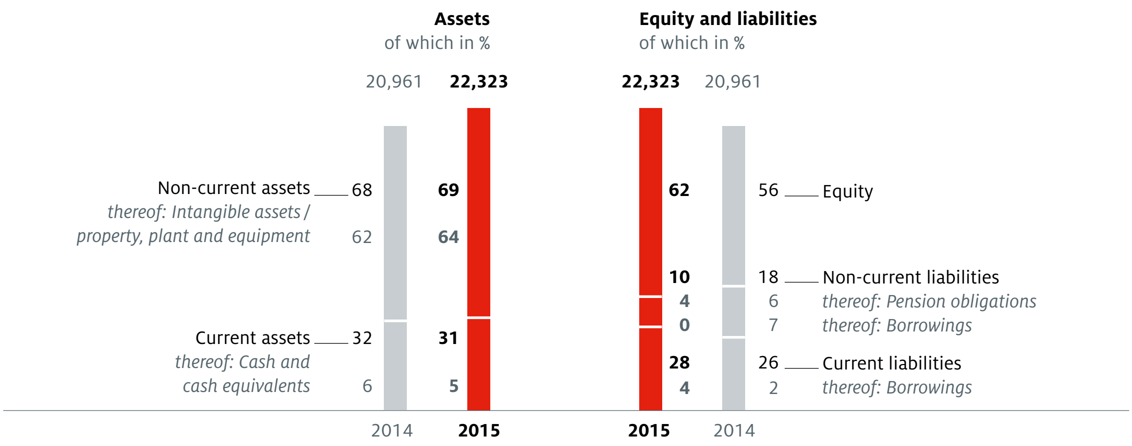
Effective January 30, 2015, we concluded the sale of our chemical additives business for the processing industry in the Adhesive Technologies business unit in the USA.

On May 29, 2015, we invested 19 million euros to acquire the outstanding non-controlling shares of Henkel (Jiangsu) Auto Parts Co. Ltd., Danyang, China, thus increasing our ownership interest to 100 percent.

On June 18, 2015, we invested 26 million euros to acquire the outstanding non-controlling shares of Henkel Chembond Surface Technologies Ltd., Navi Mumbai, India, thus increasing our ownership interest to virtually 100 percent.

Financial structure
in million euros

43




Additional disclosures relating to the acquisitions and divestments can be found on pages 126 and 127 of the notes to the consolidated financial statements.

Neither the acquisitions and divestments nor other measures undertaken resulted in any changes in our business and organizational structure. For detailed information on our organization and business activities, please refer to the disclosures on page 57.

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

**Capital expenditures**

€625 m
investments in property, plant and equipment and intangible assets.

Capital expenditures (excluding acquisitions) in fiscal 2015 amounted to 625 million euros. Capital expenditures on property, plant and equipment for existing operations totaled 514 million euros, following 452 million euros in 2014. We invested 111 million euros in intangible assets (previous year: 65 million euros).

The majority of these capital expenditures was attributable to the Adhesive Technologies and Laundry & Home Care business units. Around two-thirds of our total capital expenditures went into expansion projects and rationalization measures. The main focus was on capacity expansion and innovative product lines (Laundry & Home Care and Beauty Care). The focus in the Adhesive Technologies business unit was on consolidating production sites and expanding production capacities in emerging markets.

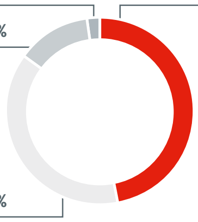
The major projects of 2015 were as follows:
- Expansion of production capacity for WC rim blocks in Kruševac, Serbia (Laundry & Home Care)
- Expansion of production capacity for liquid products in Perm, Russia, and optimization of the logistics structure in Russia (Laundry & Home Care)
- Expansion of production capacity for shampoo, shower and bath products in Wassertrüdingen, Germany (Beauty Care)
- Expansion of production capacity for cosmetic products in Imeni Vorovskogo, Russia (Beauty Care)
- Consolidation of our production footprint and expansion of production capacities in China (Adhesive Technologies)
- Building of a factory to manufacture construction products in Bileća, Bosnia and Herzegovina (Adhesive Technologies)
- Global optimization of the supply chain, consolidation and optimization of our IT system architecture for managing business processes

In regional terms, capital expenditures focused primarily on Western Europe, Eastern Europe and Asia-Pacific.

The acquisitions resulted in additions to intangible assets and property, plant and equipment in the amount of 354 million euros. Details of these additions can be found on pages 133 to 138 of the notes to the consolidated financial statements.

### Capital expenditures by business unit[1]

44




Corporate = sales and services not attributable to the individual business units.
[1] Existing operations.

### Capital expenditures 2015

45

| in million euros | Existing operations | Acquisitions | Total |
|---|---|---|---|
| Intangible assets | 111 | 343 | **454** |
| Property, plant and equipment | 514 | 11 | **525** |
| **Total** | **625** | **354** | **979** |

## Net assets

Compared to year-end 2014, total assets rose by 1.4 billion euros to 22.3 billion euros.

Under **non-current assets**, intangible assets increased by 1,092 million euros, primarily as a result of foreign exchange effects and acquisitions. Assets in property, plant and equipment rose, with capital expenditures of 514 million euros being partially offset by depreciation of 340 million euros.

**Current assets** increased from 6.8 billion euros to 6.9 billion euros, resulting in particular from a higher level of trade accounts receivable. Cash and cash equivalents declined by 52 million euros in the reporting period.

**Equity** including non-controlling interests increased to 13,811 million euros. The movements are shown in detail in the consolidated statement of changes in equity on page 121. The equity ratio increased compared to the previous year by 6.3 percentage points to 61.9 percent.

**Non-current liabilities** decreased by 1.5 billion euros to 2.2 billion euros, which is mainly due to the repayment of the hybrid bond. Our pension obligations decreased compared to year-end 2014, mainly as a consequence of higher discount rates.

**Current liabilities** increased by 0.8 billion euros to 6.3 billion euros. The rise is mainly attributable to refinancing the repayment of our hybrid bond.

Effective December 31, 2015, our **net financial position**[1] amounted to 335 million euros (December 31, 2014: –153 million euros).

### Net financial position

46

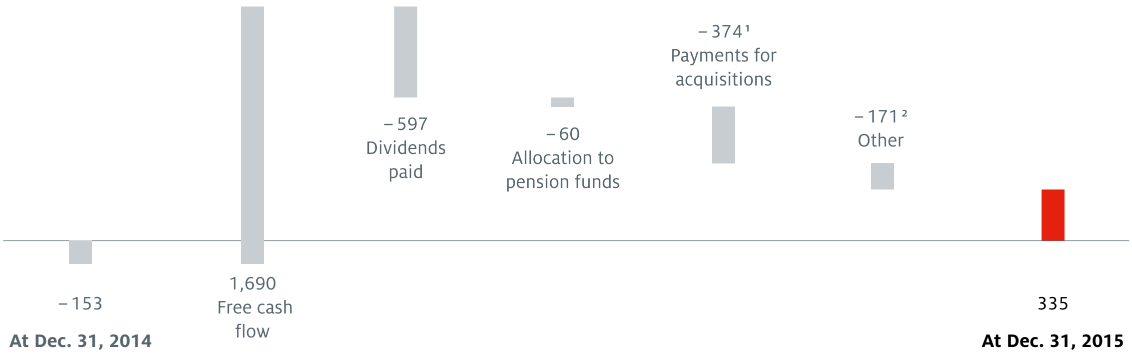
| in million euros | |
|---|---|
| 2011 | –1,392 |
| 2012 | –85 |
| 2013 | 959 |
| 2014 | –153 |
| **2015** | **335** |

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

## Net financial position

in million euros

47




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

### Financial position

At 2,384 million euros, **cash flow from operating activities** in fiscal 2015 came in above the level of the previous year (1,914 million euros). Higher income tax payments were offset by, in particular, the increase in operating profit. The higher cash flow from operating activities is also reflected in net working capital[1] relative to sales, which improved by 0.4 percentage points to 3.8 percent year on year.

The cash outflow in **cash flow from investing activities** (–893 million euros) was lower in 2015 than in the previous year (–2,231 million euros) due to lower investments in subsidiaries and other business units.

The **cash flow from financing activities**, at –1,555 million euros, was below the comparable figure of the prior-year period (447 million euros). This was mainly attributable to higher cash inflows in the previous year from the partial sale of our securities and time deposits reported under other financing transactions.

**Cash and cash equivalents** declined compared to December 31, 2014 by 52 million euros to 1,176 million euros.

**€1,690 m**
free cash flow.

At 1,690 million euros, **free cash flow** was above the level of the previous year (1,333 million euros), mainly due to higher cash flow from operating activities.

### Financing and capital management

Financing of the Group is centrally managed by Henkel AG & Co. KGaA. Funds are, as a general rule, obtained centrally and distributed within the Group. We pursue a conservative and flexible investment and borrowings policy with a balanced investment and financing portfolio. The primary goals of our financial management are to secure the liquidity and creditworthiness of the Group, together with ensuring access at all times to the capital market, and to generate a sustainable increase in shareholder value. Measures deployed in order to achieve these aims include optimization of our capital structure, adoption of an appropriate dividend policy, equity management, acquisitions, divestments, and debt reduction. Our capital needs and capital procurement activities are coordinated to ensure that requirements with respect to earnings, liquidity, security and independence are taken into account and properly balanced.

In the reporting period, Henkel paid a higher dividend for both ordinary and preferred shares compared to the previous year. Cash flows not required for capital expenditures, dividends and interest payments are used for improving our net financial position, for allocations to pension funds, and for financing acquisitions. We cover our short-term financing requirement primarily through commercial paper. Our multi-currency commercial paper program is additionally secured by a syndicated credit facility.

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

Our financial management is based on the financial ratios defined in our financial strategy (see table of key financial ratios). Due to the international orientation of our businesses, a variety of regional statutory and regulatory provisions must be adhered to. The current status and amendments to these provisions are centrally monitored and any changes are taken into account in our capital management.

Our credit rating is regularly assessed by the rating agencies Standard & Poor's and Moody's. As in the previous year, we are rated "A flat"/"A–1" (Standard & Poor's) and "A2"/"P1" (Moody's). Hence, both Standard & Poor's and Moody's continue to rate Henkel as investment grade, which is the best possible category.

### Credit ratings

48

| | Standard & Poor's | Moody's |
|---|---|---|
| Long-term | A flat | A2 |
| Outlook | Stable | Stable |
| Short-term | A–1 | P1 |

At December 31, 2015

As of December 31, 2015, our total borrowings amounted to 884 million euros, consisting mainly of our commercial paper.

Henkel's financial risk management activities are explained in the risks and opportunities report on pages 106 to 113. Further detailed information on our financial instruments can be found in the financial instruments report on pages 155 to 167 of the notes to the consolidated financial statements.

## Key financial ratios

Due to our positive net financial position, operating debt coverage in the reporting period was well above the minimum of 50 percent. Our interest coverage ratio (EBITDA divided by net interest expense) also improved further – supported by higher EBITDA. The further improved equity ratio similarly reflects the high financial strength of the Group.

### Key financial ratios

49

| | 2014 | 2015 |
|---|---|---|
| **Operating debt coverage** (net income + amortization and depreciation, impairment and write-ups + interest element of pension obligations) / net borrowings and pension obligations | 274.8 %[1] | **375.2 %** |
| **Interest coverage ratio** (EBITDA / interest result including interest element of pension obligations) | 48.4 | **75.7** |
| **Equity ratio** (equity / total assets) | 55.6 % | **61.9 %** |

[1] Hybrid bond included on 50-percent debt basis.

**Diversity and support**

Left: A poster illustrating Henkel's global campaign for diversity and an inclusive company culture. Right: The company and many of its employees are assisting with the reception and integration of refugees. Here: Four employees in Düsseldorf prepare product donations for distribution.


## Employees

At the end of 2015, Henkel employed around 49,450 people worldwide (annual average: around 49,850). The headcount on December 31, 2015 was lower compared to year-end 2014. The expansion of our teams in the shared service centers was offset by synergies arising from the integration of our acquisitions and continuous adjustments in our operating business units. Personnel expenses amounted to 3,047 million euros.

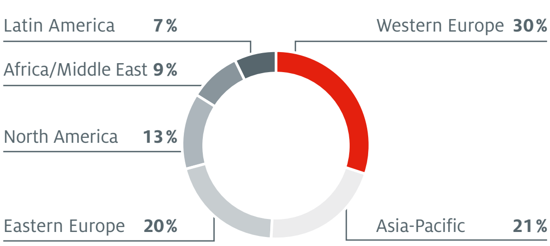
In fiscal 2015, we made further progress in successfully implementing our human resources strategy globally:

- We supported the development of our employees through a variety of training programs and apprenticeships. The extensive program offered by the Henkel Global Academy was expanded worldwide and supplemented with digital learning platforms.
- We strengthened our initiatives in the emerging markets in particular in order to recruit and effectively develop top talent for Henkel.
- We also made significant advances in driving our performance-based culture. Within our globally standardized system of management assessment, we are increasingly focusing on individual interests and personalized options for career planning and development.
- With the continued digitalization of day-to-day work through digital networking platforms, we have created the essential conditions for efficient global collaboration and a lively exchange among employees.
- We also continued to provide comprehensive support for the volunteer activities of our employees in 2015 as a key component of our social engagement. In addition to their many volunteer efforts, our employees are especially committed to assisting refugees in Germany and Europe. A further focus of our social commitment was on support for people in areas of crisis or catastrophe.

### Recruiting top talent for Henkel

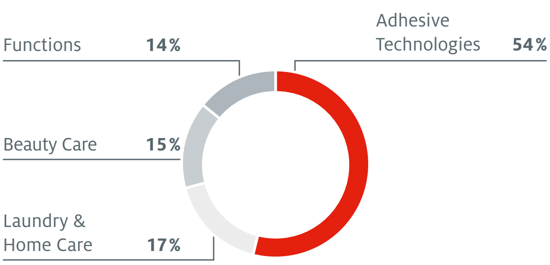
Among the numerous activities and initiatives we engage in to reinforce our image as an attractive employer, Henkel effectively utilizes digital options for human resource marketing, both in the search for talent and in employee development. Primarily social media channels such as Facebook and LinkedIn make it possible to engage in a continuous exchange with potential applicants in our target group. LinkedIn

Employees by region 50



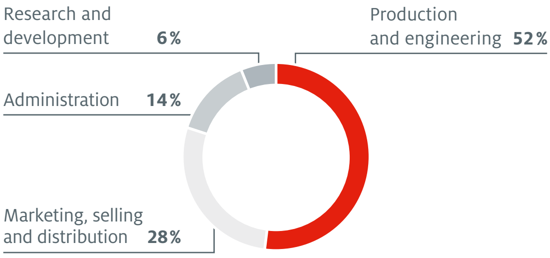

At December 31, 2015

Employees by organizational unit 51



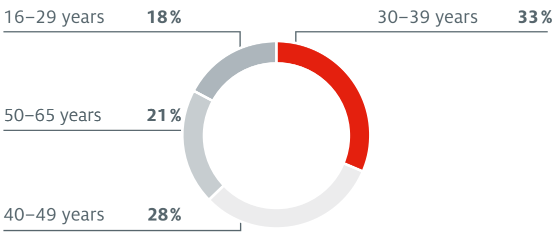

At December 31, 2015

### Employees by activity 52




At December 31, 2015

### Employees by age group 53




At December 31, 2015

also enables us to approach candidates directly for specialized vacancies. The number of fans and followers on our social media channels with a focus on a career with Henkel has increased by more than 20 percent compared to 2014.

**Developing employees and providing effective training**

In 2015 we offered 157 new apprentices in Germany the opportunity to join one of our 27 dual-track study programs or apprenticeships. Currently, more than 500 apprentices and students in total are completing their professional training at Henkel in Germany.

We firmly believe that, aside from traditional learning formats such as seminars, the professional and personal development of all employees takes place primarily in the day-to-day operations of a company. Around 90 percent of knowledge is transmitted through practical experience and direct interaction with supervisors, colleagues and employees.

In order to promote individual employee development in a manner that meets the current market needs, we consolidate all of our learning opportunities into our Henkel Global Academy. Based on their specific needs and development plans, employees can choose general or functionally specific seminars. The extensive range of choices is supplemented globally by over 500 digital learning options and around 500 videos and webinars.

A particular focus of our human resources strategy is the continuous development of our leadership culture. Starting in 2014 and continuing in 2015, a total of 140 top managers have completed our Leadership Forum – a week-long seminar in cooperation with the Harvard Business School in the USA.

We also offer a modular program designed for all of our managers. Important components include instilling and reinforcing our leadership principles as aligned with the employee's professional situation. The next generation of managers in the emerging markets are thoroughly prepared for the special challenges of their regions in our EXCEED program.

### Employees 54

| (At December 31) | 2011 | % | 2012 | % | 2013 | % | 2014 | % | 2015 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Western Europe | 15,350 | 32.5 | 14,600 | 31.3 | 14,400 | 30.7 | 14,900 | 30.0 | **14,900** | **30.2** |
| Eastern Europe | 8,850 | 18.7 | 9,150 | 19.7 | 9,600 | 20.5 | 10,000 | 20.1 | **9,800** | **19.8** |
| Africa/Middle East | 5,300 | 11.3 | 5,100 | 11.0 | 4,800 | 10.2 | 4,850 | 9.7 | **4,700** | **9.4** |
| North America | 5,250 | 11.1 | 5,200 | 11.1 | 5,150 | 11.0 | 6,200 | 12.5 | **6,250** | **12.7** |
| Latin America | 3,700 | 7.8 | 3,650 | 7.8 | 3,750 | 8.0 | 3,650 | 7.3 | **3,500** | **7.1** |
| Asia-Pacific | 8,800 | 18.6 | 8,900 | 19.1 | 9,150 | 19.6 | 10,150 | 20.4 | **10,300** | **20.8** |
| **Total** | **47,250** | **100.0** | **46,600** | **100.0** | **46,850** | **100.0** | **49,750** | **100.0** | **49,450** | **100.0** |

Basis: permanent employees excluding apprentices; figures rounded.

Around 33%

of our managers are women.

**A performance-based culture put into practice**

We again conducted our Development Round Table (DRT) in 2015 for some 11,000 managers and exceptional non-managerial talent, and we improved the internationally standardized process for assessing the performance and potential of these employees. Employees are now asked to formulate their own ideas for career progress so that the next phase can be planned in dialog with their managers. Our aim is to further align the interests of these employees with those of the company.

**Valuing diversity**

At Henkel, business success is based on a strong global team and diversity among our employees. Diversity and an inclusive company culture are key drivers of creativity and innovation. We promote and utilize diversity within the company, creating an integrated environment based on a holistic approach encompassing all dimensions – different generations, genders, cultures and experiences.

To this end, our initiatives in 2015 included a worldwide campaign at Henkel to foster a deeper understanding of "Diversity & Inclusion." Our goal is to further anchor inclusive conduct in our teams and sharpen awareness of the contributions of each individual. As part of the Diversity Weeks at Henkel, numerous virtual and local events, activities and initiatives took place at our sites around the world so that differences and diversity could be tangibly experienced.

Henkel has been offering highly flexible work models for years, taking into account the diverse needs of our employees. We promote a work environment based on trust rather than a culture of simple physical presence because we believe this is an important cornerstone for achieving a balance between career and family life, and an advantage in recruiting top talent. We can thus achieve greater success by integrating the pursuit of excellent business results with the fulfillment of personal needs. Increasing digitalization enables a high degree of flexibility and expands the possibilities for mobile work. We expect our executives to set an example and support flexible work models at Henkel as part of their management responsibility.

We also promote international careers and experience in intercultural work styles – even at an early stage of professional life. Thus we not only systematically support the professional and personal development of our employees, but also inject new perspectives and new ways of thinking into their collaboration, enhancing the performance and motivation of our global teams.

Career development for female managers is an important component of the measures we take. Group-wide, we have increased our share of women in management positions from around 26 percent in 2008 to around 33 percent at the end of 2015.

**Acting sustainably and responsibly**

For Henkel, it is a matter of course that, beyond our business operations, we accept our responsibility toward society around the world. We have organized our corporate citizenship activities into three areas: We support volunteer work by our employees, maintain strategic partnerships for the common good, and provide aid in emergencies and in response to natural disasters.

Throughout Europe, helping refugees was a key area of focus in 2015. Our commitment concentrated on providing humanitarian aid and supporting those of our employees and retirees who volunteered their assistance in numerous projects.

Overall, we donated more than 8.3 million euros around the world in 2015 to sponsor some 3,400 projects that reached more than 1.5 million people.

Educational initiatives are also a key focus of our social engagement. Education is an essential foundation on which to build both the personal development of each individual and a functioning society. We focus primarily on projects and ideas where we can use our core competences to really make a positive difference. Here again, the personal commitment of our employees and retirees plays a key role.

It is not only in the area of corporate citizenship that the involvement of our employees makes the difference. The successful implementation of our sustainability strategy is built on it as well. Therefore, the importance of sustainability is a large part of our internal communications and specifically integrated into our current training and education programs. One example is the success of our Sustainability Ambassadors program. These ambassadors promote the importance of sustainability among colleagues, suppliers, customers and students. By the end of 2015, around 6,200 employees had successfully taken part in this program, including the entire Management Board and all senior management around the world, with our ambassadors also reaching out to around 63,000 elementary school children in 43 countries.

## Procurement

We use externally sourced materials (raw materials, packaging and purchased goods) and services to produce our finished products. These items all fall under the general category of direct materials. Examples include washing-active substances (surfactants), adhesive components, cardboard boxes and external filling services.

Aside from supply and demand, the prices of **direct materials** are mainly determined by the prices of the input materials used to manufacture them. Over the course of 2015, prices for input materials initially rose before declining again in the second half of the year. As a result, overall pricing in the fourth quarter was lower than in the first quarter. The situation differed by both region and type of input material. The average crude oil price was significantly lower than in the previous year. The price for palm kernel oil was also below the level of 2014, while prices for corrugated paper and cardboard boxes increased in the course of the year. As a result of numerous plant shutdowns, prices for ethylene and polyethylene in Europe remained particularly high in the first half of the year, but normalized again in the second half. Overall, prices for direct materials in 2015 were moderately below the level of the previous year.

Direct material expenditures amounted to 7.8 billion euros. The increase compared to the previous year is primarily attributable to foreign exchange effects and acquisitions, which could not be entirely offset by savings from cost-reduction measures and improvements in production and supply chain efficiency.

**€7.8 bn**
expenditures on direct materials.

Our five most important groups of raw materials within the direct materials category are raw materials for use in hotmelt adhesives, washing-active substances (surfactants), raw materials for polyurethane-based adhesives, inorganic raw materials, and water- and acrylic-based adhesive raw materials. These account for around 40 percent of our total direct material expenditures. Our five largest suppliers account for around 13 percent of purchasing volume in direct materials.

Purchases made in the general category of **indirect materials** and services are not directly used in the production of our finished products. Examples include maintenance materials, and logistics, marketing and IT services. We were able to more than compensate for the marginal increases in gross prices in these areas in 2015 through our global procurement strategy and structural cost reduction measures. At 5 billion euros, expenditure on indirect materials and services for 2015 was above the prior-year level. The increase compared to the previous year is primarily attributable to foreign exchange effects and acquisitions.

In order to improve efficiency and secure material supplies, we continuously optimize our value chain while ensuring that we maintain our level of quality. In addition to negotiation of new, competitive contract terms, our ongoing initiative to lower total procurement expenses is a major factor in the success of our purchasing strategy. Together with the three business units, Purchasing works continuously on reducing product complexity, optimizing the raw materials mix and further standardizing packaging and raw materials. We enter into long-term business relationships with selected suppliers to encourage the development of innovations, and to optimize manufacturing costs and logistics processes. At the same time, we ensure the risk of supply shortages is minimized. We also agree on individual targets with our strategic suppliers to strengthen our negotiating position and give us greater flexibility in consolidating our supplier base. In 2015, we succeeded in reducing the number of suppliers by another 15 percent.

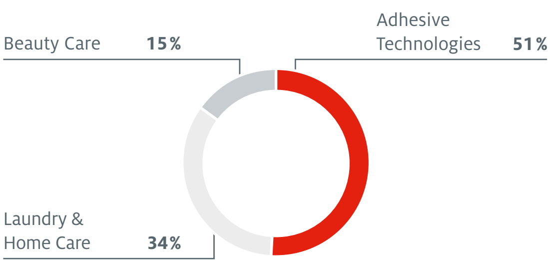
We were able to increase the efficiency of our purchasing activities by further standardizing, automating and centralizing our procurement processes. In addition to again making greater use of eSourcing tools to support our purchasing operations, we have also pooled large portions of our purchasing administration activities – such as order processing, price data maintenance, and reporting activities – within our shared service centers. As part of our "Sourcing@Best" initiative, we have consolidated our global strategic procurement operations into eight regional purchasing centers. We have also integrated our production, logistics and purchasing activities across all business units in one single global supply chain organization. This organization is based in Amsterdam and began operations in November 2014. The first phase of the European implementation has been successfully completed and a branch office was opened in Singapore at the end of 2015.

Given the uncertainties with respect to raw material price changes and ensuring supply in the procurement markets, risk management is an important part of our purchasing strategy. The emphasis is on reducing price and supply risks while maintaining consistently high quality. As part of our active price management approach, we employ strategies to safeguard prices over the longer term. These are implemented both by means of contracts and, where appropriate and possible, through financial hedging instruments. In order to minimize the risk of supplier default, we stipulate supplier default clauses and perform detailed risk assessments of suppliers to determine their financial stability. With the aid of an external, independent financial services provider, we continuously monitor important suppliers whose financial situation is seen as critical. If a high risk of supplier default is identified, we systematically prepare back-up plans in order to ensure uninterrupted supply.

We expect our suppliers and contractual partners to conduct themselves in a manner consistent with our own corporate ethics and values. The basic requirements in this regard are set out in our purchasing standards, valid across the Group, and our safety, health and environmental standards formulated in 1997, through which we have long acknowledged our responsibility for the entire supply chain. Consequently, in selecting our suppliers and contractual partners, we take into account their performance in

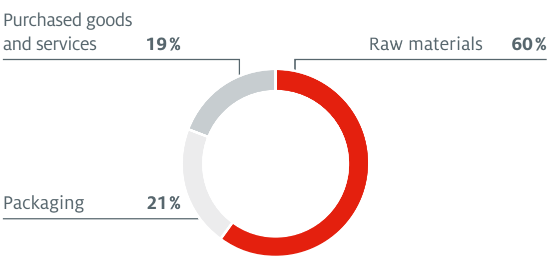
### Material expenditures by business unit

55




### Material expenditures by type

56



terms of sustainable development. We use the cross-industry Code of Conduct published by the German Federal Association of Materials Management, Purchasing and Logistics [BME] as a globally applicable supplier code, and the basis for our multi-stage Responsible Supply Chain Process. The objective of this process is to ensure supplier compliance with these standards and to improve the sustainability levels of our supply chain in tandem with our strategic suppliers. A global training program ensures that the requirements regarding the sustainability profile of our suppliers are understood and properly applied by our employees in Purchasing.

The evaluation of our suppliers with respect to sustainability is based on a comprehensive assessment and audit program which we developed as a common standard in 2011 together with five other companies in the chemical industry under the initiative "Together for Sustainability." The results of audits and assessments are shared among the members of the initiative, producing valuable synergies when evaluating what are – in many cases – common suppliers. The "Together for Sustainability" initiative continued to grow in the past year and now numbers 18 members. US companies also joined the initiative for the first time in the reporting year. Global implementation of the assessment and audit program was further expanded through various events including supplier conferences in São Paulo, Brazil, and Shanghai, China. The initiative also received recognition from Ethical Corporation: In the "Best Supplier Engagement" category, "Together for Sustainability" was honored with a special commendation.

## Production

As part of the implementation of our strategy for 2016, we standardized our production and logistics activities across all business units in fiscal 2015, combining them with our purchasing activities into one global supply chain organization based in the Netherlands.

In 2015, Henkel manufactured products of a total weight of 7.9 million metric tons at 170 sites in 55 countries. Our largest production facility is in Düsseldorf, Germany. Here we manufacture not only laundry detergents and household cleaners but also adhesives for consumers and craftsmen, and products for our industrial customers.

170
production sites.

Cooperation with toll manufacturers is an integral component of our production strategy, enabling us to optimize our production and logistics structures when entering new markets or when volumes are still small. We currently purchase around 10 percent in additional production tonnage from toll manufacturers each year.

Number of production sites 57

| | 2014 | 2015 |
|---|---|---|
| Laundry & Home Care | 28 | **28** |
| Beauty Care | 8 | **7** |
| Adhesive Technologies | 133 | **135** |
| **Total** | **169** | **170** |

In the **Laundry & Home Care** business unit, the number of production sites remained unchanged versus 2014 at 28. Our plant in Düsseldorf continues to be the largest production site for this business unit. Here we predominantly manufacture powdered and liquid laundry detergents, fabric softeners, liquid cleaning products and dishwasher tabs. In 2015, we again implemented numerous measures to systematically further improve the operational excellence of our plants. Since our production volume again increased significantly as a result of higher market share and solid organic growth, we continue to invest in capacity expansion, with particular focus on innovations and emerging markets.

We successfully renewed the external certification of Group headquarters and all our plants, confirming our compliance with international quality, environmental, safety and energy management standards. Continuous improvements in sustainability enabled us to make significant progress in our focal areas of safety and resource conservation, helped, not least, by the ongoing expansion of our centralized real-time system that measures total resource use around the world and systematically evaluates the findings.

In the logistics field, we made further adaptations to warehousing capacities while also pursuing integration of the new acquisitions. We also consistently worked to optimize the geographical footprint of our warehouses in an effort to reduce transportation mileage to customers and encourage supply flexibility. These adjustments, coupled with the increased use of transportation vehicles that comply with the Euro 6 emission standard, constitute further steps in reducing carbon dioxide emissions along the entire value chain. Further efforts focused on collaborating with individual retail partners to optimize the flow of goods and increase the availability of products on the shelves. This enabled us to again achieve a high level of delivery service worldwide that ranks us among the very best in our industry.

Our **Beauty Care** business unit continued its focus on driving a significant increase in agility and on outstanding customer service in 2015 in order to enable a faster and more flexible response to changes in the market. We achieved a significant improvement in our service level through better integration of our planning processes along the entire supply chain right up to the interface with our customers. Our efforts also focused on complexity control to raise efficiency when managing the product diversity that Beauty Care offers to meet the diverse needs of its global customer base.

We expanded specific capacities at our Western European sites and adjusted them to market needs. The biggest single investment was in our site at Wassertrüdingen in Germany, where we installed a new high-speed filling system for liquid products in mid-2015, which allows us to keep pace with the growing demands of our customers. In addition to capital expenditures at European sites, we also invested extensively in non-European sites to support organic growth. Production capacity was expanded in Asia, America and Eastern Europe, and particularly at the plant we acquired in Russia at the end of 2013, to enable us to supply local markets with even greater speed and efficiency.

In an environment characterized by fierce competition, we also focused on further improving efficiency and enhancing our flexibility. The motivation of our employees – especially our TPM/lean teams – to continuously optimize processes, again enabled us to increase both quality and productivity.

We have aligned the global production network in our **Adhesive Technologies** business unit to higher demand – especially in emerging markets. We are investing in the introduction of modern and the optimization of existing production technologies. At the same time, we are continuously improving the efficiency of our production structures in order to generate further cost and quality advantages in product manufacturing.

In the year under review, two key projects in the form of our multi-technology sites in China and India were taken forward with a view to expanding our production capacities. The foundation stone was laid for a new plant in India in 2015, whereas the capacities of the plant we opened in China in 2013 were extended. Both sites combine various production technologies in a shared infrastructure to leverage economies of scale.

New production technologies – for manufacturing adhesives for the automotive industry, for example – were rolled out, especially in the emerging markets, to enable us to manufacture our products even more efficiently, cheaply and sustainably. We develop new products to satisfy customer-specific requirements, and invest accordingly in modern manufacturing facilities. We continue to focus on improving the production structures and workflows at our plants. Our lean teams once again introduced a range of optimization measures at our production sites.

As an important aspect in our promise of quality, our optimization efforts in all three business units aim to reduce the environmental footprint of our production activities. We focus in particular on cutting energy use, thereby contributing to climate protection, on reducing material input and waste volume, and on lowering water usage and wastewater pollution. New warehousing concepts and the production of packaging materials directly on-site where filling takes place reduce transport mileage and thus also contribute to climate protection.

Overall, our global programs in 2015 resulted in 68 percent of our sites reducing their energy use, 75 percent decreasing their water usage, and 59 percent lowering their waste footprint.

Keeping our “Factor 3” goal in mind for the year 2030, we set concrete interim targets for our production sites which, by the end of 2015, we had managed to exceed.

### Sustainability targets from 2011 through 2015 and current status

58

| Environmental indicators per ton of production volume | Target | Status |
|---|---|---|
| Energy used | – 15 % | – 18 % |
| Water used | – 15 % | – 23 % |
| Waste generated | – 15 % | – 17 %[1] |
| Occupational accidents[2] | – 20 % | – 33 % |

[1] Excluding construction and demolition waste: – 29 %.
[2] Per million hours worked.
Base year 2010.

Compared to the base year 2010, we managed by the end of 2015 to reduce the energy used per ton of product by 18 percent, our water usage by 23 percent, and our waste footprint by 17 percent.

We are continuing our efforts to further improve our performance in these areas in the coming years as we move toward our long-term goal of “Factor 3.” To this end, we have defined the following new medium-term targets: By 2020, we want to reduce the direct and indirect carbon dioxide emissions of our production sites, the water we use and the waste we generate by 30 percent per ton of product in each case, relative to 2010 as our base year.

We have also defined further areas of program focus, including more concerted efforts to save water in regions where it is scarce, to reduce landfill waste, to increase the use of renewable energies, and to lower carbon dioxide emissions associated with the transportation of our products.

For further details on our sustainability targets, please see pages 61 to 63 and our Sustainability Report on our website at:
www.henkel.com/sustainabilityreport

Our standards for safety, health and the environment, and the Henkel Social Standards, apply to all our sites worldwide. Using a clearly defined process consisting of communication, training and audits, we ensure compliance with these standards, especially at the production level.

We have the environmental management systems at our sites externally certified wherever this is recognized by our partners in the respective markets. By the end of 2015, around 95 percent of our production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

## Research and development

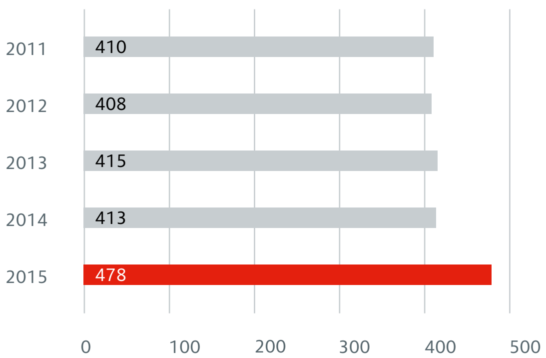
Expenditures by the Henkel Group for research and development (R&D) in the reporting period amounted to 478 million euros (adjusted for restructuring charges: 464 million euros) compared to 413 million euros (adjusted: 410 million euros) in 2014. The increase is mainly the result of foreign exchange effects and acquisitions. As a percentage of sales, we spent 2.6 percent (adjusted: 2.6 percent) on research and development (2014: 2.5 percent, adjusted: 2.5 percent).

**2.6 %**
R&D expenditures in percent of sales.

In 2015, personnel expenses accounted for around 60 percent of total R&D spending. Our research and development costs were fully expensed; no product- or technology-related development costs were capitalized in accordance with International Financial Reporting Standards (IFRS).

### R&D expenditures[1]
in million euros

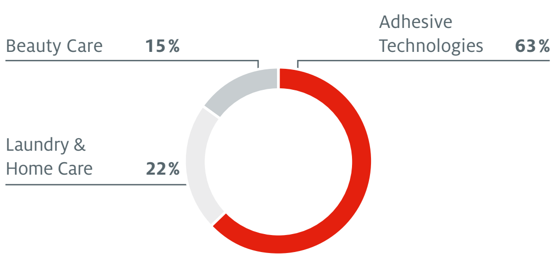
59




[1] Including restructuring charges of: 14 million euros (2011), 2 million euros (2012), 1 million euros (2013), 3 million euros (2014), 14 million euros (2015).

### R&D expenditures by business unit

60



## Selected research and development sites

61


On an annual average, around 2,800 employees worked in research and development (2014: 2,650). This corresponds to around 6 percent of the total workforce. Our teams are composed of natural scientists – predominantly chemists – as well as material scientists, engineers and technicians.

## Key R&D figures

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| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| R&D expenditures[1] (in million euros) | 396 | 406 | 414 | 410 | **464** |
| R&D expenditures[1] (in % of sales) | 2.5 | 2.6 | 2.6 | 2.5 | **2.6** |
| Employees[2] (annual average) | 2,650 | 2,650 | 2,600 | 2,650 | **2,800** |

[1] Adjusted for restructuring charges.
[2] Figures rounded.

Our capital expenditures and the capabilities of our highly qualified employees form the foundation on which the success of our R&D activities is built. Moreover, our Group-wide cooperation models, successful project outsourcing as part of our Open Innovation strategy, and the relocation of resources in the direction of emerging markets all demonstrate our ongoing focus on innovation and our concerted efforts to continuously reduce our resource consumption while maintaining or improving performance.

**Strengthening research and development together**

The research and development experts in the three business units align their project portfolios to the specific needs of their individual businesses. They work together on fundamental processes, basic innovation, evaluating partners for innovation, and on sustainability. The Research and Development Committee is responsible for Group-wide coordination.

One example of the joint approach is our coordination on the topic of "Quantum Leaps in Research and Development," where the primary focus is on processes to improve both the number and likelihood of success of disruptive innovations. Basic innovations in common areas of knowledge are continually exchanged between the business units, through both formal and informal channels. This is particularly relevant to all surface-modifying technologies such as surfactants, multifunctional polymers and silicones. The documentation of advances in sustainability made within the development projects is also standardized across the three business units.

**Open Innovation**

Our innovations come from both internal and external sources. Therefore, the concept of Open Innovation continues to hold great significance for us. Accordingly, we have intensified our efforts to involve external partners such as universities, research institutes and suppliers in many of our development projects.

The following examples demonstrate the success achieved with our Open Innovation concept:

- Our innovation partner Evonik was honored by the Laundry & Home Care business unit with the "Best Innovation Contributor Award 2015" for the exclusive development of an innovative repair polymer initially rolled out in 2015 under the brands Der General and Brillantes. Many consumers have the problem of scratched surfaces that lose their shine. The unique semi-permanent lamination technology smooths away scratched surfaces and cracks. The patent-pending polymer can significantly improve a faded surface shine even with the first application. Successive applications enhance this innovative effect even more.
- Our long-time partner BASF was honored with the "Best Innovation Contributor Award 2015" by the Beauty Care business unit for continuous and successful collaboration in the area of micro-emulsions for body cleansing products. Micro-emulsification enables the use of higher concentrations of caring oils in transparent surfactant formulations for improved care performance. This micro-oil technology was used for the first time in 2014 in the oil-infused shampoos of the Bonacure brand in the Hair Salon business, before being adapted in 2015 for shower gels under the body care brands Fa in Europe and Dial in North America.
- The Japanese technology company Kaneka, which manufactures a broad range of special polymers for various industrial applications, was awarded the "Supplier Innovation Award" for the second consecutive year by the Adhesive Technologies business unit. Kaneka's close cooperation with us in Germany, the USA and Asia gives us early access to its latest developments in high-performance specialty polymers which support our latest solutions in liquid sealants for the automotive, electronics and industrial markets.

**Research and development worldwide**

In addition to its central research laboratories, Henkel maintains regional research and development sites around the world as hubs for innovative problem-solving. Worldwide research and development activity is managed globally by the business units. Research-intensive basic technologies are developed at a central location with optimal access to external resources. These basic technologies are applied in the regional research and development sites to customer and market-specific innovations. At the same time, the research and development staff in the regional sites obtain information about specific problems for the next generation of innovations, working in close contact with markets and customers. The new basic technologies needed for the relevant solutions are again developed centrally.

The following examples illustrate the contribution made by our regional research and development laboratories:

- Our acquisition of Spotless' research laboratory for insect control products in Barcelona, Spain, in 2014 enabled the Laundry & Home Care business unit to further expand its technological expertise in this field. Products are developed for both global and regional use at this site. With ZenSect anti-mosquito sticks, Henkel researchers were successful in developing an innovative and highly effective mosquito repellent for the European market based on a completely new principle. The active substance is derived from natural ingredients and the mechanism is found in crop plants. It targets the sensory ability of the insect and suppresses its urge to sting.
- The growing importance of the emerging markets also impacts the R&D strategy of the Beauty Care business unit. In the regional testing and development centers in Shanghai, China, in Johannesburg, South Africa, and in Bogotá, Colombia, individual products are developed that take account of ethnic distinctions and specific customer needs. For the Asian market, silicone-free transparent anti-dandruff shampoos were developed and successfully launched under the Syoss brand. Soaps, deodorant sprays and shower gels were developed for the Arab markets with the special scent of Oud, reflecting the Arab perfume tradition.
- The Adhesive Technologies business unit provides local expertise and solutions through a global network of technology centers. Our center in Pune, India, focuses on the requirements of the automotive and manufacturing industry based in that area. The local product development team specializes in creating highly specific customer solutions – in the growing fields of maintenance, repair and overhaul or in industrial fabrication and production, for example.

**Contributing to sustainability**

Worldwide, growth and quality of life need to be decoupled from resource use and emissions. Our contribution here lies in the development of innovative products and processes that consume less resources while offering the same or better performance. It is therefore both our duty and our desire to ensure that all new products contribute to sustainable development in at least one of our six defined focal areas. These are systematically integrated within our innovation process. Early on, our researchers must demonstrate the specific advantages of their project in regard to product performance, added value for our customers, resource efficiency, and social progress. We thus aim to combine product performance and quality with social and environmental responsibility. Our focus in this respect is on two goals. The first is to continuously improve the sustainability profile of the raw materials we use, in collaboration with our suppliers. The second is to help our customers and consumers reduce energy use and carbon dioxide emissions through our innovations.

Life cycle analyses, profiles of potential raw materials and packaging options, and our many years of experience in sustainable development help us to identify and evaluate improvement opportunities right from the start of the product development process. A key tool in this respect is our "Henkel Sustainability#Master®." This evaluation system centers around a matrix based on the individual links in our value chains and on our six focal areas. It shows which areas are most relevant from a sustainability perspective, and allows a transparent and quantifiable comparison to be made between two products or processes.

Our scientists again made valuable contributions to the company's success through their innovations in 2015. A selection of particularly outstanding research projects is provided in the examples below:

- Washing at lower temperatures makes a significant contribution to climate protection. Working with its strategic partner, Novozymes, the Laundry & Home Care business unit developed high-performance enzymes for a new generation of formulas. This was the basis for the successful introduction of the Persil ProClean brand in the USA. A high-performance formula – patent pending and designed specifically for US requirements – displays its powerful washing performance even at low temperatures both in the cold wash cycle and in high-efficiency washing machines. Consumers experience the dual benefits of a superior cleaning result combined with lower energy usage. Novozymes was honored with the "Sustainability Award 2015" in recognition of this innovation.
- An important aspect of sustainability is recycling, which includes both the ability to recycle and the use of recycled materials. As the result of a joint development project with packaging supplier Ball Corporation, Henkel is able to use aerosol cans with a 25-percent recycled aluminum content for deodorant sprays under the Fa, Souplesse and Neutromed brands. The aluminum recycling process uses significantly less energy than the expensive production of primary aluminum from bauxite. Furthermore, this mixture of aluminum produces greater rigidity, which means that significant material savings of around 10 percent can be achieved with these aerosol cans. The two effects combined result in a reduction of more than 20 percent in the $CO_2$ footprint per aluminum can. Ball Corporation was presented with the "Sustainability Award 2015" for this contribution to sustainability.
- The development of the innovative solder paste Loctite GC 10 once again highlights the leading role of the Adhesive Technologies business unit in sustainability. This new, thermally stable technology is used in the assembly of electronic components. The solder paste's technical properties allow it to be stored and transported at room temperature. In contrast to conventional solutions, cold storage is no longer needed. Loctite GC 10 contributes to a significant reduction in energy use during storage and avoids the need for transportation by air freight. It also reduces defects, as Loctite GC 10 can be handled more easily and has a longer open time in our customers' production processes.

## Fritz Henkel Award for Innovation 2015


www.vernel.de


www.schwarzkopf.com


www.loctite.com.au/mobile-bonding

**Fritz Henkel Award for Innovation**

Each year we select a number of outstanding developments for our Fritz Henkel Award for Innovation. In 2015, the innovation award went to three international, interdisciplinary project teams for the realization and successful commercialization of the following concepts:

- A new and innovative active care ingredient has enabled successful transfer of the attractive oil concept from cosmetics to fabric softeners for the Vernel Soft & Oils line. The new formulation, developed with our innovation partner BASF, makes it possible to combine significantly more efficient care ingredients and premium fragrant oils for the first time, providing exceptional freshness, deep-down laundry care and improved softness. This new generation of fabric softeners, which is unique worldwide, features an innovative aesthetic transparency combined with a sophisticated packaging design. The fragrant appeal is enhanced by the lingering presence of special premium perfumes on the laundry. Use of the high-performance active care ingredients makes a positive contribution to sustainability.
- Years of research into the structure of hair matrix keratins has led to the development of patented Keratin Color technology that opens up a new dimension in coloring performance and care: A care complex containing specific keratin components in the pre-lotion, coloration cream and conditioner provides triple-action protection before, during and after the coloring process. The result is maximum coloring performance with 100 percent gray coverage and outstanding care that reduces hair breakage by up to 80 percent. With the development of its Keratin Color technology and the Keratin Color brand, the Beauty Care business unit continues to further expand the care colorants category – which also includes the successful Diadem brand — in order to respond to the consumer need for care and protection. The parallel marketing in Europe and during the market launch of Schwarzkopf in the USA has helped to reinforce Henkel's global leadership in innovation.
- A global team of experts from the Adhesive Technologies business has developed a novel Total Solution for assembling mobile phones. The approach combines offering structural adhesives for bonding the mobile phone frame to the cover glass with precise and intelligent dispensing equipment. Both the structural adhesive and dispensing equipment are designed and tailor-made by Adhesive Technologies to meet the specific needs of our individual customers. The Total Solution approach allows our customers a single point of contact for all application support and accountability, helping to secure the long-term business for Henkel. It also provides Henkel total control of the application and results. In addition, the novel Henkel technology, which is already being deployed by several leading manufacturers, offers improved sustainability: reduced waste in production, increased occupational safety, and advanced recyclability of devices.

We hold more than 8,150 patents to protect our technologies around the world. Approximately 5,400 patents are currently pending. And we have registered around 1,600 design patents to protect our designs.

Further information on our research and development activities can be found on our website

www.henkel.com/innovation

## Marketing and distribution

We put our customers at the center of what we do. Hence we align our marketing and distribution activities in our business units to the requirements of each specific audience and target group. To further strengthen our top brands and continue the successful commercialization of our innovations, we manage our marketing activities and investments using clear priorities set according to category and region. In distribution, we focus on strategic partnerships while aiming for above-average growth with our top customers. In response to the growing importance of eCommerce, we have intensified our cooperation with various online retailers and expanded our eCommerce offering for industrial customers.

In the **Laundry & Home Care** business unit, we develop our marketing strategies and product innovations on a global scale, adapt them to regional customer needs and market conditions, and implement them at the local level. We thus ensure central, efficient management of our brands and an innovation process that enables us to recognize consumer trends early on and to implement new products quickly while at the same time remaining closely attuned to local needs. We are steadily increasing the use of digital media communication – particularly social media – to develop our media strategies and engage our consumers in the most effective way possible.

To enhance sales, we opened a Global Experience Center in Düsseldorf in February 2015, creating a new platform for deepening our cooperation with international customers, developing tailored solutions to meet the specific requirements of our partners, and identifying opportunities to create value together. At various stations, this customer center shows the business unit's expertise and innovative concepts – from new product offerings and digitalization to sustainability and shopper marketing. Each station at the center is designed to be interactive, allowing visitors to explore the world of laundry and cleaning products with all of their senses. We have continued to expand our expertise in the areas of shopper intelligence and shopper marketing. This is an essential component of our strength in sales and we are continuing to reinforce it.

Our efficient processes, effective communication with consumers, and our strategic partnerships with the trade enable us to successfully manage our global brand portfolio and to strengthen it with viable innovations, both now and into the future.

In the **Beauty Care** business unit, we develop marketing and sales strategies for both our Branded Consumer Goods and our Hair Salon businesses on a global scale, and then implement them at the local level. Within our Branded Consumer Goods operation, the Beauty Care Lighthouse, which opened in Düsseldorf in 2012, has established itself as a central point of contact for our customers worldwide. This is an interactive customer center with six stations dedicated to Innovation, Digital Consultation, Point-of-Sale Marketing, Research and Development, Formulation, and Sustainability. Customers can, for example, test innovations themselves, fill store shelves virtually, or try out innovative point-of-sale consultation tools such as digital hair-color testing. In addition to traditional advertising and point-of-sale activities, digital marketing is a key element of our marketing strategy. We are focusing in particular on developing direct consumer interaction through social media.

In the Hair Salon business, we also rely on collaborating in close partnership with our customers. As an additional service, our globally established Schwarzkopf Academies offer state-of-the-art specialist seminars and ongoing training programs with the focus very much on the hair salon as an enterprise. In parallel, our Schwarzkopf sales force ensures that our partners receive comprehensive advice at the local level to continuously enhance the technical skills and commercial success of our salon partners.

Closeness to customers and consumers in both the Branded Consumer Goods and Hair Salon businesses ensures the continued ability of the Beauty Care business unit to successfully bring innovation to market.

As the leading solution provider for adhesives, sealants and functional coatings worldwide, the **Adhesive Technologies** business unit covers virtually the entire spectrum of the global adhesives market with its specialized market sectors.

We develop our marketing strategies at both the global and regional level. The measures derived from our planning are then implemented locally. Our strong, internationally established brands are a central element in the range of products and services we offer. Within our branding strategy, we consistently leverage our five global technology cluster brands in the industrial markets and our four brand platforms in the consumer business.

We have around 130,000 direct industry and retail customers who are generally serviced by our own sales teams. Our retail customers, in turn, service the needs of private users, craftsmen and smaller industrial customers more efficiently than would be the case through direct channels.

With around 6,500 in-house specialists, we foster long-term contact with our customers and have acquired an in-depth understanding of their various areas of application. In light of the significant complexity of many of our solutions and technologies, first-rate technical customer service and thorough user training are of key importance. Our global presence enables us to provide technical services to customers worldwide as well as in-depth product training on site. In 2015, we opened a training center for flexible packaging in Mumbai – the first facility of its kind in India. It follows Düsseldorf and Shanghai as Henkel's third global training facility where we offer both theoretical and practical courses in adhesives for flexible packaging.

As part of our digitalization strategy, the expansion of our eCommerce platform "Henkel POD" is an important focus in our drive to make our ordering process even easier for our industrial customers. Orders totaling over one billion euros were settled through the platform in the reporting period.

In addition to digital communications, our efforts to reach as many consumers and craftsmen as possible include the continued use of conventional advertising and measures to attract our target groups at the point of sale.

Based on our close customer relationships and our comprehensive technical expertise, we will continue to offer tailored solutions and innovative branded products that provide sustainable added value for our customers in the future.

The importance of sustainability in our relationships with customers and consumers continues to grow in all three business units. Our customers expect their suppliers to ensure compliance with global environmental, safety, and social standards. Our standards and management systems, our many years of experience in sustainability reporting, and excellent appraisals by external rating agencies all help us to convince our audience of our credentials in this domain. Moreover, the credible implementation of our sustainability strategy strengthens both our brands and the reputation of our company in the marketplace.

With our decades of experience in aligning our activities to sustainable development, we are able to position ourselves as a leader in the field and as a partner capable of offering our customers future-capable solutions. And we cooperate closely with our customers in trade and industry in the development and implementation of viable concepts.

In order to convey to our customers and consumers the added value of our innovations – best possible performance combined with responsibility toward people and the environment – we use direct product communication supported by more detailed information provided in new media such as electronic newspapers and online platforms, as well as events and campaigns implemented together with our partners.

Last year, we combined these approaches in a joint program for our three business units: "Say yes! to the future" provides sales training for our employees and strengthens our cooperation with our trade customers.

We intend to increase our involvement in the development of appropriate measurement and assessment methods in order to facilitate effective, credible communication of our contributions to sustainability. To this end, we have developed a variety of tools, which are integrated within our "Henkel Sustainability#Master®." We have launched various projects in collaboration with selected partners to improve and standardize measurement and assessment methods.

For further information on the products and brands of our three business units, please go to our website at

**www.henkel.com/brands-and-businesses**

Around
**6,500**
specialists serving our Adhesive Technologies customers.

# Laundry & Home Care

## Highlights

### Sales growth

+4.9 %

organic sales growth

### Adjusted[1] operating profit

€879 m

adjusted[1] operating profit (EBIT): up 17.4 percent

### Adjusted[1] return on sales

17.1 %

adjusted[1] return on sales (EBIT): up 0.9 percentage points


### Persil Power-Mix Caps

With new Persil Power-Mix Caps, Persil is setting new standards in the rapidly growing market for pre-portioned detergents. The product uniquely combines the exceptional cleaning performance of a concentrated gel with the whitening performance of a powder. The result is laundry that is well protected against graying.

www.persil.nl


### Perwoll Care & Repair

Perwoll Care & Repair is the first fiber-repair detergent from Perwoll able to visibly reduce fuzzing and pilling in hard-worn garments by up to 80 percent. It thus addresses a relevant consumer need. The rich formula with Repairzyme® also prevents new fuzzing and pilling of the fibers – a new dimension in fabric care.

www.perwoll.de


### High-performance cleaners

Cleaners with new formulas that repel water and dirt for enhanced performance. For example, Bref Brillante Vetri impregnates the glass surface, repelling dirt and preventing contaminant build-up for shine that lasts five times longer. Other uses include the lime-repelling effect in bathroom cleaners, a grease-stop effect in kitchen cleaners, and water and dust protection in multi-purpose cleaners.

www.henkel-reiniger.de

### Key financials * 63

| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 4,626 | **5,137** | 11.0 % |
| Proportion of Henkel sales | 28 % | **28 %** | – |
| Operating profit (EBIT) | 615 | **786** | 27.8 % |
| Adjusted operating profit (EBIT) | 749 | **879** | 17.4 % |
| Return on sales (EBIT) | 13.3 % | **15.3 %** | 2.0 pp |
| Adjusted return on sales (EBIT) | 16.2 % | **17.1 %** | 0.9 pp |
| Return on capital employed (ROCE) | 23.4 % | **21.1 %** | – 2.3 pp |
| Economic Value Added (EVA®) | 391 | **469** | 20.0 % |

pp = percentage points
* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

### Sales development * 64

| in percent | 2015 |
|---|---|
| **Change versus previous year** | **11.0** |
| Foreign exchange | **1.1** |
| **Adjusted for foreign exchange** | **9.9** |
| Acquisitions / divestments | **5.0** |
| **Organic** | **4.9** |
| of which price | **2.2** |
| of which volume | **2.7** |

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

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

## Economic environment and market position

In 2015, the relevant world market for laundry and home care showed moderate growth. Price and promotional competition remained high in almost all regions. However, we saw a further increase in intensity, particularly in Western Europe and Germany.

Nevertheless, our growth again significantly outpaced the relevant global market in 2015. As a result, we were able to further expand share in our relevant markets and strengthen our leadership position. Both the sustained success of our strong brands and the successful global introduction of our innovations contributed to this solid performance.

Market performance in the mature markets was positive. In Western Europe, the relevant market for laundry and home care products showed a slight increase overall, with growth in Germany and France as the main contributors. Driven by positive performance in the USA, the North American markets also recorded slightly positive growth following the contractions of previous years. In this market environment, the business unit was able to further expand its market share, particularly in Western Europe.

Developments in the emerging markets varied. Market growth in our relevant markets in the Africa/Middle East region remained below the figure of the previous year as a result of the challenging market environment. The market in Eastern Europe recorded significantly stronger growth than in previous years, mainly reflecting inflation. In Latin America, the relevant market for laundry and home care products showed a slight increase. Overall, we were able to generate a very strong increase in our market shares in emerging markets.

## Business activity and strategy

The Laundry & Home Care business unit is globally active in the laundry and home care branded consumer goods business. The Laundry Care business includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers, and other fabric care products. The product range was successfully expanded with the brands of the France-based Spotless Group acquired in 2014, and now encompasses additional products such as color catcher sheets and fabric dyes. The product portfolio of our Home Care business encompasses hand and automatic dishwashing products, cleaners for bathroom and WC applications, and household, glass and specialty cleaners. We also offer air fresheners and insect control products for household applications.

Our aim is to continue generating profitable growth through continuous expansion of our current business and targeted acquisitions. We pursue continuous gains in market share accompanied by improvements to margin. In order to drive sustained growth in Laundry & Home Care, we intend to further expand the ratio of sales from emerging markets while also raising the profitability of those markets to the higher level of the mature markets. We also aim to further strengthen our leading positions in mature markets.

Our strategy of profitable growth is supported particularly by strong brands and innovations that offer added value for consumers. Our efficient marketing and distribution processes have again enabled us to identify consumer trends at an early stage and bring a number of relevant innovations to market. Accordingly, successful product launches again contributed substantially to our positive business performance in the year under review. Our innovation rate[1] in 2015 was once again over 45 percent. Prioritizing categories and centrally steering our global brand portfolio helps us to direct our investments specifically toward those segments that offer growth and profitability, enabling us to generate above-average growth with our most important brands and market segments.

In 2015, we generated 79 percent of our sales with our top 10 brand clusters. A brand cluster comprises individual global and local brands that share a common brand positioning internationally. By adopting this approach, we generate synergies in our marketing mix.

Acquisitions are part of our global strategy. Our aim is to invest in attractive category positions to accelerate our growth in profitable segments. In 2015, we expanded our business with the purchase of the entire range of laundry detergent and pre-wash brands previously marketed by Colgate-Palmolive Company in Australia and New Zealand, thereby strengthening our position in the Asia-Pacific region. Integration of the businesses we acquired in 2014 is proceeding successfully and according to plan.

**Top brands**

Persil
Purex
Pril

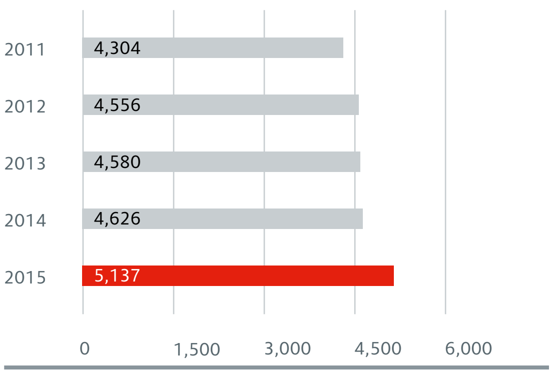
Over **45%** innovation rate[1].

[1] Percentage share of sales generated with new products launched onto the market within the last three years.

## Sales and profits

**Sales Laundry & Home Care**
in million euros

65




For the first time, the Laundry & Home Care business unit achieved sales in excess of 5 billion euros in a fiscal year, while also recording solid organic growth. Adjusted return on sales showed a very strong increase. The business unit therefore continued its path of profitable growth again in 2015.

+4.9%
organic sales growth.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 4.9 percent. This was significantly above the performance of the relevant markets. Sales performance was driven by both price and volume.

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

The emerging markets registered a very strong increase in sales and were once again the biggest driver of organic growth in Laundry & Home Care. The regions Eastern Europe, Latin America and Asia (excluding Japan) each contributed very strong sales growth. The Africa/Middle East region also showed a very strong increase in sales. Compared to the previous year, however, growth slowed due to the difficult market conditions prevailing.

Performance in the mature markets was positive. The North America region achieved a solid increase in sales; sales growth in Western Europe was positive.

Adjusted operating profit (EBIT) rose by 17.4 percent from 749 million euros to 879 million euros. Adjusted return on sales reached 17.1 percent with a very strong increase of 0.9 percentage points compared to the previous year. Our innovation initiatives and ongoing measures to reduce costs and enhance production and supply chain efficiency enabled us to increase gross margin. Lower prices for direct materials also had a positive effect.

Return on capital employed (ROCE) decreased versus the prior year to 21.1 percent, attributable primarily to acquisitions and foreign exchange. Economic Value Added (EVA®) increased by 78 million euros to 469 million euros. We were able to improve net working capital as a percentage of sales. The figure of –6.7 percent was below the already low level of the previous year.

## Business areas

In the following, we comment on the organic sales performance of our two business areas.

**Laundry Care**
The Laundry Care business area posted a solid sales performance, driven by continued expansion of the leading positions of our core brand Persil and the introduction of successful innovations.

In the premium detergent category, we introduced a high-performance detergent under the Persil brand in the USA: New Persil ProClean has a unique and powerful formula for outstanding laundry results. The Persil ProClean line covers the relevant segments with liquid, powder and pre-portioned detergents. We introduced new Persil Power-Mix Caps into the rapidly growing market for pre-portioned detergents in Western and Eastern Europe. These combine the product advantages of a concentrated gel with the whitening performance of a powder, resulting in impressive cleaning power and extra protection against graying.

For price-conscious consumers in emerging markets, we initiated a new and differentiated positioning approach for our heavy-duty detergents under various brands in the value-for-money segment. This involves delivering maximum yield and performance backed up by a new packaging design and a new communication campaign. The concept has been implemented in over 25 countries in Eastern Europe, Latin America and Africa/Middle East under brands such as Pemos (in Russia), Tomi (in Hungary) and 1-2-3 (in Mexico).

In the liquid detergent category, we launched products with a unique dispensing system in Western Europe under the brands Le Chat, Mir and X-Tra. The

PowerShot system, which is built into the bottle, precisely measures the liquid detergent for an optimal laundry result, thus preventing accidental overdispensing. This technical innovation is exclusively available to Henkel. In the Africa/Middle East region, we introduced new Persil Black Abaya. In addition to the proven performance of Persil Black, the new liquid detergent contains a UV-absorbing formula that protects black garments from fading caused by sunlight or washing. We also launched a variant with lavender fragrance under the Persil brand in the region.

The specialty detergents category provided further growth momentum with the introduction of the innovative liquid detergent Perwoll Care & Repair. Perwoll Care & Repair is the first fiber-repair detergent from Perwoll able to visibly reduce fuzzing and pilling in hard-worn garments by up to 80 percent. The rich formula with Repairzyme® also effectively prevents new fuzzing and pilling of the fibers.

In the wash additives category, we launched the new Colour Catcher "All at 30°." For the first time, these color catcher sheets also have a concentrated stain remover. They provide proven protection against color bleeding and produce even cleaner laundry – at just 30 degrees Celsius.

**Home Care**

The Home Care business area posted a strong sales performance in 2015, driven mainly by the sustained success of our WC products. Hand and automatic dishwashing products also made an important contribution.

In WC products, the Bref Power Aktiv brand – in Germany, the WC Frisch brand – once again generated highly dynamic growth. Building on the considerable global success of our Superior Value Rim Blocks, we introduced to the international market two new variants featuring innovative fragrances: Hawaiian Plumeria Lei and Rio Carnival. We also strengthened our position in this category with the international launch of new Bref Duo-Aktiv. Bref Duo-Aktiv now features an improved formula and a new duo-chamber design. The new duo-chamber technology offers an optimal combination of a liquid WC cleaner and rim block fragrance for double the hygienic power.

In the hand dishwashing category, we launched the new variant Pur Gold Care under the Pur brand in Eastern Europe. The innovative formula is especially effective against odors. The proven power of Pur to dissolve grease effortlessly removes even dried food residue without tedious soaking. In the Africa/Middle East region, we launched the new Pril 100 Lemons Power.

We introduced new Somat Gold Gel under the Somat brand to the growing market for liquid products for the automatic dishwasher. The improved formula makes Somat Gold Gel the best gel product in the market. The unique two-phase formula in the two-chamber bottle removes tough grease from any dish while protecting the automatic dishwasher, particularly the filter, from grease build-up.

We also strengthened our multi-purpose cleaner category through innovations that not only remove dirt but also repel it. We launched a new Sidolin in the glass cleaners category: The improved formula with repellent effect impregnates the glass surface and successfully prevents contaminant build-up. The multi-purpose cleaners under the Bref brand are now also enhanced with a special formula that repels dirt. The grease-stop effect of Bref Power Fett & Eingebranntes (Bref Power for grease and baked-on residue) weakens the adhesion of grease stains, making them easier and quicker to remove. In our Bref bathroom cleaners, the lime-repellent effect makes water drops bead up, reducing the emergence of new lime deposits.

## Capital expenditures

In 2015, our capital expenditures for property, plant and equipment amounted to 217 million euros following 201 million euros in the previous year. These expenditures focused on the expansion of our production capacity, on investment in innovations and on optimizing our production processes. We also made additional investments in the area of plant safety and quality systems. Most of our investments were made in our emerging markets. The biggest single investment related to the expansion of production capacity in Russia and optimization of the logistics structure there.

**€217 m**

investments in property, plant and equipment.

# Beauty Care

## Highlights

### Sales growth

**+2.1%**

organic sales growth

### Adjusted[1] operating profit

**€610m**

adjusted[1] operating profit (EBIT): up 12.2 percent

### Adjusted[1] return on sales

**15.9%**

adjusted[1] return on sales (EBIT): up 0.6 percentage points


### Schwarzkopf Keratin Color

The first caring colorant with triple keratin for extremely demanding hair. Its advanced formula with keratin cares and protects before, during and after coloring. Thanks to the innovative mix of pigments, it provides nuances that adapt harmoniously to skin tones.

www.schwarzkopf.com


### Dial Miracle Oil

The first Dial body wash formulated with micro-oil technology for lasting, lightweight moisture protection – with no filmy residue. Infused with precious marula or coconut oil, this unique formula's luxurious lather leaves skin feeling clean, beautifully soft and smooth.

www.dialsoap.com

### Taft Ultimate

The first Taft styling range with hold level 6 for the strongest Taft hold ever. Its unique formula with liquid crystal gloss effect and ultimate-hold polymers provides a luxuriously luminous shine and exceptional, previously unmatched Taft hold – for 100 percent fixation lasting up to 48 hours.

www.taft.de

### Key financials *

66

| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 3,547 | **3,833** | 8.1% |
| Proportion of Henkel sales | 22% | **21%** | – |
| Operating profit (EBIT) | 421 | **561** | 33.3% |
| Adjusted operating profit (EBIT) | 544 | **610** | 12.2% |
| Return on sales (EBIT) | 11.9% | **14.6%** | 2.7 pp |
| Adjusted return on sales (EBIT) | 15.3% | **15.9%** | 0.6 pp |
| Return on capital employed (ROCE) | 18.3% | **20.4%** | 2.1 pp |
| Economic Value Added (EVA®) | 226 | **328** | 45.3% |

pp = percentage points
* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

### Sales development *

67

| in percent | 2015 |
|---|---|
| **Change versus previous year** | **8.1** |
| Foreign exchange | **4.0** |
| **Adjusted for foreign exchange** | **4.1** |
| Acquisitions / divestments | **2.0** |
| **Organic** | **2.1** |
| of which price | **1.5** |
| of which volume | **0.6** |

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

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

## Economic environment and market position

In 2015, growth in the world cosmetics markets continued to slow in relevant key markets. Once again, important markets experienced stagnation or decline. Despite this difficult and highly competitive market environment, the Beauty Care business unit was able to secure further market share gains and continued to strengthen its leadership position in its relevant markets.

Our Branded Consumer Goods business encountered particular market weakness in the mature markets of Western Europe and North America. In Western Europe, the environment was characterized by even more intense promotional activity, increased price pressure, and lower average prices. Despite this challenging market environment, we nonetheless succeeded in outperforming the relevant market overall, enabling us to gain market share.

The emerging markets in Africa/Middle East and Asia (excluding Japan) continued to grow, but at a slower pace. The markets in Latin America showed positive performance in the reporting year. The markets in Eastern Europe recorded moderate growth under constantly challenging market conditions. Thanks to the successful international launch of several product innovations, we continued to increase share overall in the emerging markets.

The hair salon market was marked by continued customer restraint and experienced further decline. In this generally difficult environment, we exceeded our sales level of the previous year and strengthened our position as the world number three in the hair salon market, with added support from the acquisitions made in 2014.

## Business activity and strategy

The Beauty Care business unit is active in the Branded Consumer Goods business area with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as in the professional Hair Salon business.

In the Branded Consumer Goods business, we want to continue expanding our innovation leadership in the mature markets in order to further grow our market share. To this end, we pursue a consistent, proactive innovation strategy, accompanied by strict cost management to allow us to step up our market investments and increase profitability. We are driving business development in our emerging markets through expansions to our portfolio, product innovations and acquisitions. In the Hair Salon business, we are continuing our strategy of globalization, with particular focus on stimulating our emerging markets.

Organic growth is at the center of our growth strategy. We drive this strategy by focusing on our top brands, ensuring the rapid international launch of innovations with above-average profitability, and by selectively pursuing regional expansion. Further key success factors include strong support for our top brands through focused media and promotional activities. We regularly analyze our businesses and brands as part of our pro-active portfolio management approach.

In our Branded Consumer Goods business, our focus is on the international expansion of our core businesses of Hair Cosmetics, Body Care, Skin Care and Oral Care. Our growth strategy is aligned to continuously strengthening our top brands. Based on the specific steps we have taken, we were able to further strengthen our top 10 brands. In 2015, they grew at a faster rate than the overall portfolio, and once again accounted for more than 90 percent of sales. In addition to strengthening our top brands, we focus particularly on the growth potential available in our key accounts. We also continue to expand our Hair Salon business through product innovations and efficient sales and distribution structures while taking advantage of new regional opportunities.

Through our concerted innovation strategy and consistent strengthening of our top brands, we want to continue generating dynamic, profitable growth. In 2015, we again set the standard in the market with our innovation rate[1] of over 45 percent. And we are developing additional growth potential through the expansion of strategic partnerships with our customers.

We supplement organic growth with acquisitions. In line with our strategy, we have expanded our portfolio in attractive categories. Beauty Care made a number of relatively small acquisitions in 2015. In July 2015, Henkel acquired the Mexican hairstyling brand Xtreme. The acquisition strengthens our market position in Mexico and further expands our emerging markets business in line with our goals.

**Top brands**

Schwarzkopf
Dial
syoss

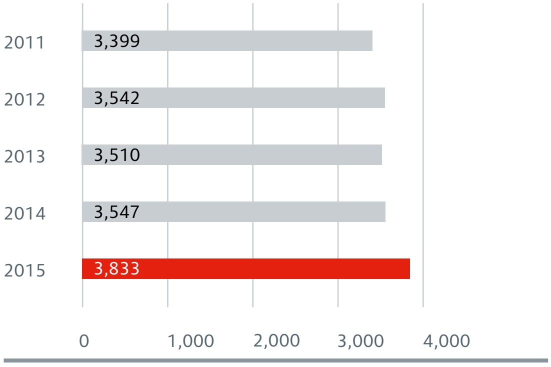
Over **45**%
innovation rate[1].

[1] Percentage share of sales generated with new products launched onto the market within the last three years.

## Sales and profits

Sales Beauty Care
in million euros

68




The Beauty Care business unit achieved solid organic sales growth and a very strong increase in adjusted return on sales in the reporting period, thus continuing to build on the profitable growth of the previous years. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 2.1 percent. Organic growth was again higher than growth in our relevant markets, and was achieved through price and volume increases despite crowding-out competition driven by intense price and promotional pressure. As in previous years, our strong innovation program provided the foundation for this success.

+2.1%
organic sales growth.

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

From a regional perspective, business performance was very strong in the emerging markets. The emerging markets of Asia (excluding Japan) in particular posted very strong growth as a result of the successful expansion of business in China. Latin America experienced double-digit sales growth. In the Africa/Middle East region, the business unit matched its successes of previous years, recording a solid rate of growth. Strong growth was achieved in Eastern Europe.

The mature markets continue to be impacted by fierce crowding-out competition and intense price and promotional pressure. In this challenging environment, sales in the mature markets remained slightly below the level of the prior year due to developments in the Western Europe region and the mature markets of the Asia-Pacific region. In a challenging competitive environment, sales in the North America region experienced solid growth compared to the previous year.

Adjusted operating profit increased in the reporting period by 12.2 percent versus the prior year, to 610 million euros, our highest earnings figure to date. Adjusted return on sales rose by 0.6 percentage points to 15.9 percent, likewise a new high. Our innovation initiatives and ongoing measures to reduce costs and enhance production and supply chain efficiency enabled us to extensively offset the effects on gross margin exerted by negative foreign exchange movements and the sustained promotional intensity.

At 20.4 percent, return on capital employed (ROCE) rose compared to the previous year. Economic Value Added (EVA®) increased by 102 million euros to 328 million euros. We were able to improve net working capital as a percentage of sales, recording a figure of 1.0 percent, which is below the already low level achieved in the prior year.

## Business areas

In the following, we comment on the organic sales performance of our two business areas.

### Branded Consumer Goods

Our Branded Consumer Goods business posted another solid increase in sales in 2015. The Hair Cosmetics business performed especially well, with above-average sales growth and another high mark in market share. Growth was driven, in particular, by successful innovations under our Schwarzkopf and Syoss brands.

In the strategically important Hair Colorants business, Schwarzkopf generated strong sales momentum with Keratin Color, our first caring colorant with triple keratin for extremely demanding hair. Palette Perfect Care Color, a caring colorant with no ammonia and a unique multi-layer technology, is targeted especially at coloring novices. As an innovation leader, Syoss also achieved a milestone and defined a new segment in Hair Colorants with its new salon-inspired Syoss Color Refresher. This innovation makes it easy to gently refresh color between permanent colorings.

The Hair Care business benefited from the simultaneous introduction of Schwarzkopf Men in Germany, Russia and China. The new brand covers the specific hair needs of men with a total of five product variants. Innovative stimulus was also generated by the market launch of Syoss Renew 7. Applying serine protein technology, it is the first hair treatment from Syoss that repairs seven signs of hair damage. Gliss Kur Oil Nutritive, also newly launched, is the first oil repair treatment from Gliss Kur with eight precious beauty oils and keratin. The business was further energized by the innovation Schauma Spiegelglanz 24 hours with liquefied micro-crystals.

In Hair Styling, the Taft brand celebrated the 60th anniversary of its 1955 launch in Germany. The brand also reinforced its leading role with the introduction of Taft Ultimate for the strongest Taft hold ever. Building on the 2014 launch of Essence Ultîme in the Hair Care business, we introduced Styliste Ultîme, the first line of styling products created in exclusive collaboration with Claudia Schiffer. Mann-o-Mann was developed as the first men's product line for groomed hairstyles from the trend-setting brand Got2b.

We continued to expand our market position in core markets in the Body Care business. The Fa Magic Oil line with its innovative, non-greasy micro-oil formula and floral fragrances generated new growth momentum. With Fa Fresh & Dry we also introduced the first high-performance antiperspirant with non-stop-fresh technology under the Fa brand. And under the men's brand Right Guard, the innovation Heat Control was introduced to provide extra protection against odor through its heat protection formula. Business performance in North America was also boosted by the body wash Dial Miracle Oil. Infused with marula or coconut oil, it leaves skin feeling clean and soft.

In Skin Care, we added two new lines to the core brand Diadermine: With its new variant N°110 Crème de Lumière, the innovative N°110 series now features a highly effective anti-aging daily skin treatment that balances the complexion while visibly reducing wrinkles and skin discoloration. The lifting product line Diadermine Lift+ Superfiller bolsters skin from the inside out, creating a more youthful appearance and sharper contours.

The Oral Care business was especially enhanced by two developments: With Theramed Non-Stop White, Theramed introduced an innovation that not only makes teeth whiter but also protects against new discoloration for up to twelve hours. The formula in the new children's toothpaste Theramed Junior was developed precisely for the needs of children to ensure healthy teeth.

**Hair Salon**

Although the hair salon market recorded a decline, we were able to exceed our sales level of the previous year. This positive development was supported by solid organic growth in the North America region resulting from our acquisition of the US companies Sexy Hair, Kenra and Alterna in 2014.

In Hair Care, Schwarzkopf Professional set new standards in color protection with the new BC Bonacure Color Freeze. The color-locking hair therapy for reduced fading not only seals the surface of the hair but also restores hair to its optimal pH level to strengthen its structure and lock color pigments deep inside. With BC Bonacure Miracle Oil, we offer our hair salon partners a new generation of innovative caring oils to provide an exceptional hair-care experience for salon clients. In addition, Schwarzkopf Professional set a new trend in colorants in partner salons worldwide. The eight new Royal Pearlescence shades from Igora with multitonal pearl effects provide an additional color service for fashion-conscious salon clients.

## Capital expenditures

Investments in property, plant and equipment amounted to 61 million euros compared to 68 million euros in the previous year. The investments focused on new production facilities at our plants in Germany and Slovenia, and expansion of our production site in Russia.

**€61 m**

investments in property, plant and equipment.

# Adhesive Technologies

## Highlights

### Sales growth

+2.4 %

organic sales growth

### Adjusted[1] operating profit

€1,534 m

adjusted[1] operating profit (EBIT): up 9.4 percent

### Adjusted[1] return on sales

17.1 %

adjusted[1] return on sales (EBIT): down 0.1 percentage points


### Loctite GC 10

Henkel is setting new standards in the electronics industry: Thanks to its unique temperature-stable formulation, the new solder paste material Loctite GC 10 eliminates the need for refrigerated shipping and warehouse storage. This enables customers to simplify their processes, reduce energy consumption and cut costs.

www.soldergamechanger.com


### Loctite 60sec Universal Glue

Loctite 60sec Universal Glue is the first all-purpose glue from Loctite that facilitates all kinds of household repairs in only 60 seconds. The non-drip gel formula forms strong bonds faster than other Loctite all-purpose glues and is well suited for a wide range of applications on various materials – no clamping, no waiting. In Germany the product is distributed under the brand Pattex.

www.loctite-consumer.co.uk


### Total Solution

A novel Total Solution improves the overall process chain for assembling mobile phones. Thanks to tailored structural adhesives, precise dispensing equipment and comprehensive customer service, Henkel provides a single point of contact for the application of bonding the mobile phone frame and cover glass.

www.loctite.com.au/mobile-bonding

### Key financials * 

69

| in million euros | 2014 | 2015 | +/– |
|---|---|---|---|
| Sales | 8,127 | **8,992** | 10.6 % |
| Proportion of Henkel sales | 49 % | **50 %** | – |
| Operating profit (EBIT) | 1,345 | **1,462** | 8.7 % |
| Adjusted operating profit (EBIT) | 1,402 | **1,534** | 9.4 % |
| Return on sales (EBIT) | 16.6 % | **16.3 %** | – 0.3 pp |
| Adjusted return on sales (EBIT) | 17.2 % | **17.1 %** | – 0.1 pp |
| Return on capital employed (ROCE) | 19.8 % | **18.4 %** | – 1.4 pp |
| Economic Value Added (EVA®) | 597 | **626** | 4.8 % |

pp = percentage points
* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

### Sales development * 

70

| in percent | 2015 |
|---|---|
| **Change versus previous year** | **10.6** |
| Foreign exchange | **6.5** |
| **Adjusted for foreign exchange** | **4.1** |
| Acquisitions / divestments | **1.7** |
| **Organic** | **2.4** |
| of which price | **1.5** |
| of which volume | **0.9** |

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

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

## Economic environment and market position

The economic environment was characterized by moderate growth in the relevant markets, with expansion in the key industrial sectors lower than initially forecasted. Economic activity in the emerging markets in particular weakened significantly, resulting in slower growth in our markets, including China.

Despite this difficult market environment, the Adhesive Technologies business unit continued to grow, with overall sales increasing in line with the market level.

## Business activity and strategy

The Adhesive Technologies business unit is a leading solution provider worldwide for adhesives, sealants and functional coatings for industrial customers and also for consumers, craftsmen and building applications. Through our comprehensive technology portfolio and global team of experts, we provide tailor-made solutions that create sustainable value for our customers.

We leverage our technologies, structures and systems across all business areas and regions. As a global market leader, our scale and presence worldwide facilitate efficient creation and delivery of customized solutions anywhere in the world. Based on these strong synergies, the acquisition of leading technologies that complement our portfolio represents an attractive option for further profitable business expansion. Our recent acquisitions demonstrate our ability to consistently integrate newly acquired businesses quickly and successfully on the basis of our standardized business processes.

In the Packaging and Consumer Goods Adhesives business area, we work with major international customers to develop innovative and sustainable solutions for the production of food packaging and consumer goods. Our customers benefit from our comprehensive applications expertise made available globally through our technical customer service. Strategically cooperating with partners along the value chain also makes a significant contribution to creating more value for our customers.

In the Transport and Metal business area, we provide the automotive, aircraft and metal processing industries with outstanding system solutions and specialized technical services. Our customers are major international manufacturers and their suppliers. Through our early involvement in our customers' design and development processes, we are able to develop innovative, customized solutions to new challenges – for example, in lightweight construction. Our tailor-made products and services are based on our comprehensive technology portfolio and global applications expertise.

In the General Industry business area, we offer our customers a comprehensive portfolio of products for the manufacture and maintenance of durable goods. Our customers range from household appliance manufacturers through to operators of large-scale industrial plant, and service specialists operating in all branches of industry. In addition to providing direct support for our customers from industry, we can also tap into a global network of trained distribution partners. The joint development of new adhesive solutions and regular systematic training for users secure our competitive advantage and continued growth.

Our Electronics business area offers customers from the electronics industry a specialized portfolio of innovative high-technology adhesives and materials for the manufacture of microchips, electronic assemblies and thermal management systems. We combine our expertise with targeted investments in our technology portfolio to develop innovative solutions for future product generations. Our global presence enables us to collaborate closely with development centers of major electronics firms while providing extensive support for their production processes.

Our Adhesives for Consumers, Craftsmen and Building business area markets an extensive range of brand-name products for private, trade and construction users. We offer innovative, sustainable products and specific system solutions based on our strong brands, quickly and efficiently translating the latest technological developments from our industrial business into corresponding products for consumers, craftsmen and the building industry. Our distribution networks are aligned to the different target groups.

**Top brands**

LOCTITE

TECHNOMELT

TEROSON

Active portfolio management plays a central role in continuing our profitable growth. We manage our businesses guided by specific business plans to take the best possible advantage of market opportunities, and we invest our resources with a targeted, differentiated approach. We aim primarily to strengthen organic growth and invest especially in attractive growth markets. To supplement this, we invest in acquisitions of leading technologies.

Around **30%**
innovation rate[1].

Expansion of our innovation and technology leadership is a further key component of our growth strategy. In 2015, the proportion of sales from products successfully launched onto the market in the last five years was around 30 percent. The consistent implementation of our innovation strategy will continue, using specially developed programs, innovation processes and people initiatives to drive profitable growth. We focus our research activities on top innovation programs to align our R&D efforts even more closely to markets and applications with the greatest potential for growth and value creation. Furthermore, the systematic search for profitable new technologies and business opportunities, targeted development of new business ideas – for example by working with innovative start-ups – and close collaboration with strategic suppliers all continue to be a central focus. Sustainability remains an important driver of growth and innovation. Working closely with our customers and suppliers is critical to advancing sustainability along the entire value chain.

**+2.4%**
organic sales growth.

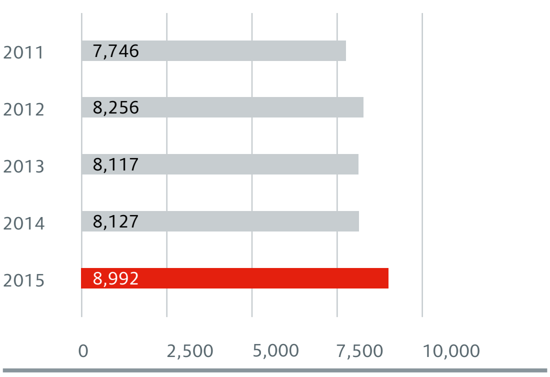
We reinforce our global presence through accelerated expansion of the strong positions we hold in emerging markets. We accomplish this through targeted investments in capacity expansion in order to provide our customers with outstanding service at the local level. In North America and Western Europe, we primarily aim to strengthen our leading market positions and further leverage economies of scale.

We also invest in strengthening our top brands. We successfully completed the consolidation of our brand portfolio into five technology cluster brands in the industrial business, and four strong brand platforms in the consumer business. In 2015, we generated over 80 percent of our sales with our 10 biggest brands.

As part of our acquisition strategy, we strengthened our portfolio in 2015 with the purchase of Novamelt GmbH based in Wehr, Germany, on June 1, 2015, further expanding our expertise in pressure-sensitive hotmelt adhesives. In addition, as of December 14, 2015, our vacuum impregnation business was expanded with our acquisition of Magna-Tech Manufacturing LLC, Ohio, USA, and MT Canada LLC, Ohio, USA.

## Sales and profits

**Sales Adhesive Technologies**
in million euros
71




The Adhesive Technologies business unit recorded solid organic sales growth in the reporting period. Adjusted return on sales at 17.1 percent was slightly below the high level of the previous year. Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 2.4 percent, thus growing at the same rate as the market. Growth was driven by both price and volume. Our innovative product solutions and our leading global positions contributed to this solid development.

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

In the emerging markets, we achieved solid sales growth overall compared to the previous year, with very strong increases in the Latin America region. Performance in the Africa/Middle East and Eastern Europe regions was strong, despite the difficult ongoing political situation and subsequent deterioration in the economic conditions prevailing in parts of those regions. Sales in Asia (excluding Japan) showed positive performance.

[1] Percentage share of sales generated with new products launched onto the market within the last five years.

Our sales performance in the mature markets was positive overall. Sales in the Western Europe and North America regions showed positive development. The mature markets of the Asia-Pacific region recorded solid growth.

Adjusted operating profit increased to 1,534 million euros, its highest level ever. Adjusted return on sales reached 17.1 percent and was therefore slightly below the high figure of the previous year. Ongoing measures to reduce costs and enhance production and supply chain efficiency enabled us to compensate for negative transactional currency effects and increase gross margin. Lower prices for direct materials also had a positive impact.

Return on capital employed (ROCE) decreased versus the prior year to 18.4 percent, partly due to acquisitions. Economic Value Added (EVA®) reached 626 million euros, increasing by 29 million euros over the prior year. We were able to improve net working capital as a percentage of sales. The figure of 11.5 percent was below the already low level of the previous year.

## Business areas

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

### Industrial Adhesives

Sales in the Packaging and Consumer Goods Adhesives business area showed positive performance versus the previous year. The Flexible Laminates business was among the important contributors to this growth. With the acquisition of Novamelt GmbH, we further expanded our pressure-sensitive hotmelt adhesives expertise. Novamelt offers a comprehensive range of specialty hotmelt adhesives used primarily in self-adhesive labels and adhesive tape.

We posted our highest revenue increase in the Transport and Metal business area. Contributors to this solid growth included our Automotive Acoustics & Structurals business. Generally, our tailored innovations and close cooperation with our customers were again key drivers of growth in 2015. With our acquisition of the Magna-Tech companies, we are now also able to provide our vacuum impregnation solutions – where we occupy a leading position in Europe – to our customers in the North American automotive industry.

The business area General Industry posted a positive sales performance, again mainly due to business involving customers in the industrial assembly markets and the vehicle repair and maintenance sector. Under the Bonderite brand we introduced an innovative, phosphate-free product for preparing metals such as steel, zinc and aluminum, thereby underscoring our role as a leading provider of solutions satisfying sustainability criteria.

Sales in the Electronics business area showed solid development compared to the previous year. Growth was stimulated by our business with consumer electronics manufacturers and by thermal management products for the electronics industry. We introduced an important innovation under the Loctite brand: a new type of electrically conductive solder paste whose properties remain stable at room temperature over long periods of time, and which generates substantial cost and efficiency advantages in transport and production for our customers.

### Adhesives for Consumers, Craftsmen and Building

Sales in the business area Adhesives for Consumers, Craftsmen and Building showed a solid improvement. The increase was based in part on our construction industry business. We also introduced important innovations under our top brands Loctite, Pattex and Pritt. Additionally, to increase awareness of our Loctite brand, we successfully placed our first-ever TV commercial during the NFL Super Bowl®, the largest television sporting event in the USA.

## Capital expenditures

Investments in property, plant and equipment increased to 227 million euros compared to 176 million euros in the previous year. Following our business strategy, the focus remained on expanding our production capacity in the emerging markets and constructing manufacturing facilities aligned to specific customer requirements.

**€227 m**
investments in property, plant and equipment.

# Henkel AG & Co. KGaA (condensed version according to the German Commercial Code [HGB])*

The annual financial statements of Henkel AG & Co. KGaA have been prepared in accordance with the rules and regulations of the German Commercial Code [HGB] and the German Stock Corporation Act [AktG]. Deviations from the International Financial Reporting Standards (IFRS) applicable to the Group arise particularly with respect to the methods of recognition and measurement of intangible assets, financial instruments and provisions.

## Operational activities

Henkel AG & Co. KGaA is operationally active in the three business units Laundry & Home Care, Beauty Care and Adhesive Technologies, as well as being the parent company of the Henkel Group. As such it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. As of year-end 2015, the number of people employed at Henkel AG & Co. KGaA was 8,000.

The operating business of Henkel AG & Co. KGaA represents only a portion of the business activity of the entire Henkel Group and is managed across the Group by the business units, particularly on the basis of the performance indicators sales growth (organic and in the emerging markets), adjusted return on sales (EBIT) and adjusted earnings per preferred share. Only the Group approach can provide complete insight into these key financials (see the discussion of the management system and performance indicators applicable to the Henkel Group on page 64).

The net assets, financial position and results of operations of Henkel AG & Co. KGaA are influenced both by its own operating activity and by the operating activity of its subsidiaries on the basis of their dividend distributions. Thus the financial situation of Henkel AG & Co. KGaA generally corresponds to that of the Group as a whole, which is discussed in the section "Review of overall business performance" on page 66.

* The full financial statements of Henkel AG & Co. KGaA with the auditor's unqualified opinion are filed with the commercial register and accessible on the internet at www.henkel.com/reports

## Results of operations

### Sales and profits

Henkel's performance in fiscal 2015 was solid. Business development at Henkel AG & Co. KGaA was characterized by moderate growth in the markets and a high level of competitive intensity. Nevertheless, Henkel was able to continue the solid improvement of the previous year.

At 3,994 million euros, sales of Henkel AG & Co. KGaA in 2015 were 10.8 percent above the figure of the previous year. The sales figure includes revenues of 258 million euros from the sale of inventories to the global supply chain company. This non-recurring effect and the solid sales performance of the Laundry & Home Care business unit are the main reasons why sales were much higher year on year, although we had forecasted the same level of sales in our prior-year outlook. For operating profit before allocation of corporate costs and the regional management costs of our operational business units, our guidance in the previous year of moderately higher performance was confirmed.

The **Laundry & Home Care** business unit achieved sales of 1,076 million euros in 2015, thereby recording a double-digit increase. Even excluding the revenue from the sale of inventories to the global supply chain company of 69 million euros, sales still came in above the level of the previous year. Both our external sales and sales to our affiliated companies contributed to this solid performance.

The **Beauty Care** business unit achieved sales of 767 million euros in 2015, thus exceeding the prior-year figure. Excluding the revenue of 75 million euros from the sale of inventories to the global supply chain company, sales in our domestic business were below the level of the previous year. Due to the ongoing shift of export business to the regions, sales to affiliated companies did not reach the level of the previous year.

The **Adhesive Technologies** business unit achieved sales in 2015 of 1,466 million euros, thereby recording very strong growth. Even excluding the revenue of 114 million euros from the sale of inventories to the global supply chain company, the business unit achieved positive growth. This positive sales performance was driven by sales to our affiliated companies, while external sales remained stable.

## Condensed income statement in accordance with HGB

72

| in million euros | 2014 | 2015 |
|---|---|---|
| Sales | 3,603 | **3,994** |
| Cost of sales | –2,495 | **–2,770** |
| **Gross profit** | **1,108** | **1,224** |
| Selling and administrative expenses | –1,078 | **–1,121** |
| Research and development expenses | –293 | **–327** |
| Other operating income / charges | 279 | **345** |
| **Operating profit** | **16** | **121** |
| **Financial result** | **546** | **578** |
| **Profit on ordinary activities** | **562** | **699** |
| Income from the release of transfers to special accounts with reserve element | 8 | **8** |
| **Income before tax** | **570** | **707** |
| Taxes on income | –32 | **–91** |
| **Net income** | **538** | **616** |
| Profit brought forward | 176 | **150** |
| **Unappropriated profit** | **714** | **766** |

Sales in the (non-operating) Corporate segment increased from 571 million euros in 2014 to 685 million euros in 2015.

The operating profit of Henkel AG & Co. KGaA improved by 105 million euros to 121 million euros. Significant contributions came from additional licensing income and revenues from the sale of inventories to the global supply chain company.

## Expense items

The cost of sales increased compared to 2014 by 275 million euros to 2,770 million euros, including 233 million euros attributable to the sale of inventories to the global supply chain company. Gross margin declined by 0.1 percentage points to 30.7 percent.

At 842 million euros, marketing, selling and distribution expenses exceeded the prior-year figure of 807 million euros. The ratio to sales was 21.1 percent, which is slightly below the level of 2014.

Administrative expenses composed primarily of payroll costs and overheads in the administrative units increased compared to the previous year by 8 million euros to 279 million euros. Their ratio to sales declined by 0.5 percentage points to 7.0 percent.

Expenditures for research and development in the reporting period increased by 34 million euros to 327 million euros. The ratio to sales was comparable to the previous year at 8.2 percent.

Restructuring charges of 44 million euros, included in the expense items mentioned, were slightly higher than the level of 2014 (41 million euros).

## Other operating income and charges

Other operating result increased compared to the previous year by 66 million euros.

Other operating income rose year on year by 172 million euros to 611 million euros. Additional licensing income from affiliated companies contributed significantly to this increase.

At 266 million euros, other operating charges in 2015 were above the prior-year figure of 160 million euros. This increase is mainly attributable to higher licensing expenses for the use of intellectual property pooled at a German subsidiary assigned to the Adhesive Technologies business unit.

## Financial result

The financial result improved from 546 million euros in 2014 to 578 million euros in 2015.

The increase is mainly attributable to higher dividend income from affiliated companies. This was reduced by the fall in share prices, resulting in lower income from investments held in the pension fund assets, and by the offsetting increase in interest expense for pension provisions due to a further reduction in the discount rate.

## Taxes on income

In 2015, taxes on income amounted to –91 million euros following –32 million euros in the previous year.

## Result for the year

Net income amounted to 616 million euros and was therefore above the result from 2014 of 538 million euros. The increase resulted primarily from the improved operating profit in 2015.

### Condensed balance sheet in accordance with HGB

73

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Intangible assets and property, plant and equipment | 712 | **884** |
| Financial assets | 8,136 | **9,171** |
| **Non-current assets** | **8,848** | **10,055** |
| Inventories | 240 | **14** |
| Receivables and miscellaneous assets | 2,392 | **2,043** |
| Marketable securities | 288 | **4** |
| Liquid funds | 134 | **289** |
| **Current assets** | **3,054** | **2,350** |
| Deferred income | 21 | **22** |
| **Assets arising from the overfunding of pension obligations** | **373** | **187** |
| **Total assets** | **12,296** | **12,614** |
| **Equity** | **6,092** | **6,144** |
| Special accounts with reserve element | 112 | **104** |
| Provisions | 691 | **694** |
| Liabilities / deferred charges | 5,401 | **5,672** |
| **Total equity and liabilities** | **12,296** | **12,614** |

## Net assets and financial position

The total assets of Henkel AG & Co. KGaA increased compared to year-end 2014 by 318 million euros to 12,614 million euros.

**Non-current assets** increased in 2015 by 1,207 million euros to 10,055 million euros. The increase in financial assets is primarily due to our acquisitions and various capital measures involving affiliated companies.

**Current assets** declined in 2015 from 3,054 million euros to 2,350 million euros. The change resulted primarily from a decline in receivables from affiliated companies. The partial sale of some of our securities reduced our marketable securities total by 284 million euros in 2015. The decline was partly offset by the increase of 155 million euros in liquid funds.

At 187 million euros, overfunding from offsetting the pension fund assets against the pension provisions was significantly lower than the prior-year level.

**Equity** increased from 6,092 million euros to 6,144 million euros. Provisions increased by 3 million euros to 694 million euros. The balance of pension provisions and fund assets is reported in assets due to overfunding.

Liabilities and deferred charges rose overall by 271 million euros compared to 2014, despite repayment of our hybrid bond in November 2015. This is mainly attributable to an increase in financial liabilities to affiliated companies.

For an overview of the financing and capital management of Henkel AG & Co. KGaA, please refer to the information about the Henkel Group on pages 74 and 75.

## Risks and opportunities

The business performance of Henkel AG & Co. KGaA is essentially subject to the same risks and opportunities as that of the Henkel Group. With respect to the risks of its subsidiaries, Henkel AG & Co. KGaA is generally exposed in proportion to its shareholding in each case.

Due to the different discount rates for pension obligations under the German Commercial Code [HGB] and IFRS, the conclusion drawn from the risk assessment for the separate financial statements of Henkel AG & Co. KGaA differs from that of the Group. We assess the potential financial impact of this risk for Henkel AG & Co. KGaA as major.

Additional information regarding risks and opportunities and the risk management system can be found on pages 106 to 113.

## Outlook

The performance of Henkel AG & Co. KGaA in its function as an operating holding company is influenced primarily by the development and dividend distributions of the companies in which it has shareholdings. Now that our supply chain operations have been carved out into a central, globally active company, the sales of Henkel AG & Co. KGaA will decrease significantly. The positive performance reported for the Group also impacts Henkel AG & Co. KGaA through dividend payments from subsidiaries. Assuming a stable financial result, we expect Henkel AG & Co. KGaA to generate unappropriated profit for 2016 at the level of the previous year. This will enable our shareholders to participate to a reasonable extent in the Group's net income, with retained earnings also available for utilization if necessary.

The forecast for the Henkel Group can be found on pages 114 and 115.

# Subsequent events

On January 18, 2016, Henkel announced that Chairman of the Management Board Kasper Rorsted will leave the company at his own request as of April 30, 2016. He served on the Henkel Management Board for 11 years, thereof 8 years as Chairman of the Management Board. Effective May 1, 2016, Hans Van Bylen has been appointed as his successor. His successful career at Henkel started in 1984, and he has been a member of the Management Board since 2005, responsible for the Beauty Care business. His early appointment to Chairman of the Management Board in spring will enable him to lead the development of the new strategy that Henkel will announce at the end of this year, and to drive its successful execution.

# Risks and opportunities report

## Risks and opportunities

In the pursuit of our business activities, Henkel is exposed to multiple risks inherent in the global market economy. We deploy an array of effective monitoring and control systems aligned to identifying risks at an early stage, evaluating the exposure, and introducing effective countermeasures. We have incorporated these instruments within a risk management system as described below.

Entrepreneurial activity also involves identifying and exploiting opportunities as a means of securing and extending the corporation's competitiveness. The reporting aspect of our risk management system, however, does not encompass entrepreneurial opportunity. Early and regular identification, analysis and exploitation of opportunities is performed at the Group level and within the individual business units. This is a fundamental component of our strategy. We perform in-depth analysis of the markets and our competitors, and study the relevant cost variables and key success factors.

## Risk management system

The risk management system at Henkel is integrated into the comprehensive planning, controlling, and reporting systems used in the subsidiaries, in the business units, and at Group level. Our early warning system and Internal Audit function are also important components of our risk management system. Within the corporate governance framework, our internal control and compliance management systems support our risk management capability. The risk reporting system encompasses the systematic identification, evaluation, documentation and communication of risks. We have defined the principles, processes and responsibilities relating to risk management in a corporate standard that is binding on the Henkel Group. With the continuous development of our corporate standards and systems, we take into account updated findings.

Within our risk strategy framework, the assumption of calculated risk is an intrinsic part of our business. However, risks that endanger the existence of the company must be avoided. When it is not possible to avoid these critical risks, they must be reduced or transferred, for example through insurance. Risks are controlled and monitored at the level of the subsidiaries, the business units, and the Group. Risk management is thus performed with a holistic, integrative approach to the systematic handling of risks.

We understand risks as potential future developments or events that could lead to negative deviations from our guidance. Risks with a probability of occurrence of over 50 percent are taken into account in our guidance and short-term planning. As a rule, we estimate risks for the one-year forecast period.

The annual risk reporting process begins with identifying material risks using checklists based on defined operating (for example procurement and production) and functional (for example information technology and human resources) risk categories. We evaluate the risks in a two-stage process according to the probability of occurrence and potential loss. Included in the risk report are risks with a loss potential of at least 1 million euros or 10 percent of the net external sales of a country, where the probability of occurrence is considered greater than zero.

The first step entails determining gross risk to the extent that this is possible. We then calculate the net risk, taking countermeasures into account. Initially, risks are compiled on a decentralized, per-country basis, with the assistance of regional coordinators. The locally collated risks are then analyzed by experts in the business units and corporate functions. In particular areas such as Corporate Treasury, risks are determined with the support of sensitivity analyses including value-at-risk computations. Risk analyses are then prepared for the respective executive committees of the business units and corporate functions, and finally assigned to an area-specific risk inventory. The risk situation is subsequently reported to our Compliance & Risk Committee, the Management Board and the various supervising boards. Material unforeseen changes are reported immediately to the CFO and the Compliance & Risk Committee. Corporate Accounting is responsible for coordinating the overall process and analyzing the inventoried exposures.

The risk reporting process is supported by a web-based database which ensures transparent communication throughout the entire Group. Our Internal Audit function regularly reviews the quality and function of our risk management system. Within the framework of the 2015 audit of our annual financial statements, our external auditor examined the structure and function of our risk early warning system in accordance with Section 317 (4) of the German Commercial Code [HGB] and confirmed its compliance.

The following describes the main features of the internal control and risk management system in relation to our accounting processes, in accordance with Section 315 (2) no. 5 HGB. Corresponding with the definition of our risk management system, the objective of our accounting processes lies in the identification, evaluation and management of all risks that jeopardize the regulatory preparation of our annual and consolidated financial statements. Accordingly, the internal control system's function is to implement relevant principles, procedures and controls so as to ensure the financial statement closing process is regulatory compliant. Within the organization of the internal control system, the Management Board assumes overriding responsibility at Group level. The duly coordinated subsystems of the internal control system lie within the responsibility of the Corporate Accounting, Controlling, Corporate Treasury, Compliance and Regional Finance functions. Within these functions, there are a number of integrated monitoring and control levels. These are assessed by regular and comprehensive effectiveness tests performed by our Internal Audit function. Of the multifaceted control processes incorporated into the accounting process, several are important to highlight.

The basis for all our accounting processes is provided by our corporate standard "Accounting," which contains detailed accounting and reporting instructions covering all material circumstances, including clear procedures for inventory valuation or how transfer prices applicable for intra-group transactions should be determined. This corporate standard is binding on the entire Group and is regularly updated and approved by the CFO. The local Presidents and Heads of Finance of all consolidated subsidiaries must confirm their compliance with this corporate standard on an annual basis.

Further globally binding procedural instructions affecting our accounting practice are contained in our corporate standards "Treasury" and "Investments." Through appropriate organizational measures in conjunction with restrictive access to our information systems, we ensure segregation of duties in our accounting systems between transaction entry on the one hand, and checking and approval on the other. Documentation relating to the operational accounting and closing processes ensures that important tasks – such as the reconciliation of receivables and payables on the basis of account balance confirmations – are clearly assigned. Additionally, binding authorization regulations exist governing the approval of contracts, credit notes and the like, with strict adherence to the principle of dual control as a mandatory requirement. This is also stipulated in our Group-wide corporate standards.

The significant risks for Henkel and the corresponding controls with respect to the regulatory preparation of our annual and consolidated financial statements are collated in a central documentation pack. This documentation is reviewed and updated annually by the respective process owners. The established systems are regularly reviewed with regard to their improvement and optimization potential. We consider these systems to be appropriate and effective.

The accounting activities for subsidiaries included in the consolidated financial statements are performed either locally by the subsidiary or through a shared service center, taking the corporate standards into account. The individual subsidiaries' financial statements are transferred to our central consolidation system and checked at corporate level for correctness. After all consolidation steps have been completed, the consolidated financial statements are prepared by Corporate Accounting in consultation with the specialist departments. Preparation of the combined management report is coordinated by Investor Relations in cooperation with each business unit and corporate function. The Management Board then compiles the consolidated financial statements and annual financial statements of Henkel AG & Co. KGaA, and the combined management report for the Group, and subsequently presents these documents to the Supervisory Board for approval.

Major risk categories 74

| Risk category | Probability | Potential financial impact |
|---|---|---|
| **Operating risks** | | |
| Procurement market risks | Low | Major |
| Production risks | Moderate | Major |
| Macroeconomic and sector-specific risks | High | Major |
| **Functional risks** | | |
| Financial risks | | |
| Credit risk | Low | Major |
| Liquidity risk | Low | Minor |
| Currency risk | High | Major |
| Interest rate risk | Moderate | Minor |
| Risks from pension obligations | High | Minor |
| Legal risks | Low | Major |
| IT risks | Low | Major |
| Personnel risks | Low | Moderate |
| Risks in connection with our brand image or reputation of the company | Low | Major |
| Environmental and safety risks | Low | Major |
| **Business strategy risks** | Moderate | Moderate |

Classification of risks in ascending order 75

| | |
|---|---|
| **Probability** | |
| Low | 1 – 9 % |
| Moderate | 10 – 24 % |
| High | ≥ 25 % |
| **Potential financial impact** | |
| Minor | 1 – 49 million euros |
| Moderate | 50 – 99 million euros |
| Major | ≥ 100 million euros |

## Major risk categories

Risks are presented from a net perspective, where their respective mitigation measures are taken into account.

### Operating risks

#### Procurement market risks

**Description of risk:** We expect prices for direct materials in our procurement markets to remain more or less unchanged overall in 2016 compared to 2015. However, due to geopolitical, global economic, and climatic uncertainties, we expect prices to fluctuate in the course of the year. As a result of this uncertainty as it relates to the development of raw material prices that cannot always be passed on in full, we see risks arising beyond the forecasted stability in relation to important raw materials and packaging materials.

The segments in the industrial goods sector are affected to a greater extent by these price risks than the individual segments in the consumer goods sector. Additional price and supply risks exist due to possible demand or production-related shortages in the procurement markets. In particular, continued unrest in the Africa/Middle East region, and the conflict between Russia and Ukraine, could lead to rising material prices and supply shortages.

**Measures:** The measures taken include active supplier portfolio management through our globally engaged, cross-divisional sourcing capability, together with strategies aimed at securing price and volume both through contracts and, where appropriate and possible, through financial hedging instruments. Furthermore, we work in interdisciplinary teams within Research and Development, Supply Chain Management and Purchasing on devising alternative formulations and packaging forms so as to be able to respond flexibly to unforeseen fluctuations in raw material prices. We also avoid becoming dependent on individual suppliers so as to better secure the constant supply of the goods and services that we require. Finally, close collaboration with our strategic suppliers plays an exceptionally important role in our risk management. Further details regarding the assessment of supplier financial stability can be found in the section on “Procurement” on pages 79 to 81. The basis for our risk management approach is a comprehensive procurement information system aimed at ensuring permanent transparency with respect to our purchasing volumes.

**Impact:** Low probability rating, possible major impact on our earnings guidance.

### Production risks

**Description of risk:** Henkel faces production risks in the event of low capacity utilization due to volume decreases and unplanned operational interruptions, especially at our single-source sites.

**Measures:** We can offset the negative effects of possible production outages through flexible production control and, where economically viable, insurance policies. Such production risks are minimized by ensuring high employee qualification, clearly defined safety standards, and regular plant and equipment maintenance. Capital expenditure decisions on property, plant and equipment are made in accordance with defined, differentiated responsibility procedures and approval processes. They incorporate all relevant specialist functions and are regulated in an internal corporate standard. Investments are analyzed in advance on the basis of detailed risk aspects. Further auditing accompanying projects provides the foundation for project management and risk reduction.

**Impact:** Moderate probability rating, possible major impact on our earnings guidance.

### Macroeconomic and sector-specific risks

**Description of risk:** We remain exposed to macroeconomic risks emanating from the uncertainties of the current geopolitical and economic environment. We currently see geopolitical risk arising in connection with the increased number of conflict zones. A decline in the macroeconomic environment poses a risk to the industrial sector in particular. A downturn in consumer spending is relevant for the consumer goods segments. A further significant risk is posed by an increasingly competitive environment, as this could result in stronger price and promotional pressures in the consumer goods sector. As consolidation in the retail sector continues and private labels occupy a growing share of the market, crowding-out competition in the consumer goods sector could intensify. The risk of product substitution inherent in this could, in principle, affect all business units.

**Measures:** We focus on continuously strengthening our brands (see separate risk description on pages 111 and 112) and consistently developing further innovations. We consider innovative products to be a significant success factor for our company, enabling us to differentiate ourselves from the competition. Furthermore, we also pursue specific sales and marketing initiatives, for example advertising and promotional activities. In addition, we have the capability to react quickly to potential sales declines through flexible production control.

**Impact:** High probability rating, possible major impact on our sales and earnings guidance.

## Functional risks

### Financial risks

**Description of risk:** Henkel is exposed to financial risk in the form of credit risks, liquidity risks, currency risks, interest rate risks, and risks arising from pension obligations.

For the description of credit risks, liquidity risks, currency risks and interest rate risks, please refer to the notes to the consolidated financial statements on pages 161 to 167. For the risks arising from our pension obligations, please see pages 149 and 150.

**Measures:** Risk-mitigating measures and the management of these risks are also described in the notes to the consolidated financial statements on the pages mentioned.

**Impact:** We classify financial risks as follows:

- Credit risk with a low probability of a major impact on our earnings guidance
- Liquidity risk with a low probability of a minor impact on our earnings guidance
- Currency risk with a high probability of a major impact on our earnings guidance
- Interest rate risk with a moderate probability of a minor impact on our earnings guidance
- Risks arising from our pension obligations with a high probability of a minor impact on our earnings guidance, and with a high probability of a major impact on our equity

### Legal and regulatory risks

**Description of risk:** As a globally active corporation we are exposed, in the course of our ordinary business activities, to a range of risks relating to litigations and other actions, including government agency proceedings in which we are currently involved or may become involved in the future. These risks arise, in particular, in the fields of product liability, product deficiency, competition and cartel law, infringement of proprietary rights, patent law, tax law, environmental protection and soil contamination. We cannot rule out the likelihood of negative rulings on current litigations and further litigations being initiated in the future.

Our business is subject to various national rules and regulations and – within the European Union (EU) – increasingly to harmonized laws applying throughout the EU. In addition, some of our operations are subject to rules and regulations derived from approvals, licenses, certificates or permits. Our manufacturing operations are bound by rules and regulations with respect to the registration, evaluation, usage, storage, transportation and handling of certain substances and also in relation to emissions, wastewater, effluent and other waste. The construction and operation of production facilities and other plant and equipment are governed by framework rules and regulations, including those relating to the decontamination of soil. Violation of such regulations may lead to legal proceedings or compromise our future business activities.

**Measures:** Our internal standards, guidelines, codes of conduct, and training measures are geared to ensuring compliance with statutory regulations and, for example, the safety of our manufacturing facilities and products. These requirements have also been incorporated into our management systems and are regularly audited. Ensuring compliance with laws and regulations is an integral component of our business processes. This includes the early monitoring and evaluation of relevant statutory and regulatory requirements and changes. Henkel has established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (details can be found in the corporate governance report on pages 31 to 40). In addition, our corporate legal department maintains constant contact with local counsel. Current proceedings and potential risks are recorded in a separate reporting system. For certain legal risks, we have concluded insurance policies that are standard for the industry and that we consider to be appropriate. However, the outcome of proceedings is inherently difficult to foresee, especially in cases in which the claimant is seeking substantial or unspecified damages. In view of this, we are unable to predict what obligations may arise from such litigations. Consequently, major losses may result from litigations and proceedings that are not covered by our insurance policies or provisions.

**Impact:** Low probability rating, possible major impact on our earnings guidance.

### Information technology risks

**Description of risk:** Information technology has strategic significance for Henkel. Our business processes rely to a great extent on internal and external IT services, applications, networks, and infrastructure systems. The failure or disruption of critical IT services and the manipulation or loss of data constitute material risks for Henkel. The failure of computer networks or disruption of important IT applications can impair critical business processes. The loss of confidential data, for example formulations, customer data or price lists, could benefit our competition. Henkel's reputation could also be damaged by such loss.

**Measures:** The technical and organizational safeguards for protecting information at Henkel are based on the international standards ISO 27001 and 27002. Major components include the classification of information, business processes, IT applications, and IT infrastructure safeguards with respect to confidentiality, availability, integrity, and data protection requirements, as well as measures for avoiding risk. In addition, Henkel has put technical and organizational measures in place to prevent, discover and defeat cyber attacks. As a member of Cyber Security Sharing and Analytics (CSSA) e.V., Henkel also maintains regular contact with other major corporations to enable the early detection of threats and implementation of effective countermeasures.

Our critical business processes operate through redundantly configured systems designed for high availability. Our data backup procedures reflect state-of-the-art technology and practice. We regularly review our restore and disaster-recovery processes. We develop our systems using proven project management and program modification procedures.

Access to buildings and areas containing IT systems, access to computer networks and applications, as well as user authorizations for our information systems, are strictly limited to the minimum level necessary. For critical business processes, the required segregation of duties is enforced by technological means.

Our networks are protected against unauthorized external access where economically viable. Operating systems and anti-virus software are automatically updated to their latest version on a continual basis.

We inform and instruct our employees in the proper and secure use of information systems as part of their regular duties.

The implementation of our security measures is continually reviewed by our Internal Audit function, other internal departments, and independent third parties.

**Impact:** Low probability rating, possible major impact on our earnings guidance.

### Personnel risks

**Description of risk:** The motivation and the qualification of our employees are key drivers of Henkel's business success. Therefore, it is strategically important to recruit highly qualified professionals and executives and ensure they stay with the company. In selecting and employing talent, we compete globally for qualified professionals and executives. In this context, we are acutely aware of the effects of demographic change in many of our markets. The change exposes us to the risk of losing valuable employees or being unable to recruit relevant qualified professionals and executives.

**Measures:** We combat the risk of losing valuable employees through specifically devised personnel development programs and incentive systems. Supporting this is an established, thorough annual review process from which we derive individually tailored and future-viable qualification programs as well as performance-related remuneration systems. We also provide a health management and consultation service on a global scale for our employees, aligned to their age and circumstances.

We reduce the risk of not being able to recruit qualified professionals and executives by expanding our employer branding initiatives and through targeted cooperation with colleges and universities in all regions where we conduct business. Our attractiveness as an employer is reinforced by our focus on promoting talent and specialized development programs.

Further information relating to our employees can be found on pages 76 to 79.

**Impact:** Low probability rating, possible moderate impact on our earnings guidance.

### Risks in connection with brand image or reputation of the company

**Description of risk:** As a globally active corporation, Henkel is exposed to potential damage to its image in the event of negative reports in the media – including social media – regarding Henkel's corporate brand or individual product brands, particularly in the consumer goods sector. These could lead to a negative impact on sales.

**Measures:** We minimize these risks through the measures described under legal and regulatory risks (see page 110). These are designed to ensure that our production facilities and products are safe. We also pursue a policy of pro-active public relations management that serves to reinforce our corporate brand and individual product brands. These measures are supported by a global communication network, and international and local crisis management systems with regular training sessions and crisis response planning.

**Impact:** Low probability rating, possible major impact on our sales and earnings guidance.

### Environmental and safety risks

**Description of risk:** Henkel is a global manufacturing corporation and is therefore exposed to risks pertaining to the environment, safety, health, and social standards, manifesting in the form of personal injury, physical damage to goods, and reputational damage. Soil contamination and the associated remediation expense as well as leakage or other technical failures could give rise to direct costs for the corporation. Furthermore, indirect costs such as fines, claims for compensation or reputational damage may also be incurred.

**Measures:** We minimize these risks through the measures described under legal and regulatory risks (see page 110), and through our auditing, advisory and training activities. We update these preventive measures continuously in order to ensure that our facilities, assets and reputation are properly safeguarded. We ensure compliance with high technical standards, rules of conduct, and relevant statutory requirements as a further means of preserving our assets, and put our corporate values – one of which is sustainability – into practice.

**Impact:** Low probability rating, possible major impact on our earnings guidance.

### Business strategy risks

**Description of risk:** Business strategy risks can arise from the expectations we set for internal projects, acquisitions and strategic alliances failing to materialize. The associated capital expenditures may not generate the originally anticipated value added due to internal or external influences. Individual projects could also be delayed or even halted by unforeseen events.

**Measures:** We combat these risks through comprehensive project management. We limit exposure through financial viability assessments in the review, decision, and implementation phases. These assessments are performed by specialist departments, supported by external consultants where appropriate. Project transparency and control are supported by our management systems.

**Impact:** Moderate probability rating, possible moderate impact on our earnings guidance.

## Major opportunity categories

Entrepreneurial opportunities are identified and evaluated at Group level and in the individual business units, and duly incorporated into the strategy and planning processes. We understand the opportunities presented in the following as potential future developments or events that could lead to a positive deviation from our guidance. We also assess the probabilities of price-related procurement market and financial opportunities.

### Procurement market opportunities

**Description of opportunities:** Countervailing the procurement market risks listed on pages 108 and 109, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

**Impact:** Low probability rating, possible major impact on our earnings guidance.

### Macroeconomic and sector-specific opportunities

**Description of opportunities:** Additional business opportunities would arise if the uncertain geopolitical and macroeconomic situation in some regions, or the economic conditions in individual sectors develop substantially better than expected.

**Impact:** The opportunities described could have a major impact on our sales and earnings guidance.

### Financial opportunities

**Description of opportunities:** Countervailing the currency and interest risks indicated under financial risks, and the risks arising from pension obligations as described on page 110, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

**Impact:** We classify financial opportunities as follows:

- Currency opportunities with a low probability of a major impact on our earnings guidance
- Interest rate opportunities with a moderate probability of a minor impact on our earnings guidance
- Opportunities arising from our pension obligations with a low probability of a minor impact on our earnings guidance, and with a high probability of a major impact on our equity

### Acquisition opportunities

**Description of opportunities:** Acquisitions are an essential component of our strategy.

**Impact:** Large acquisitions could have a major impact on our earnings guidance.

### Research and development opportunities

**Description of opportunities:** Opportunities arising from our predominantly continuous innovation process are an essential component of our strategy and are already accounted for in our guidance. There are additional opportunities in the event of product introductions that exceed our expectations of market acceptance, and in the development of exceptional innovations that have not yet been taken into account.

**Impact:** Innovations arising from future research and development could have a major impact on our sales and earnings guidance.

## Risks and opportunities in summary

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. As we have no special purpose vehicles, there is no risk that might originate from such a source.

Compared to the previous year, our expectation of the likelihood and/or of the possible financial impact of individual risk and opportunity categories has changed slightly. Overall, however, the risk and opportunities situation has not altered to any significant degree.

The system of risk categorization adopted by Henkel continues to indicate that the most significant exposure currently relates to the impact of macroeconomic and sector uncertainty together with financial risks, to which we are responding with the countermeasures described above. The Management Board remains confident that the earning power of the Group forms a solid foundation for future business development and provides the necessary resources to leverage our opportunities.

# Forecast

## Macroeconomic development

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

**Overview: moderate gross domestic product growth of approximately 3 percent**
Global economic growth is expected to remain no more than moderate in 2016. IHS expects gross domestic product to grow by approximately 3 percent.

The mature markets should grow by approximately 2 percent. The North American economy is likely to grow by around 3 percent, Japan's economy is expected to expand by approximately 1 percent. For Western Europe, IHS anticipates growth of approximately 2 percent.

The emerging markets will likely achieve robust economic growth of around 4 percent in 2016, but developments are expected to vary widely between individual regions and countries. Economic output should increase by around 5 percent in Asia (excluding Japan) and by around 3 percent in the Africa/Middle East region. IHS expects Latin America to show further decline in 2016. An increase of around 2 percent is expected in the Eastern Europe region.

**Direct materials: approximately at the level of the previous year; high volatility**
We expect that, overall, prices for direct materials in 2016 will remain approximately at the level of the previous year. In light of prevailing geopolitical and global economic uncertainties, we expect the high volatility in the procurement markets to continue.

**Currencies: continued high volatility**
We expect continued high volatility in the currency markets. We anticipate a stronger average US dollar rate for 2016 compared to 2015. By contrast, major currencies in the emerging markets may weaken.

**Inflation: moderate rise in global price levels**
Global inflation of approximately 3 percent is predicted in 2016. While IHS expects a high degree of price stability for the mature markets, with a rise of approximately 1 percent, the inflation rate in the emerging regions is likely to average approximately 6 percent.

It is likely that the recent geopolitical and economic developments and the sharp decline in oil prices will have negative effects on economic activity and exchange rates in individual countries and regions.

## Sector development

**Consumption and the retail sector: growth of around 3 percent**
IHS anticipates that global private consumption will increase by around 3 percent in 2016. In the mature markets, consumers are likely to spend approximately 2.5 percent more than in the previous year. The emerging markets should again demonstrate a somewhat higher propensity to spend, with a rise of approximately 3.5 percent in 2016.

**Industry: growth of around 3 percent**
Industrial production should expand globally by around 3 percent year on year, matching the world economy as a whole.

IHS expects the transport industry to expand production by around 3 percent. The metal industry is estimated to grow by around 2 percent. Production in the electronics sector will likely grow by approximately 4 percent. Growth in the consumer-related sectors, such as the global packaging industry, is expected to be in the low single-digit range, as in the previous year.

IHS expects global construction to expand by around 3 percent.

## Outlook for the Henkel Group in 2016

We expect the Henkel Group to generate organic sales growth of 2 to 4 percent in fiscal 2016. Our expectation is that each business unit will generate organic sales growth within this range.

We furthermore expect a slight increase in the share of sales from our emerging markets.

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

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

These factors, together with the expected increase in sales, will have a positive effect on our earnings performance. For adjusted return on sales (EBIT), we anticipate an increase versus prior year to approximately 16.5 percent. The adjusted return on sales of the individual business units is expected to be at or above the level of the previous year. We expect an increase in adjusted earnings per preferred share of between 8 and 11 percent.

Furthermore, we have the following expectations for 2016:

- Prices for raw materials, packaging, and purchased goods and services approximately at the level of the previous year
- Restructuring charges of 150 to 200 million euros
- Investments in property, plant and equipment and intangible assets of between 650 and 700 million euros

### Dividends

In accordance with our dividend policy and depending on the company's asset and profit positions as well as its financial requirements, we expect a dividend payout by Henkel AG & Co. KGaA in the range of 25 percent to 35 percent of net income after non-controlling interests, and adjusted for exceptional items.

### Capital expenditures

We are planning to increase our investments in property, plant and equipment and intangible assets to between 650 and 700 million euros in fiscal 2016. We intend to allocate our budget to expanding our businesses in the emerging markets and the mature markets in approximately equal proportions.

Considerable investments are planned in the Laundry & Home Care and Beauty Care business units for expanding production in Europe and Africa/Middle East. In the Adhesive Technologies business unit, the focus will be on further expanding our production capacity in the emerging markets of Asia and Eastern Europe. In addition, investments in IT infrastructure will contribute substantially to optimizing our processes.

# Consolidated financial statements

# Consolidated statement of financial position

## Assets

76

| in million euros | Note | 2014 | % | 2015 | % |
|---|---|---|---|---|---|
| Intangible assets | 1 | 10,590 | 50.5 | **11,682** | **52.3** |
| Property, plant and equipment | 2 | 2,461 | 11.8 | **2,661** | **11.9** |
| Other financial assets | 3 | 114 | 0.5 | **63** | **0.3** |
| Income tax refund claims | | 7 | – | **7** | **–** |
| Other assets | 4 | 140 | 0.7 | **177** | **0.8** |
| Deferred tax assets | 5 | 838 | 4.0 | **816** | **3.7** |
| **Non-current assets** | | **14,150** | **67.5** | **15,406** | **69.0** |
| | | | | | |
| Inventories | 6 | 1,671 | 8.0 | **1,721** | **7.7** |
| Trade accounts receivable | 7 | 2,747 | 13.1 | **2,944** | **13.2** |
| Other financial assets | 3 | 676 | 3.2 | **540** | **2.4** |
| Income tax refund claims | | 174 | 0.8 | **196** | **0.9** |
| Other assets | 4 | 284 | 1.4 | **330** | **1.5** |
| Cash and cash equivalents | 8 | 1,228 | 5.9 | **1,176** | **5.3** |
| Assets held for sale | 9 | 31 | 0.1 | **10** | **–** |
| **Current assets** | | **6,811** | **32.5** | **6,917** | **31.0** |
| | | | | | |
| **Total assets** | | **20,961** | **100.0** | **22,323** | **100.0** |

## Equity and liabilities

77

| in million euros | Note | 2014 | % | 2015 | % |
|---|---|---|---|---|---|
| Issued capital | 10 | 438 | 2.1 | **438** | **2.0** |
| Capital reserve | 11 | 652 | 3.1 | **652** | **2.9** |
| Treasury shares | | –91 | –0.4 | **–91** | **–0.4** |
| Retained earnings | 12 | 11,396 | 54.4 | **12,984** | **58.1** |
| Other components of equity | 13 | –887 | –4.3 | **–322** | **–1.4** |
| **Equity attributable to shareholders of Henkel AG & Co. KGaA** | | **11,508** | **54.9** | **13,661** | **61.2** |
| Non-controlling interests | 14 | 136 | 0.7 | **150** | **0.7** |
| **Equity** | | **11,644** | **55.6** | **13,811** | **61.9** |
| | | | | | |
| Pension obligations | 15 | 1,262 | 6.0 | **988** | **4.4** |
| Income tax provisions | 16 | 84 | 0.4 | **89** | **0.4** |
| Other provisions | 16 | 380 | 1.8 | **396** | **1.8** |
| Borrowings | 17 | 1,354 | 6.5 | **4** | **–** |
| Other financial liabilities | 18 | 1 | – | **1** | **–** |
| Other liabilities | 19 | 13 | 0.1 | **16** | **0.1** |
| Deferred tax liabilities | 5 | 628 | 3.0 | **670** | **3.0** |
| **Non-current liabilities** | | **3,722** | **17.8** | **2,164** | **9.7** |
| | | | | | |
| Income tax provisions | 16 | 251 | 1.2 | **263** | **1.2** |
| Other provisions | 16 | 1,513 | 7.2 | **1,564** | **7.0** |
| Borrowings | 17 | 390 | 1.9 | **880** | **3.9** |
| Trade accounts payable | 20 | 3,046 | 14.4 | **3,176** | **14.2** |
| Other financial liabilities | 18 | 117 | 0.6 | **109** | **0.5** |
| Other liabilities | 19 | 268 | 1.3 | **351** | **1.6** |
| Income tax liabilities | | 10 | – | **5** | **–** |
| Liabilities held for sale | 9 | – | – | **–** | **–** |
| **Current liabilities** | | **5,595** | **26.6** | **6,348** | **28.4** |
| | | | | | |
| **Total equity and liabilities** | | **20,961** | **100.0** | **22,323** | **100.0** |

# Consolidated statement of income

78

| in million euros | | Note | 2014 | % | 2015 | % | +/– |
|---|---|---|---|---|---|---|---|
| **Sales** | | 22 | **16,428** | **100.0** | **18,089** | **100.0** | **10.1%** |
| Cost of sales[1] | | 23 | –8,712 | –53.0 | **–9,368** | **–51.8** | 7.5% |
| **Gross profit** | | | **7,716** | **47.0** | **8,721** | **48.2** | **13.0%** |
| Marketing, selling and distribution expenses[1] | | 24 | –4,151 | –25.3 | **–4,608** | **–25.5** | 11.0% |
| Research and development expenses[1] | | 25 | –413 | –2.5 | **–478** | **–2.6** | 15.7% |
| Administrative expenses[1] | | 26 | –852 | –5.2 | **–1,012** | **–5.6** | 18.8% |
| Other operating income | | 27 | 109 | 0.7 | **127** | **0.7** | 16.5% |
| Other operating charges | | 28 | –165 | –1.0 | **–105** | **–0.6** | –36.4% |
| **Operating profit (EBIT)** | | | **2,244** | **13.7** | **2,645** | **14.6** | **17.9%** |
| Interest income | | | 39 | 0.2 | **28** | **0.2** | –28.2% |
| Interest expense | | | –48 | –0.2 | **–45** | **–0.2** | –6.3% |
| Other financial result | | | –46 | –0.3 | **–24** | **–0.2** | –47.8% |
| Investment result | | | 6 | – | **–1** | **–** | – |
| **Financial result** | | 29 | **–49** | **–0.3** | **–42** | **–0.2** | **–14.3%** |
| **Income before tax** | | | **2,195** | **13.4** | **2,603** | **14.4** | **18.6%** |
| Taxes on income | | 30 | –533 | –3.3 | **–635** | **–3.5** | 19.1% |
| Tax rate in % | | | 24.3 | | **24.4** | | |
| **Net income** | | | **1,662** | **10.1** | **1,968** | **10.9** | **18.4%** |
| Attributable to non-controlling interests | | 31 | 34 | 0.2 | **47** | **0.3** | 38.2% |
| Attributable to shareholders of Henkel AG & Co. KGaA | | | 1,628 | 9.9 | **1,921** | **10.6** | 18.0% |
| Earnings per ordinary share – basic and diluted | in euros | | 3.74 | | **4.42** | | 18.2% |
| Earnings per preferred share – basic and diluted | in euros | | 3.76 | | **4.44** | | 18.1% |

## Additional voluntary information

79

| in million euros | | Note | 2014 | 2015 | +/– |
|---|---|---|---|---|---|
| **EBIT (as reported)** | | | **2,244** | **2,645** | **17.9%** |
| One-time gains | | | –28 | **–15**[2] | – |
| One-time charges | | | 159 | **100**[3] | – |
| Restructuring charges[1] | | | 213 | **193** | – |
| **Adjusted EBIT** | | | **2,588** | **2,923** | **12.9%** |
| Adjusted return on sales | in % | | 15.8 | **16.2** | 0.4 pp |
| Adjusted tax rate | in % | | 24.0 | **25.0** | 1.0 pp |
| **Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA** | | 32 | **1,896** | **2,112** | **11.4%** |
| **Adjusted earnings per ordinary share** | **in euros** | | **4.36** | **4.86** | **11.5%** |
| **Adjusted earnings per preferred share** | **in euros** | | **4.38** | **4.88** | **11.4%** |

[1] Restructuring charges 2015: 193 million euros (2014: 213 million euros), of which: cost of sales 18 million euros (2014: 82 million euros); marketing, selling and distribution expenses 87 million euros (2014: 48 million euros); research and development expenses 14 million euros (2014: 3 million euros); administrative expenses 74 million euros (2014: 80 million euros).
[2] Gains from performance-related purchase price components.
[3] Includes 60 million euros related to optimization of our IT system architecture for managing business processes (2014: 39 million euros), 18 million euros for provisions related to legal disputes (2014: 109 million euros), 14 million euros for remediation obligations (2014: 0 million euros), and 8 million euros for incidental acquisition costs (2014: 10 million euros).

# Consolidated statement of comprehensive income

See Notes 15 and 21 for further explanatory information

80

| in million euros | 2014 | 2015 |
|---|---|---|
| **Net income** | **1,662** | **1,968** |
| Components to be reclassified to income: | | |
| Exchange differences on translation of foreign operations | 627 | **593** |
| Gains/losses from derivative financial instruments (hedge reserve per IAS 39) | 15 | **– 17** |
| Gains/losses from financial instruments in the available-for-sale category (Available-for-sale reserve) | 1 | **–** |
| Components not to be reclassified to income: | | |
| Remeasurements from defined benefit plans | – 266 | **265** |
| **Other comprehensive income (net of taxes)** | **377** | **841** |
| **Total comprehensive income for the period** | **2,039** | **2,809** |
| Attributable to non-controlling interests | 48 | **58** |
| Attributable to shareholders of Henkel AG & Co. KGaA | 1,991 | **2,751** |

# Consolidated statement of changes in equity

See Notes 10 to 14 for further explanatory information

81

| in million euros | Issued capital: Ordinary shares | Issued capital: Preferred shares | Capital reserve | Treasury shares | Retained earnings | Other components of equity: Currency translation | Other components of equity: Hedge reserve per IAS 39 | Other components of equity: Available-for-sale reserve | Shareholders of Henkel AG & Co. KGaA | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **At January 1, 2014** | **260** | **178** | **652** | **– 91** | **10,561** | **– 1,336** | **– 182** | **2** | **10,044** | **114** | **10,158** |
| Net income | – | – | – | – | 1,628 | – | – | – | 1,628 | 34 | **1,662** |
| Other comprehensive income | – | – | – | – | – 266 | 613 | 15 | 1 | 363 | 14 | **377** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **1,362** | **613** | **15** | **1** | **1,991** | **48** | **2,039** |
| Dividends | – | – | – | – | – 525 | – | – | – | – 525 | – 23 | **– 548** |
| Sale of treasury shares | – | – | – | – | – | – | – | – | – | – | **–** |
| Changes in ownership interest with no change in control | – | – | – | – | – 2 | – | – | – | – 2 | – 2 | **– 4** |
| Other changes in equity | – | – | – | – | – | – | – | – | – | – 1 | **– 1** |
| **At December 31, 2014 / January 1, 2015** | **260** | **178** | **652** | **– 91** | **11,396** | **– 723** | **– 167** | **3** | **11,508** | **136** | **11,644** |
| Net income | – | – | – | – | 1,921 | – | – | – | 1,921 | 47 | **1,968** |
| Other comprehensive income | – | – | – | – | 265 | 582 | – 17 | – | 830 | 11 | **841** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **2,186** | **582** | **– 17** | **0** | **2,751** | **58** | **2,809** |
| Dividends | – | – | – | – | – 564 | – | – | – | – 564 | – 33 | **– 597** |
| Sale of treasury shares | – | – | – | – | – | – | – | – | – | – | **–** |
| Changes in ownership interest with no change in control | – | – | – | – | – 34 | – | – | – | – 34 | – 11 | **– 45** |
| Other changes in equity | – | – | – | – | – | – | – | – | – | – | **–** |
| **At December 31, 2015** | **260** | **178** | **652** | **– 91** | **12,984** | **– 141** | **– 184** | **3** | **13,661** | **150** | **13,811** |

# Consolidated statement of cash flows

See Note 37 for further explanatory information

82

| in million euros | 2014 | 2015 |
|---|---|---|
| **Operating profit (EBIT)** | **2,244** | **2,645** |
| Income taxes paid | – 567 | **– 715** |
| Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment [1] | 416 | **460** |
| Net gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments | – 1 | **– 26** |
| Change in inventories | – 103 | **– 25** |
| Change in trade accounts receivable | – 184 | **– 140** |
| Change in other assets | 3 | **– 79** |
| Change in trade accounts payable | 55 | **77** |
| Change in other liabilities and provisions | 51 | **187** |
| **Cash flow from operating activities** | **1,914** | **2,384** |
| Purchase of intangible assets and property, plant and equipment, including payments on account | – 531 | **– 625** |
| Acquisition of subsidiaries and other business units | – 1,719 | **– 322** |
| Purchase of associated companies and joint ventures held at equity | – | **– 6** |
| Proceeds on disposal of subsidiaries and other business units | 6 | **25** |
| Proceeds on disposal of intangible assets and property, plant and equipment | 13 | **35** |
| **Cash flow from investing activities** | **– 2,231** | **– 893** |
| Dividends paid to shareholders of Henkel AG & Co. KGaA | – 525 | **– 564** |
| Dividends paid to non-controlling shareholders | – 23 | **– 33** |
| Interest received | 202 | **130** |
| Interest paid | – 203 | **– 155** |
| *Dividends and interest paid and received* | *– 549* | ***– 622*** |
| Repayment of bonds | – 1,030 | **– 1,300** |
| Other changes in borrowings | 275 | **275** |
| Allocation to pension funds | – 87 | **– 60** |
| Other changes in pension obligations | – 62 | **– 79** |
| Purchase of non-controlling interests with no change of control | – 12 | **– 52** |
| Other financing transactions [2] | 1,912 | **283** |
| **Cash flow from financing activities** | **447** | **– 1,555** |
| Net change in cash and cash equivalents | 130 | **– 64** |
| Effect of exchange rates on cash and cash equivalents | 37 | **12** |
| **Change in cash and cash equivalents** | **167** | **– 52** |
| Cash and cash equivalents at January 1 | 1,061 [3] | **1,228** |
| **Cash and cash equivalents at December 31** | **1,228** | **1,176** |

[1] Of which: Impairment in fiscal 2015: 16 million euros (fiscal 2014: 35 million euros).
[2] Other financing transactions in fiscal 2015 include payments of – 472 million euros for the purchase of short-term securities and time deposits as well as provision of financial collateral (fiscal 2014: – 941 million euros).
[3] Cash and cash equivalents at January 1, 2014 include cash and cash equivalents of 10 million euros which are reported in the statement of financial position as held for sale and result in the amount shown of 1,051 million euros.

## Additional voluntary information
## Reconciliation to free cash flow

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| in million euros | 2014 | 2015 |
|---|---|---|
| Cash flow from operating activities | 1,914 | **2,384** |
| Purchase of intangible assets and property, plant and equipment, including payments on account | – 531 | **– 625** |
| Proceeds on disposal of intangible assets and property, plant and equipment | 13 | **35** |
| Net interest paid | – 1 | **– 25** |
| Other changes in pension obligations | – 62 | **– 79** |
| **Free cash flow** | **1,333** | **1,690** |

# Group segment report by business unit[1]

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| in million euros | Laundry & Home Care | Beauty Care | Adhesives for Consumers, Craftsmen and Building | Industrial Adhesives | Total Adhesive Technologies | Operating business units total | Corporate | Henkel Group |
|---|---|---|---|---|---|---|---|---|
| **Sales 2015** | **5,137** | **3,833** | **1,869** | **7,123** | **8,992** | **17,961** | **128** | **18,089** |
| Proportion of Henkel sales | 28 % | 21 % | 10 % | 40 % | 50 % | **99 %** | 1 % | **100 %** |
| Sales 2014 | 4,626 | 3,547 | 1,858 | 6,269 | 8,127 | **16,300** | 128 | **16,428** |
| Change from previous year | 11.0 % | 8.1 % | 0.6 % | 13.6 % | 10.6 % | **10.2 %** | 0.1 % | **10.1 %** |
| Adjusted for foreign exchange | 9.9 % | 4.1 % | 2.3 % | 4.7 % | 4.1 % | **5.8 %** | – | **5.7 %** |
| Organic | 4.9 % | 2.1 % | 2.3 % | 2.4 % | 2.4 % | **3.0 %** | – | **3.0 %** |
| **EBIT 2015** | **786** | **561** | **283** | **1,179** | **1,462** | **2,809** | **–164** | **2,645** |
| EBIT 2014 | 615 | 421 | 280 | 1,066 | 1,345 | **2,381** | –137 | **2,244** |
| Change from previous year | 27.8 % | 33.3 % | 1.4 % | 10.6 % | 8.7 % | **18.0 %** | – | **17.9 %** |
| **Return on sales (EBIT) 2015** | **15.3 %** | **14.6 %** | **15.2 %** | **16.5 %** | **16.3 %** | **15.6 %** | **–** | **14.6 %** |
| Return on sales (EBIT) 2014 | 13.3 % | 11.9 % | 15.0 % | 17.0 % | 16.6 % | **14.6 %** | – | **13.7 %** |
| **Adjusted EBIT 2015** | **879** | **610** | **278** | **1,256** | **1,534** | **3,023** | **–100** | **2,923** |
| Adjusted EBIT 2014 | 749 | 544 | 293 | 1,109 | 1,402 | **2,694** | –106 | **2,588** |
| Change from previous year | 17.4 % | 12.2 % | –5.1 % | 13.3 % | 9.4 % | **12.2 %** | – | **12.9 %** |
| **Adjusted return on sales (EBIT) 2015** | **17.1 %** | **15.9 %** | **14.9 %** | **17.6 %** | **17.1 %** | **16.8 %** | **–** | **16.2 %** |
| Adjusted return on sales (EBIT) 2014 | 16.2 % | 15.3 % | 15.7 % | 17.7 % | 17.2 % | **16.5 %** | – | **15.8 %** |
| **Capital employed 2015[2]** | **3,726** | **2,743** | **898** | **7,068** | **7,967** | **14,436** | **75** | **14,511** |
| Capital employed 2014[2] | 2,631 | 2,296 | 865 | 5,941 | 6,806 | **11,733** | 57 | **11,790** |
| Change from previous year | 41.6 % | 19.5 % | 3.8 % | 19.0 % | 17.1 % | **23.0 %** | – | **23.1 %** |
| **Return on capital employed (ROCE) 2015** | **21.1 %** | **20.4 %** | **31.6 %** | **16.7 %** | **18.4 %** | **19.5 %** | **–** | **18.2 %** |
| Return on capital employed (ROCE) 2014 | 23.4 % | 18.3 % | 32.3 % | 17.9 % | 19.8 % | **20.3 %** | – | **19.0 %** |
| **Amortization/depreciation/impairment/write-ups of intangible assets and property, plant, equipment 2015** | **126** | **73** | **43** | **207** | **250** | **449** | **11** | **460** |
| **of which impairment losses 2015** | **14** | **–** | **–** | **2** | **2** | **16** | **–** | **16** |
| **of which write-ups 2015** | **–** | **–** | **–** | **6** | **6** | **6** | **–** | **6** |
| Amortization/depreciation/impairment/write-ups of intangible assets and property, plant, equipment 2014 | 122 | 61 | 41 | 180 | 221 | **404** | 12 | **416** |
| of which impairment losses 2014 | 26 | 1 | 1 | 6 | 7 | **34** | 1 | **35** |
| of which write-ups 2014 | 5 | – | – | 2 | 2 | **7** | – | **7** |
| **Capital expenditures (excl. financial assets) 2015** | **450** | **142** | **83** | **294** | **377** | **969** | **10** | **979** |
| Capital expenditures (excl. financial assets) 2014 | 1,201 | 370 | 82 | 553 | 635 | **2,206** | 8 | **2,214** |
| **Operating assets 2015[3]** | **5,928** | **4,041** | **1,441** | **8,535** | **9,976** | **19,945** | **456** | **20,401** |
| **Operating liabilities 2015** | **2,005** | **1,484** | **585** | **1,982** | **2,566** | **6,055** | **381** | **6,435** |
| **Net operating assets 2015[3]** | **3,923** | **2,557** | **856** | **6,553** | **7,410** | **13,890** | **75** | **13,965** |
| Operating assets 2014[3] | 4,507 | 3,390 | 1,375 | 7,166 | 8,541 | **16,438** | 414 | **16,852** |
| Operating liabilities 2014 | 1,708 | 1,294 | 562 | 1,696 | 2,258 | **5,260** | 357 | **5,617** |
| Net operating assets 2014[3] | 2,799 | 2,096 | 813 | 5,469 | 6,283 | **11,178** | 57 | **11,235** |

[1] Calculated on the basis of units of 1,000 euros.
[2] Including goodwill at cost prior to any accumulated impairment in accordance with IFRS 3.79 (b).
[3] Including goodwill at net book value.

# Key financials by region[1]

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| in million euros | Western Europe | Eastern Europe | Africa/ Middle East | North America | Latin America | Asia-Pacific | Total Regions | Corporate | Henkel Group |
|---|---|---|---|---|---|---|---|---|---|
| **Sales[2] 2015** | **6,045** | **2,695** | **1,329** | **3,648** | **1,110** | **3,134** | **17,961** | **128** | **18,089** |
| Sales[2] 2014 | 5,724 | 2,854 | 1,133 | 2,884 | 1,029 | 2,676 | **16,300** | 128 | **16,428** |
| Change from previous year | 5.6 % | – 5.6 % | 17.3 % | 26.5 % | 7.9 % | 17.1 % | **10.2 %** | – | **10.1 %** |
| Adjusted for foreign exchange | 4.6 % | 7.1 % | 6.8 % | 6.6 % | 10.3 % | 3.6 % | **5.8 %** | – | **5.7 %** |
| Organic | – 0.3 % | 7.3 % | 6.8 % | 2.3 % | 8.8 % | 2.5 % | **3.0 %** | – | **3.0 %** |
| **Proportion of Group sales 2015** | **34 %** | **15 %** | **7 %** | **20 %** | **6 %** | **17 %** | **99 %** | **1 %** | **100 %** |
| Proportion of Group sales 2014 | 35 % | 17 % | 7 % | 18 % | 6 % | 16 % | **99 %** | 1 % | **100 %** |
| **Operating profit (EBIT) 2015** | **1,223** | **356** | **141** | **544** | **110** | **434** | **2,809** | **– 164** | **2,645** |
| Operating profit (EBIT) 2014 | 1,046 | 378 | 121 | 420 | 73 | 343 | **2,381** | – 137 | **2,244** |
| Change from previous year | 16.9 % | – 5.7 % | 16.8 % | 29.5 % | 50.5 % | 26.6 % | **18.0 %** | – | **17.9 %** |
| Adjusted for foreign exchange | 15.5 % | 10.9 % | 3.5 % | 5.7 % | 51.1 % | 5.9 % | **12.1 %** | – | **12.7 %** |
| **Return on sales (EBIT) 2015** | **20.2 %** | **13.2 %** | **10.6 %** | **14.9 %** | **9.9 %** | **13.9 %** | **15.6 %** | **–** | **14.6 %** |
| Return on sales (EBIT) 2014 | 18.3 % | 13.2 % | 10.7 % | 14.6 % | 7.1 % | 12.8 % | **14.6 %** | – | **13.7 %** |

[1] Calculation on the basis of units of 1,000 euros.
[2] By location of company.

In 2015, the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,345 million euros (previous year: 2,280 million euros). Sales realized by the affiliated companies domiciled in the USA amounted to 3,422 million euros in 2015 (previous year: 2,672 million euros). In fiscal 2014 and 2015, no individual customer accounted for more than 10 percent of total sales.

Of the total non-current assets disclosed for the Henkel Group at December 31, 2015 (excluding financial instruments and deferred tax assets) amounting to 14,539 million euros (previous year: 13,203 million euros), 1,842 million euros (previous year: 1,479 million euros) was attributable to the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA. The non-current assets (excluding financial instruments and deferred tax assets) recognized in respect of the affiliated companies domiciled in the USA amounted to 7,308 million euros at December 31, 2015 (previous year: 6,404 million euros).

# Accounting principles and methods applied in preparation of the consolidated financial statements

## General information

The consolidated financial statements of Henkel AG & Co. KGaA, Düsseldorf, as of December 31, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted per Regulation number 1606/2002 of the European Parliament and the Council, on the application of international accounting standards in the European Union, and in compliance with Section 315a of the German Commercial Code [HGB].

The individual financial statements of the companies included in the consolidation are drawn up on the same accounting date, December 31, 2015, as that of Henkel AG & Co. KGaA.

Members of the KPMG organization or other independent firms of auditors instructed accordingly have audited the financial statements of the material companies included in the consolidation. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the consolidated financial statements on January 29, 2016 and approved them for forwarding to the Supervisory Board and for publication.

The consolidated financial statements are based on the principle of historical cost with the exception that certain financial instruments are accounted for at their fair values, and pension obligations are measured using the projected unit credit method. The functional currency of Henkel AG & Co. KGaA and the reporting currency of the Group is the euro. Unless otherwise indicated, all amounts are shown in million euros. In order to improve the clarity and informative value of the consolidated financial statements, certain items are combined in the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, and then shown separately in the notes.

## Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the consolidated financial statements at December 31, 2015 include nine German and 192 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policy, based on the concept of control. The Group has a dominating influence on a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The following table shows the changes to the scope of consolidation in fiscal 2015:

### Scope of consolidation

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| | |
|---|---|
| **At January 1, 2015** | **206** |
| Additions | 13 |
| Mergers | – 15 |
| Disposals | – 2 |
| **At December 31, 2015** | **202** |

Further details can be found in the section “Acquisitions and divestments” on the two pages overleaf.

Subsidiaries which are of secondary importance to the Group and to the presentation of a true and fair view of our net assets, financial position and results of operations due to their inactivity or low level of activity are generally not included in the consolidated financial statements. The total assets of these companies represent less than 1 percent of the Group’s total assets; their total sales and income (net of taxes) are also less than 1 percent of the Group totals.

## Acquisitions and divestments

### Acquisitions

Effective May 11, 2015, we entered into an agreement with Colgate-Palmolive Company for the purchase of all its laundry detergent and pre-wash brands in Australia and New Zealand. This acquisition is part of our global strategy to invest in attractive country category positions in mature markets. We paid the purchase price of 194 million euros in cash on August 31, 2015. Provisional goodwill was recognized in an amount of 132 million euros. Control of the acquired detergent business as defined in IFRS 10 "Consolidated Financial Statements" and the associated full consolidation commenced on December 1, 2015. If the acquired company had been included from January 1, 2015, sales for the Henkel Group for the reporting period January 1 to December 31, 2015 would be higher by 98 million euros and income (net of taxes) would be lower by 6 million euros, taking incidental acquisition costs into account. The actual contributions of the company were 4 million euros to sales and 0 million euros to income (net of taxes). Because the acquisition took place over the course of the year, the allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 "Business Combinations" is provisional. The purpose of the purchase price allocation, which has not yet been completed, is to allocate the acquisition costs to the fair values of the assets and liabilities. It also takes into account the fair values of previously unrecognized intangible assets of acquired activities, such as customer relationships, technologies and brands.

Effective June 1, 2015, we completed the acquisition of all shares of Novamelt GmbH, Wehr, Germany, expanding our business in pressure-sensitive hotmelt adhesives in the Adhesive Technologies business unit. The purchase price of 48 million euros was paid in cash. Goodwill was capitalized in an amount of 29 million euros.

Effective July 16, 2015, we concluded the acquisition of the hairstyling business and the associated brands of Industrias Wet Line S.A. de C.V. in Latin America. The purchase price was 55 million euros, financed with cash. Goodwill was recognized in an amount of 35 million euros. The acquisition is part of our strategy to further strengthen our presence in emerging markets.

Effective December 14, 2015, we completed the acquisition of all shares of Magna-Tech Manufacturing LLC, Ohio, USA, and MT Canada LLC, Ohio, USA, expanding our vacuum impregnation business in the Adhesive Technologies business unit. The purchase price including debt was 32 million euros, financed with cash. Provisional goodwill was recognized in an amount of 20 million euros.

On May 29, 2015, we invested 19 million euros to acquire the outstanding non-controlling shares of Henkel (Jiangsu) Auto Parts Co. Ltd., Danyang, China, thus increasing our ownership interest to 100 percent. The difference between the proportional net assets held previously and the purchase price was recognized in retained earnings.

On June 18, 2015, we invested 26 million euros to acquire the outstanding non-controlling shares of Henkel Chembond Surface Technologies Ltd., Navi Mumbai, India, thus increasing our ownership interest to virtually 100 percent. The difference between the proportional net assets held previously and the purchase price was recognized in retained earnings.

The carrying amounts of the acquired assets and liabilities are determined by the contracts and our opening balances on each respective acquisition date. The recognition and measurement principles adopted by the Henkel Group were applied. If the purchase of all shares of Novamelt GmbH, Magna-Tech Manufacturing LLC, MT Canada LLC and the acquisition of the hairstyling business of Industrias Wet Line S.A. de C.V. had been included from January 1, 2015, sales for the Henkel Group for the reporting period January 1 to December 31, 2015 would be higher by 99 million euros and income (net of taxes) by 4 million euros, taking incidental acquisition costs into account. The actual contributions of the companies were 41 million euros to sales and 3 million euros to income (net of taxes). Capitalized goodwill of around 23 million euros is tax-deductible.

## Reconciliation of the purchase price to provisional goodwill

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| in million euros | 2015 |
|---|---|
| **Colgate-Palmolive Company's detergent business in Australia, New Zealand effective December 1, 2015** | |
| Purchase price | **194** |
| Adjustment based on purchase agreement | **27** |
| Adjusted purchase price | **221** |
| Fair value of the acquired assets and liabilities | **89** |
| **Provisional goodwill** | **132** |
| | |
| **Others** | |
| Purchase price | **143** |
| Fair value of the acquired assets and liabilities | **51** |
| **Provisional goodwill** | **92** |

## Acquisitions

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| | Detergent business in Australia, New Zealand effective December 1, 2015 | Others | |
|---|---|---|---|
| in million euros | Fair value | Fair value | Total |
| Provisional goodwill | 132 | 92 | **224** |
| Other intangible assets | 81 | 38 | **119** |
| Property, plant and equipment | – | 11 | **11** |
| Other non-current assets | 3 | – | **3** |
| **Non-current assets** | **216** | **141** | **357** |
| Inventories | 5 | 6 | **11** |
| Trade accounts receivable | – | 10 | **10** |
| Other current assets | – | – | **–** |
| Liquid funds | – | 2 | **2** |
| **Current assets** | **5** | **18** | **23** |
| **Total assets** | **221** | **159** | **380** |
| **Net assets** | **221** | **143** | **364** |
| **Non-current liabilities** | **–** | **10** | **10** |
| Other current provisions / liabilities | – | 2 | **2** |
| Trade accounts payable | – | 4 | **4** |
| **Current liabilities** | **–** | **6** | **6** |
| **Total equity and liabilities** | **221** | **159** | **380** |

### Divestments

Effective January 30, 2015, we concluded the sale of our chemical additives business for the processing industry in the Adhesive Technologies business unit in the USA. These assets were included in assets held for sale as of December 31, 2014. The sale price was 29 million euros.

The net assets, financial position and results of operations of the company were not materially impacted by divestments in fiscal 2015.

## Consolidation methods

The financial statements of Henkel AG & Co. KGaA and of the subsidiaries included in the consolidated financial statements were prepared on the basis of uniformly valid principles of recognition and measurement, applying the standardized year-end date adopted by the Group. Such entities are included in the consolidated financial statements as of the date on which the Group acquired control.

All receivables and liabilities, sales, income and expenses, as well as intra-group profits on transfers of non-current assets or inventories, are eliminated on consolidation.

The purchase method is used for capital consolidation. With business combinations, therefore, all hidden reserves and hidden charges in the entity acquired are revalued at the time of acquisition, and all identifiable intangible assets are separately disclosed if they are clearly separable or if their recognition arises from a contractual or other legal right. Any difference arising between the acquisition cost and the (share of) net assets after purchase price allocation is recognized as goodwill. The goodwill of subsidiaries is measured in the functional currency of the subsidiary.

Entities acquired are included in the consolidation for the first time as subsidiaries by offsetting the carrying amount of the respective parent company's investment in them against their assets and liabilities. Contingent consideration is recognized at fair value as of the date of first-time consolidation. Subsequent changes in value do not result in an adjustment to the valuation at the time of acquisition. (Incidental) costs related to the acquisition of subsidiaries are not included in the purchase price. Instead, they are recognized through profit or loss in other operating charges in the period in which they occur.

In the recognition of acquisitions of less than 100 percent, non-controlling interests are measured at the fair value of the share of net assets that they represent.

In subsequent years, the carrying amount of the Henkel AG & Co. KGaA investment is eliminated against the current (share of) equity in the subsidiary entities concerned.

Changes in the shareholdings of subsidiary companies resulting in a decrease or an increase in the participating interests of the Group without loss of control are recognized within equity as changes in ownership without loss of control.

As soon as the control of a subsidiary is relinquished, all the assets and liabilities and the non-controlling interests, and also the accumulated currency translation gains or losses, are derecognized. In the event that Henkel continues to own non-controlling interests in the non-consolidated entity, these are measured at fair value. The result of deconsolidation is recognized under other operating income or charges.

## Companies recognized by the equity method

Associated companies and joint ventures are recognized by the equity method.

An associated company is a company over which the Group can exercise material influence on the financial and operating policies without controlling it. Material influence is generally assumed when the Group holds 20 percent or more of the voting rights. Where a Group company conducts transactions with an associated company or a joint venture, the resulting profits or losses are eliminated in accordance with the share of the Group in that company.

The Group consolidates Dekel Investment Holdings Ltd. and Vitriflex, Inc. using the equity method. The carrying amount of the shareholdings recognized at equity as of December 31, 2015 was 12 million euros (previous year: 5 million euros).

## Currency translation

The annual financial statements of the consolidated companies, including the hidden reserves and hidden charges of Group companies recognized by the purchase method, goodwill arising on consolidation, and the consolidated statement of cash flows, are translated into euros using the functional currency method outlined in International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates." The functional currency is the currency in which a foreign company predominantly generates funds and makes payments. As the functional currency for all the companies included in the consolidation is generally the local currency of the company concerned, assets and liabilities are translated at closing rates, while income and expenses are translated at the average rates for the year as an approximation of the actual rates at the date of the transaction. Equity items are recognized at historical exchange rates. The differences arising from using average rather than closing rates are taken to equity and shown as other components of equity or non-controlling interests, and remain neutral in respect of net income until the shares are divested.

In the subsidiaries' annual financial statements, transactions in foreign currencies are converted at the rates prevailing at the time of the transaction. Financial assets and liabilities in foreign currencies are measured at closing rates through profit or loss. For the main currencies in the Group, the following exchange rates have been used based on 1 euro:

### Currencies

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| | ISO code | Average exchange rate | | Exchange rate on December 31 | |
|---|---|---|---|---|---|
| | | 2014 | 2015 | 2014 | 2015 |
| Chinese yuan | CNY | 8.19 | **6.97** | 7.54 | **7.06** |
| Mexican peso | MXN | 17.66 | **17.61** | 17.87 | **18.91** |
| Polish zloty | PLN | 4.18 | **4.18** | 4.27 | **4.26** |
| Russian ruble | RUB | 50.87 | **68.05** | 72.34 | **80.67** |
| Turkish lira | TRY | 2.91 | **3.02** | 2.83 | **3.18** |
| US dollar | USD | 1.33 | **1.11** | 1.21 | **1.09** |

## Recognition and measurement methods

### Summary of selected measurement methods

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| Financial statement figures | Measurement method |
|---|---|
| **Assets** | |
| Goodwill | Lower of carrying amount and recoverable amount (“impairment only” method) |
| Other intangible assets | |
| with indefinite useful lives | Lower of carrying amount and recoverable amount (“impairment only” method) |
| with definite useful lives | (Amortized) cost less any impairment losses |
| Property, plant and equipment | (Depreciated) cost less any impairment losses |
| Financial assets (categories per IAS 39) | |
| “Loans and receivables” | (Amortized) cost using the effective interest method |
| “Available for sale” | Fair value with gains or losses recognized directly in equity [1] |
| “Held for trading” | Fair value through profit or loss |
| “Fair value option” | Fair value through profit or loss |
| Other assets | (Amortized) cost |
| Inventories | Lower of cost and fair value less costs to sell |
| Assets held for sale | Lower of cost and fair value less costs to sell |

[1] Apart from permanent impairment losses and effects arising from measurement in a foreign currency.

| | |
|---|---|
| **Liabilities** | |
| Provisions for pensions and similar obligations | Present value of future obligations (projected unit credit method) |
| Other provisions | Settlement amount |
| Financial liabilities (categories per IAS 39) | |
| “Measured at amortized cost” | (Amortized) cost using the effective interest method |
| “Held for trading” | Fair value through profit or loss |
| Other liabilities | Settlement amount |

The methods of recognition and measurement, which are basically unchanged from the previous year, are described in detail in the notes relating to the individual items of the statement of financial position on these pages. Also provided as part of the report on our financial instruments (Note 21 on pages 155 to 167) are the disclosures relevant to International Financial Reporting Standard (IFRS) 7 showing the breakdown of our financial instruments by category, our methods for fair value measurement, and the derivative financial instruments that we use.

Changes in the methods of recognition and measurement arising from revised and new standards are applied retrospectively, provided that the effect is material and there are no alternative regulations that supersede the standard concerned. The consolidated statement of income from the previous year and the opening balance of the consolidated statement of financial position for this comparative period are adjusted as if the new methods of recognition and measurement had always been applied.

## Accounting estimates, assumptions and discretionary judgments

Preparation of the consolidated financial statements is based on a number of accounting estimates and assumptions. These have an impact on the reported amounts of assets, liabilities and contingent liabilities at the reporting date and the disclosure of income and expenses for the reporting period. The actual amounts may differ from these estimates.

The accounting estimates and their underlying assumptions are based on past experience and are continually reviewed. Changes in accounting estimates are recognized in the period in which the change takes place where such change exclusively affects that period. A change is recognized in the period in which it occurs and in later periods where such change affects both the reporting period and subsequent periods. The judgments of the Management Board regarding the application of those IFRSs which have a significant impact on the consolidated financial statements are presented in particular in the explanatory notes on taxes on income (Note 30 on pages 170 to 172), intangible assets (Note 1 on pages 133 to 136), pension obligations (Note 15 on pages 143 to 151), income tax provisions and other provisions (Note 16 on pages 151 and 152), financial instruments (Note 21 on pages 155 to 167) and share-based payment plans (Note 34 on pages 173 and 174).

Material discretionary judgments are made in respect of the demarcation of the cash-generating units as explained in Note 1 on pages 133 to 136 and the segment reporting as explained in Note 35 on pages 174 and 175.

## New international accounting regulations according to International Financial Reporting Standards (IFRSs)

Accounting methods applied for the first time in the year under review 91

| | Mandatory for fiscal years beginning on or after |
|---|---|
| General standard “Improvements to IFRS 2011–2013” | January 1, 2015 |

As part of the IFRS annual improvement project, amendments were made to four standards. Adjustments to the wording of individual IFRSs are intended to clarify existing regulations. The following standards are affected: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The first-time application of the amended standards had no material impact on the presentation of our consolidated financial statements.

**Accounting regulations not applied in advance of their effective date**

The following standards and amendments to existing standards of possible relevance to Henkel, which have been adopted into EU law (endorsement mechanism) but are not yet mandatory, have not been applied early:

Accounting regulations not applied in advance of their effective date 92

| | Mandatory for fiscal years beginning on or after |
|---|---|
| IFRS 11 (Amendment) “Acquisition of an Interest in a Joint Operation” | January 1, 2016 |
| IAS 1 (Amendment) “Notes” | January 1, 2016 |
| IAS 16 and IAS 38 (Amendment) “Clarification of Acceptable Methods of Depreciation and Amortisation” | January 1, 2016 |
| IAS 19 (Amendment) “Defined Benefit Plans: Employee Contributions” | February 1, 2015 |
| General standard “Improvements to IFRS 2010 – 2012” | February 1, 2015 |
| General standard “Improvements to IFRS 2012 – 2014” | January 1, 2016 |

- IFRS 11 governs the procedure for recognizing joint ventures and joint operations in both the statement of financial position and in profit or loss. Joint ventures must be recognized using the equity method, whereas the treatment of joint operations is comparable to proportionate consolidation, pursuant to IFRS 11. With its amendment of IFRS 11, the International Accounting Standards Board (IASB) has regulated the accounting procedure for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 Business Combinations. In the case of such operations, the acquirer is required to apply the principles of business combinations accounting in IFRS 3. The disclosure requirements specified in IFRS 3 also apply in such instances. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2016.
- The amendments relating to IAS 1 affect various reporting issues. The standard now clarifies that disclosures in the notes are only necessary if their content is not immaterial, which is explicitly the case if an IFRS specifies a list of minimum disclosures. Explanations on the procedure for aggregating and disaggregating items on the statements of financial position and comprehensive income have also been included. The standard further requires contributions to other comprehensive income by companies that are recognized using the equity method to be reported in the statement of comprehensive income. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2016.
- In its amendments of IAS 16 and IAS 38, the IASB has provided further guidance for determining acceptable methods of depreciation and amortization. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2016.
- The amendments to IAS 19 clarify the requirements governing the allocation of contributions by employees or third parties to periods of service if the contributions are linked to the period of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are applicable for the first time for fiscal years beginning on or after February 1, 2015.
- As part of the annual improvement project "Improvements to IFRS 2010 – 2012," amendments were made to seven standards. Adjustments to the wording of individual IFRSs are intended to clarify existing regulations. Amendments affecting disclosures in the notes have also been implemented. The following standards are affected: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments are applicable for the first time for fiscal years beginning on or after February 1, 2015. The amendments relating to IFRS 2 and IFRS 3 are applicable to transactions executed on or after July 1, 2014.
- As part of the annual improvement project "Improvements to IFRS 2012 – 2014," amendments were made to four standards. Adjustments to the wording of individual IFRSs/IASs are intended to clarify existing regulations. The following standards are affected: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2016.

These new standards and amendments to existing standards will be applied by Henkel starting in fiscal 2016. Unless otherwise indicated, we expect the future application of the aforementioned regulations not to have a significant impact on the presentation of the financial statements.

### Accounting regulations not yet adopted into EU law

In fiscal 2015, the IASB issued the following standards and amendments to existing standards of relevance to Henkel, which still have to be adopted into EU law (endorsement mechanism) before they become applicable:

Accounting regulations not yet adopted into EU law 93

| | Mandatory for fiscal years beginning on or after |
|---|---|
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| IFRS 10 and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | Outstanding |
| IFRS 10, IFRS 12 and IAS 28 (Amendment) "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |

These standards and amendments to existing standards will be applied by Henkel starting in fiscal 2016 or later. We are currently examining what impact IFRS 15 "Revenue from Contracts with Customers" will have on the consolidated financial statements. A conclusive assessment of its effects is not possible at present.

# Notes to the consolidated statement of financial position

The measurement and recognition policies for financial statement items are described in the relevant note.

## Non-current assets

All non-current assets with definite useful lives are depreciated or amortized exclusively using the straight-line method on the basis of estimated useful lives. The useful life estimates are reviewed annually. If facts or circumstances indicate the need for impairment, the recoverable amount is determined. It is measured as the higher of the fair value less costs to sell (net realizable value) and the value in use. Impairment losses are recognized if the recoverable amounts of the assets are lower than their carrying amounts, and are charged to the relevant functions.

The following unchanged, standardized useful lives are applied:

### Useful life

94

| in years | |
|---|---|
| Intangible assets with definite useful lives | 3 to 20 |
| Residential buildings | 50 |
| Office buildings | 40 |
| Research and factory buildings, workshops, stores and staff buildings | 25 to 33 |
| Plant facilities | 10 to 25 |
| Machinery | 7 to 10 |
| Office equipment | 10 |
| Vehicles | 5 to 20 |
| Factory and research equipment | 2 to 5 |

## 1 Intangible assets

### Cost

95

| | Trademarks and other rights | | | | | |
|---|---|---|---|---|---|---|
| in million euros | Assets with indefinite useful lives | Assets with definite useful lives | Internally generated intangible assets with definite useful lives | Intangible assets in development | Goodwill | Total |
| **At January 1, 2014** | **1,195** | **1,449** | **215** | **–** | **6,367** | **9,226** |
| Acquisitions | 434 | 74 | 2 | – | 1,141 | **1,651** |
| Divestments | – | – | – | – | – | **–** |
| Additions | – | 8 | 5 | 52 | – | **65** |
| Disposals | – | – 5 | – 5 | – | – 1 | **– 11** |
| Reclassifications to assets held for sale | – | – 16 | – | – | – 4 | **– 20** |
| Reclassifications | 33 | – 31 | – 4 | 11 | 2 | **11** |
| Translation differences | 158 | 27 | 7 | 1 | 580 | **773** |
| **At December 31, 2014 / January 1, 2015** | **1,820** | **1,506** | **220** | **64** | **8,085** | **11,695** |
| Acquisitions | 101 | 18 | – | – | 224 | **343** |
| Divestments | – 1 | – | – | – | – 1 | **– 2** |
| Additions | – | 12 | 35 | 64 | – | **111** |
| Disposals | – | – 9 | – | – | – | **– 9** |
| Reclassifications to assets held for sale | – | – | – | – | – | **–** |
| Reclassifications | – | – | 11 | – 11 | – | – |
| Translation differences | 159 | 71 | 4 | – | 553 | **787** |
| **At December 31, 2015** | **2,079** | **1,598** | **270** | **117** | **8,861** | **12,925** |

## Accumulated amortization / impairment

96

| in million euros | Trademarks and other rights: Assets with indefinite useful lives | Trademarks and other rights: Assets with definite useful lives | Internally generated intangible assets with definite useful lives | Intangible assets in development | Goodwill | Total |
|---|---|---|---|---|---|---|
| **At January 1, 2014** | **16** | **872** | **135** | **–** | **14** | **1,037** |
| Divestments | – | – | – | – | – | **–** |
| Write-ups | – | – | – | – | – 3 | **– 3** |
| Scheduled amortization | – | 79 | 20 | – | – | **99** |
| Impairment losses | – | – | 1 | – | – | **1** |
| Disposals | – | – 6 | – 6 | – | – | **– 12** |
| Reclassifications to assets held for sale | – | – 10 | – | – | – | **– 10** |
| Reclassifications | – | – 2 | 2 | – | – | **–** |
| Translation differences | – | – 12 | 5 | – | – | **– 7** |
| **At December 31, 2014 / January 1, 2015** | **16** | **921** | **157** | **–** | **11** | **1,105** |
| Divestments | – | – | – | – | – | **–** |
| Write-ups | – 5 | – | – | – | – | **– 5** |
| Scheduled amortization | – | 91 | 19 | – | – | **110** |
| Impairment losses | – | – | – | – | – | – |
| Disposals | – | – 7 | – | – | – | **–7** |
| Reclassifications to assets held for sale | – | – | – | – | – | **–** |
| Reclassifications | 1 | – 1 | – | – | – | **–** |
| Translation differences | – | 35 | 5 | – | – | **40** |
| **At December 31, 2015** | **12** | **1,039** | **181** | **–** | **11** | **1,243** |

## Net book values

97

| in million euros | Trademarks and other rights: Assets with indefinite useful lives | Trademarks and other rights: Assets with definite useful lives | Internally generated intangible assets with definite useful lives | Intangible assets in development | Goodwill | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2015** | **2,067** | **559** | **89** | **117** | **8,850** | **11,682** |
| At December 31, 2014 | 1,804 | 585 | 63 | 64 | 8,074 | **10,590** |

Goodwill represents the future economic benefit of assets that are acquired through business combinations and not individually identifiable and separately recognized, as well as expected synergies, and is recognized at cost. Trademarks and other rights acquired for valuable consideration are stated at purchase cost, while internally generated software is stated at development cost.

Additions to internally generated intangible assets mostly reflect investments in consolidating and optimizing our IT system architecture for managing business processes.

The change in goodwill resulting from acquisitions and divestments made in the fiscal year is presented in the section “Acquisitions and divestments” on pages 126 and 127.

Goodwill as well as trademarks and other rights with indefinite useful lives are subjected to an impairment test at least once a year and also when indicators of impairment are present (“impairment only” approach).

Amortization and impairment of trademarks and other rights are recognized as selling expenses. Amortization and impairment of other intangible assets are allocated to the relevant functions in the consolidated statement of income.

In the course of our annual impairment test, we reviewed the carrying amounts of goodwill. The following table shows the cash-generating units together with the associated goodwill at book value at the reporting date. The description of the cash-generating units can be found in the notes to the consolidated financial statements, Note 35 on page 174 and in the combined management report on pages 90 to 101.

### Book values – Goodwill

98

| Cash-generating units in million euros | December 31, 2014 Goodwill | Terminal growth rate | Weighted average cost of capital | December 31, 2015 Goodwill | Terminal growth rate | Weighted average cost of capital |
|---|---|---|---|---|---|---|
| Laundry Care | 1,070 | 1.00% | 6.00% | **1,286** | **1.00%** | **6.25%** |
| Home Care | 1,186 | 1.00% | 6.00% | **1,267** | **1.00%** | **6.25%** |
| **Total Laundry & Home Care** | **2,256** | | | **2,553** | | |
| Branded Consumer Goods | 1,149 | 1.00% | 6.00% | **1,294** | **1.00%** | **6.25%** |
| Hair Salon Business | 284 | 1.00% | 6.00% | **305** | **1.00%** | **6.25%** |
| **Total Beauty Care** | **1,433** | | | **1,599** | | |
| Packaging and Consumer Goods Adhesives | 1,886 | 1.50% | 7.50% | **2,005** | **1.50%** | **7.50%** |
| Transport and Metal | 414 | 1.50% | 7.50% | **462** | **1.50%** | **7.50%** |
| General Industry | 363 | 1.00% | 7.50% | **385** | **1.00%** | **7.50%** |
| Electronics | 1,349 | 1.50% | 7.50% | **1,473** | **1.50%** | **7.50%** |
| Adhesives for Consumers, Craftsmen and Building | 373 | 1.00% | 7.50% | **373** | **1.00%** | **7.50%** |
| **Total Adhesive Technologies** | **4,385** | | | **4,698** | | |

We assess goodwill impairment according to the fair-value-less-costs-to-sell approach on the basis of future estimated cash flows which are obtained from the business budgets approved by the appropriate corporate management bodies. The determination of fair value (before deduction of costs to sell) is allocated to valuation level 3 of the fair value hierarchy (see Note 21 on pages 155 to 167). The assumptions upon which the essential planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources. Budgets are prepared on the basis of a financial planning horizon of three years. For the period after that, a growth rate in a range between 1 and 2 percent in the cash flows is assumed for the purpose of impairment testing. The euro to US dollar exchange rate applied is 1.07. Taking into account specific tax effects, the cash flows of the various cash-generating units are discounted at different rates reflecting the weighted average cost of capital (WACC) in each business unit: 6.25 percent after tax for both Laundry & Home Care and Beauty Care, and 7.50 percent after tax for Adhesive Technologies.

In the Laundry & Home Care business unit, we have assumed an increase in sales during the three-year detailed forecasting horizon of 3 to 4 percent per year, with a slight increase in market share. Sales growth in the Beauty Care business unit over the three-year forecasting horizon is budgeted at between 1.5 and 3 percent per annum. Here, too, we expect a slight increase in market share. Sales in the Adhesive Technologies business unit are expected to grow by between 3 and 4 percent per annum on average over the detailed three-year forecasting horizon, thus exceeding the market average.

In all the business units, we assume that a future increase in the cost of raw materials can be extensively offset by cost reduction measures in purchasing and by passing the increase on to our customers, as well as through the implementation of efficiency improvement measures. Given our continued pro-active management of the portfolio, we anticipate achieving at least stable gross margins in all our business units.

The impairment tests revealed sufficient impairment buffers so that, as in the previous year, no impairment of goodwill was required.

Trademarks and other rights with indefinite useful lives are presented in the following table.

## Book values – Trademarks and other rights

99

| Cash-generating units (summarized) in million euros | December 31, 2014 Trademarks and other rights with indefinite useful lives | Terminal growth rate | Weighted average cost of capital | December 31, 2015 Trademarks and other rights with indefinite useful lives | Terminal growth rate | Weighted average cost of capital |
|---|---|---|---|---|---|---|
| Laundry Care | 652 | 1.00 – 2.00% | 6.40 – 12.30% | **779** | **1.00 – 1.80%** | **6.25 – 12.30%** |
| Home Care | 342 | 1.00 – 2.00% | 6.50 – 11.20% | **372** | **1.00 – 1.80%** | **6.25 – 11.50%** |
| **Total Laundry & Home Care** | **994** | | | **1,151** | | |
| Branded Consumer Goods | 502 | 0.20 – 2.00% | 6.50 – 10.20% | **572** | **0.20 – 1.80%** | **6.25 – 9.50%** |
| Hair Salon Business | 109 | 0.20 – 2.00% | 6.40 – 9.00% | **121** | **0.20 – 1.80%** | **6.25 – 9.80%** |
| **Total Beauty Care** | **611** | | | **693** | | |
| Packaging and Consumer Goods Adhesives | 46 | 1.50% | 7.50% | **51** | **1.50%** | **7.50%** |
| Transport and Metal | 10 | 1.50% | 7.50% | **14** | **1.50%** | **7.50%** |
| General Industry | 0 | 1.00% | 7.50% | **0** | **1.00%** | **7.50%** |
| Electronics | 79 | 1.50% | 7.50% | **90** | **1.50%** | **7.50%** |
| Adhesives for Consumers, Craftsmen and Building | 64 | 1.00% | 7.50% | **68** | **1.00%** | **7.50%** |
| **Total Adhesive Technologies** | **199** | | | **223** | | |

We assess impairment of trademarks and other rights with indefinite useful lives according to fair-value-less-costs-to-sell approach at the level of the cash-generating unit, which consists of either global business units (Adhesive Technologies) or regionally strategic business units. We base the approach on future estimated cash flows which are obtained from business budgets. The determination of fair value (before deduction of costs to sell) is allocated to valuation level 3 of the fair value hierarchy (see Note 21 on pages 155 to 167). The assumptions upon which the essential planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources. Budgets are prepared on the basis of a financial planning horizon of three years. For the period after that, a growth rate in a range between 0.2 and 1.8 percent in the cash flows is assumed for the purpose of impairment testing. The euro to US dollar exchange rate applied is 1.07. Taking into account specific tax effects, the cash flows of the various cash-generating units are discounted at different rates, with a range between 6.25 and 12.30 percent applied as the applicable weighted average cost of capital (WACC) to each cash-generating unit.

The impairment tests revealed sufficient impairment buffers so that – as in the previous year – no impairment of trademarks and other rights with indefinite useful lives was required.

The trademarks and other rights with indefinite useful lives with a net book value of 2,067 million euros (previous year: 1,804 million euros) are established in their markets and will continue to be intensively promoted. Moreover, there are no other statutory, regulatory or competition-related factors that limit our usage of our brand names.

Our annual impairment tests on trademarks and other rights with indefinite useful lives required impairment losses of 0 million euros (previous year: 0 million euros). In fiscal 2015, impairments of 5 million euros were reversed for trademarks in the Industrial Adhesives reportable segment.

The company also intends to continue using the brands disclosed as having definite useful lives. No impairment losses were registered with respect to trademarks and other rights with definite useful lives in 2015.

## 2 Property, plant and equipment

### Cost

100

| in million euros | Land, land rights and buildings | Plant and machinery | Factory and office equipment | Assets in the course of construction | Total |
|---|---|---|---|---|---|
| **At January 1, 2014** | **2,000** | **2,777** | **914** | **251** | **5,942** |
| Acquisitions | 20 | 19 | 4 | 3 | **46** |
| Divestments | – 11 | – 37 | – 1 | – | **– 49** |
| Additions | 22 | 104 | 61 | 265 | **452** |
| Disposals | – 7 | – 74 | – 55 | – 1 | **– 137** |
| Reclassifications to assets held for sale | – 28 | – 47 | – 4 | 1 | **– 78** |
| Reclassifications | 56 | 105 | 35 | – 207 | **– 11** |
| Translation differences | 36 | 25 | 19 | – 2 | **78** |
| **At December 31, 2014 / January 1, 2015** | **2,088** | **2,872** | **973** | **310** | **6,243** |
| Acquisitions | 3 | 6 | 2 | – | **11** |
| Divestments | – | – | – | – | **–** |
| Additions | 45 | 136 | 77 | 256 | **514** |
| Disposals | – 16 | – 94 | – 75 | – | **– 185** |
| Reclassifications to assets held for sale | – | 1 | 3 | – | **4** |
| Reclassifications | 62 | 153 | 65 | – 282 | **– 2** |
| Translation differences | 46 | 51 | 2 | 18 | **117** |
| **At December 31, 2015** | **2,228** | **3,125** | **1,047** | **302** | **6,702** |

### Accumulated depreciation / impairment

101

| in million euros | Land, land rights and buildings | Plant and machinery | Factory and office equipment | Assets in the course of construction | Total |
|---|---|---|---|---|---|
| **At January 1, 2014** | **961** | **1,992** | **695** | **– 1** | **3,647** |
| Divestments | – 11 | – 37 | – 1 | – | **– 49** |
| Write-ups | – | – 2 | – 1 | – 1 | **– 4** |
| Scheduled depreciation | 55 | 154 | 80 | – | **289** |
| Impairment losses | 17 | 17 | – | – | **34** |
| Disposals | – 5 | – 70 | – 53 | – | **– 128** |
| Reclassifications to assets held for sale | – 24 | – 41 | – 3 | 1 | **– 67** |
| Reclassifications | 1 | – | – 1 | – | **–** |
| Translation differences | 14 | 29 | 17 | – | **60** |
| **At December 31, 2014 / January 1, 2015** | **1,008** | **2,042** | **733** | **– 1** | **3,782** |
| Divestments | – | – | – | – | **–** |
| Write-ups | – | – 1 | – | – | **– 1** |
| Scheduled depreciation | 62 | 182 | 96 | – | **340** |
| Impairment losses | 2 | 12 | 2 | – | **16** |
| Disposals | – 10 | – 86 | – 73 | – | **– 169** |
| Reclassifications to assets held for sale | 1 | – 1 | 2 | – | **2** |
| Reclassifications | – 1 | – 3 | 3 | – | **– 1** |
| Translation differences | 19 | 36 | 19 | – 2 | **72** |
| **At December 31, 2015** | **1,081** | **2,181** | **782** | **– 3** | **4,041** |

## Net book values

102

| in million euros | Land, land rights and buildings | Plant and machinery | Factory and office equipment | Assets in the course of construction | Total |
|---|---|---|---|---|---|
| **At December 31, 2015** | **1,147** | **944** | **265** | **305** | **2,661** |
| At December 31, 2014 | 1,080 | 830 | 240 | 311 | **2,461** |

Additions are stated at purchase or manufacturing cost. The latter includes direct costs and appropriate proportions of necessary overheads. Interest charges on borrowings are not included, as Henkel does not currently hold any qualifying assets in accordance with International Accounting Standard (IAS) 23 “Borrowing Costs.” Cost figures are shown net of investment grants and allowances. Incidental acquisition costs incurred in order to make the asset ready for the intended use are capitalized. An overview of the primary investment projects undertaken during the fiscal year can be found on page 72 in the combined management report.

At December 31, 2015, property, plant and equipment with a carrying amount of 0 million euros had been pledged as collateral for existing liabilities. The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 133. Scheduled depreciation and impairment losses recognized are allocated to the relevant functions in the consolidated statement of income.

Of the impairment losses amounting to 16 million euros, production optimization measures attributable to the Laundry & Home Care business unit accounted for 12 million euros. In the Adhesive Technologies business unit, impairment losses of 2 million euros were recognized as a result of production optimization measures.

## 3 Other financial assets

### Analysis

103

| in million euros | December 31, 2014 Non-current | December 31, 2014 Current | December 31, 2014 Total | December 31, 2015 Non-current | December 31, 2015 Current | December 31, 2015 Total |
|---|---|---|---|---|---|---|
| Receivables from associated companies | – | 1 | 1 | – | 1 | 1 |
| Financial receivables from third parties | 14 | 20 | 34 | 15 | 24 | 39 |
| Derivative financial instruments | 51 | 37 | 88 | – | 72 | 72 |
| Investments accounted for using the equity method | 5 | – | 5 | 12 | – | 12 |
| Other investments | 21 | – | 21 | 21 | – | 21 |
| Receivable from Henkel Trust e.V. | – | 226 | 226 | – | 349 | 349 |
| Securities and time deposits | – | 301 | 301 | – | 5 | 5 |
| Financial collateral provided | – | 19 | 19 | – | 10 | 10 |
| Sundry financial assets | 23 | 72 | 95 | 15 | 79 | 94 |
| **Total** | **114** | **676** | **790** | **63** | **540** | **603** |

With the exception of investments, derivatives, securities and time deposits, other financial assets are measured at amortized cost.

The receivable from Henkel Trust e.V. relates to pension payments made by Henkel AG & Co. KGaA to retirees, for which reimbursement can be claimed from Henkel Trust e.V.

Included under securities and time deposits are monies deposited as part of our short-term financial management arrangements. The monies involved are primarily time deposits.

Sundry non-current financial assets include, among others, receivables from employees. The sundry current financial assets include the following:
- Receivables from sureties and guarantee deposits amounting to 32 million euros (previous year: 29 million euros)
- Receivables from suppliers amounting to 14 million euros (previous year: 13 million euros)
- Receivables from employees amounting to 15 million euros (previous year: 14 million euros)

## 4 Other assets

### Analysis

104

| in million euros | December 31, 2014 Non-current | December 31, 2014 Current | December 31, 2014 Total | December 31, 2015 Non-current | December 31, 2015 Current | December 31, 2015 Total |
|---|---|---|---|---|---|---|
| Tax receivables | – | 156 | 156 | – | 202 | 202 |
| Payments on account | 1 | 14 | 15 | – | 28 | 28 |
| Overfunding of pension obligations | 25 | – | 25 | 58 | – | 58 |
| Reimbursement rights related to employee benefits | 97 | 8 | 105 | 100 | 11 | 111 |
| Accruals | 16 | 69 | 85 | 18 | 72 | 90 |
| Sundry other assets | 1 | 37 | 38 | 1 | 17 | 18 |
| **Total** | **140** | **284** | **424** | **177** | **330** | **507** |

## 5 Deferred taxes

Deferred taxes are recognized for temporary differences between the valuation of an asset or a liability in the financial statements and its tax base, for tax losses carried forward, and for unused tax credits. This also applies to temporary differences in valuation arising through acquisitions, with the exception of goodwill.

Deferred tax liabilities on taxable temporary differences related to shares in subsidiaries are recognized to the extent that a reversal of this difference is expected in the foreseeable future.

Changes in the deferred taxes in the statement of financial position result in deferred tax expenses or income unless the underlying item is directly recognized in other comprehensive income. For items recognized directly in other comprehensive income, the associated deferred taxes are also recognized in other comprehensive income.

The valuation, recognition and breakdown of deferred taxes in respect of the various items in the statement of financial position are disclosed under Note 30 (“Taxes on income”) on pages 170 to 172.

## 6 Inventories

In accordance with IAS 2, reported under inventories are those assets that are intended to be sold in the ordinary course of business (finished products and merchandise), those in the process of production for such sale (work in progress) and those to be utilized or consumed in the course of manufacture or the rendering of services (raw materials and supplies). Payments on account made for the purpose of purchasing inventories are likewise disclosed under the inventories heading.

Inventories are measured at the lower of cost and net realizable value.

Inventories are measured using either the “first in, first out” (FIFO) or the average cost method. Manufacturing cost includes not only the direct costs but also appropriate portions of necessary overheads (for example goods inward department, raw material storage, filling, costs incurred through to the finished goods warehouse), production-related administrative expenses, the costs of the pensions of people who are employed in the production process, and production-related amortization /depreciation. The overhead add-ons are calculated on the basis of average capacity utilization. Not included, however, are interest expenses incurred during the manufacturing period.

The net realizable value is determined as an estimated selling price less costs yet to be incurred through to completion, and necessary selling and distribution costs. Write-downs to the net realizable value are made if, at year-end, the carrying amounts of the inventories are above their realizable fair values. The resultant valuation allowance amounted to 120 million euros (previous year: 129 million euros). The carrying amount of inventories recognized at fair value less costs to sell amounted to 410 million euros. The carrying amount of inventories pledged as security for liabilities amounted to 2 million euros.

### Analysis of inventories

105

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Raw materials and supplies | 491 | **483** |
| Work in progress | 67 | **69** |
| Finished products and merchandise | 1,110 | **1,157** |
| Payments on account for merchandise | 3 | **12** |
| **Total** | **1,671** | **1,721** |

## 7 Trade accounts receivable

Trade accounts receivable amounted to 2,944 million euros (previous year: 2,747 million euros). They are all due within one year. Valuation allowances have been recognized in respect of specific risks as appropriate. Overall, we recognized total valuation allowances of 21 million euros (previous year: 20 million euros).

### Trade accounts receivable

106

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Trade accounts receivable, gross | 2,855 | **3,056** |
| less: cumulative valuation allowances on trade accounts receivable | 108 | **112** |
| **Trade accounts receivable, net** | **2,747** | **2,944** |

### Development of valuation allowances on trade accounts receivable

107

| in million euros | 2014 | 2015 |
|---|---|---|
| **Valuation allowances at January 1** | **98** | **108** |
| Additions | 14 | **15** |
| Derecognition of receivables | – 6 | **– 12** |
| Currency translation effects | 2 | **1** |
| **Valuation allowances at December 31** | **108** | **112** |

## 8 Cash and cash equivalents

Recognized under cash and cash equivalents are liquid funds, sight deposits and other financial assets with an original term of not more than three months. In accordance with IAS 7, also recognized under cash equivalents are shares in money market funds which, due to their first-class credit rating and investment in extremely short-term money market securities, undergo only minor value fluctuations and can be readily converted within one day into known amounts of cash. Utilized bank overdrafts are recognized in the statement of financial position as liabilities to banks.

The volume of cash and cash equivalents decreased compared to the previous year from 1,228 million euros to 1,176 million euros. Of this figure, 950 million euros (previous year: 716 million euros) relates to cash and 226 million euros (previous year: 512 million euros) to cash equivalents. The change is shown in the consolidated statement of cash flows.

## 9 Assets and liabilities held for sale

Assets held for sale are assets that can be sold in their current condition and whose sale is very probable. Disposal must be expected within one year from the time of reclassification as held for sale. Such assets may be individual assets, groups of assets (disposal groups) or business operations (discontinued operations). Assets held for sale are no longer subject to scheduled depreciation and amortization and are instead recognized at the lower of carrying amount and fair value less costs to sell (level 3), which is determined by the current price negotiations with potential buyers.

Compared to December 31, 2014, assets held for sale declined by 21 million euros to 10 million euros. The reduction is attributable to the sale in the USA of our chemical additives business for the processing industry in the Adhesive Technologies business unit and the sale of an administration building in Spain. These sales resulted in a gain of around 20 million euros. There were no liabilities held for sale (December 31, 2014: 0 million euros).

### Assets and liabilities held for sale

108

| in million euros | December 31, 2015 |
|---|---|
| Intangible assets and property, plant and equipment | 6 |
| Inventories and trade accounts receivable | 3 |
| Cash and cash equivalents | – |
| Other assets | 1 |
| Provisions | – |
| Borrowings | – |
| Other liabilities | – |
| **Net assets** | **10** |

## 10 Issued capital

### Issued capital

109

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Ordinary bearer shares | 260 | 260 |
| Preferred bearer shares | 178 | 178 |
| **Capital stock** | **438** | **438** |

Comprising:
259,795,875 ordinary shares, 178,162,875 non-voting preferred shares.

All shares are fully paid in. The ordinary and preferred shares are bearer shares of no par value, each of which represents a nominal proportion of the capital stock amounting to 1 euro. The liquidation proceeds are the same for all shares. The number of ordinary shares issued remained unchanged year on year. The number of preferred shares in circulation increased slightly, to 174,482,323 as at December 31, 2015.

By resolution of the Annual General Meeting of April 13, 2015, the Authorized Capital 2010 created by resolution of the Annual General Meeting of April 19, 2010, according to which the Personally Liable Partner was authorized – with the approval of the Shareholders' Committee and of the Supervisory Board of Henkel AG & Co. KGaA – to increase the capital of the corporation in one or more installments at any time until April 18, 2015, by as much as 25.6 million euros (25.6 million shares) in total by issuing new non-voting preferred shares to be paid up in cash, was repealed and simultaneously replaced by the new Authorized Capital 2015 (Art. 6 (5) of the Articles of Association). Under Authorized Capital 2015, the Personally Liable Partner is authorized – with the approval of the Shareholders' Committee and of the Supervisory Board – to increase the capital of the corporation at any time until April 12, 2020, by up to a nominal amount of 43,795,875 euros in total by issuing up to

43,795,875 new non-voting preferred shares for cash or in-kind consideration. The authorization may be utilized to the full extent allowed or once or several times in installments. The proportion of capital stock represented by shares issued against consideration in kind on the basis of this authorization must not exceed a total of 10 percent of the capital stock existing at the time the authorization takes effect.

The Personally Liable Partner is authorized, with the approval of the Supervisory Board and of the Shareholders' Committee, to set aside the pre-emptive rights of shareholders in the case of a capital increase against payment in kind, particularly for the purpose of business combinations or the (direct or indirect) acquisition of entities, operations, parts of businesses, equity interests or other assets, including claims against the corporation or companies dependent upon it within the meaning of Section 17 of the German Stock Corporation Act [AktG].

If capital is increased against payment in cash, all shareholders are essentially assigned pre-emptive rights. However, these may be set aside where necessary, subject to the approval of the Supervisory Board and of the Shareholders' Committee, in order to dispose of fractional amounts or to grant to holders of bonds with warrants or conversion rights issued by the corporation, or one of the companies dependent upon it, pre-emptive rights corresponding to those that would accrue to such bondholders following the exercise of their warrant or conversion rights or on fulfillment of their conversion obligations, or if the issue price of the new shares is not significantly below the quoted market price at the time of issue price fixing.

Furthermore, the Personally Liable Partner was authorized by resolution of the Annual General Meeting of Henkel AG & Co. KGaA on April 13, 2015 (with simultaneous repeal of the corresponding authorization through April 18, 2015 of the Annual General Meeting of Henkel AG & Co. KGaA of April 19, 2010) to acquire, by April 12, 2020, ordinary or preferred shares of the corporation representing a nominal proportion of the capital stock of not more than 10 percent. This authorization can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring companies or equity interests in companies. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner has also been authorized – with the approval of the Shareholders' Committee and of the Supervisory Board – to cancel treasury shares without the need for further resolution by the Annual General Meeting.

The proportion of capital stock represented by treasury shares issued or sold on the basis of these authorizations must not exceed a total of 10 percent. Also to be taken into account in this restriction are shares used to service bonds with warrants or conversion rights or a conversion obligation, issued by the corporation or companies dependent upon it, where these bonds were or are issued with the pre-emptive rights of existing shareholders excluded.

Treasury shares held by the corporation at December 31, 2015 amounted to 3,680,552 preferred shares (December 31, 2014: 3,680,564). This represents 0.84 percent of the capital stock and a proportional nominal value of 3.7 million euros. The number of treasury shares declined in 2015 by 12 shares due to the exercise of subscription rights. This represents 0.0 percent of the capital stock and a proportional nominal value of 0 million euros. The gain on the sale was 0 million euros.

See also the explanatory notes on pages 33 and 34 of the combined management report.

## 11 Capital reserve

The capital reserve comprises the amounts received in previous years in excess of the nominal value of preferred shares and convertible warrant bonds issued by Henkel AG & Co. KGaA.

## 12 Retained earnings

Recognized in retained earnings are the following:

- Amounts allocated in the financial statements of Henkel AG & Co. KGaA in previous years
- Amounts allocated from consolidated net income less those amounts attributable to non-controlling interests
- Buy-back of treasury shares by Henkel AG & Co. KGaA at cost and the proceeds from their disposal
- Actuarial gains and losses recognized in equity
- The acquisition or disposal of ownership interests in subsidiaries with no change in control

For details on the acquisition of ownership interests in subsidiaries with no change in control in fiscal 2015, please see the section "Acquisitions and divestments" on pages 126 and 127.

## 13 Other components of equity

Reported under this heading are differences reported in equity arising from the currency translation of annual financial statements of foreign subsidiaries and also the effects arising from the valuation in total comprehensive income of financial assets in the "Available for sale" category and of derivative financial instruments for which hedge accounting is used. The latter are derivatives used in connection with cash flow hedges or hedges of a net investment in a foreign entity. Due in particular to the appreciation of the US dollar versus the euro, the negative difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation declined compared to the figure at December 31, 2014, by 582 million euros to –141 million euros.

## 14 Non-controlling interests

Recognized under non-controlling interests are equity shares held by third parties measured on the basis of the proportion of net assets.

## 15 Pension obligations

**Description of the pension plans**

Employees in companies included in the consolidated financial statements have entitlements under company pension plans which are either defined contribution or defined benefit plans. These take different forms depending on the legal, financial and tax regime of each country. The level of benefits provided is based, as a rule, on the length of service and on the income of the person entitled. Details on pension benefits for members of the Management Board are provided in the remuneration report on pages 41 to 51.

In defined benefit plans, the liability for pensions and other post-employment benefits is calculated at the present value of the future obligations (projected unit credit method). This actuarial method of calculation takes future trends in wages, salaries and retirement benefits into account.

The majority of the recipients of pension benefits are located in Germany and the USA. The pension obligations are primarily financed via various external trust assets that are legally independent of Henkel.

Active employees of Henkel in Germany participate in a defined contribution system, "Altersversorgung 2004 (AV 2004)," which was newly formed in 2004. AV 2004 is an employer-financed pension plan that reflects the personal income development of employees during their career at Henkel and thus provides a performance-related pension. Henkel guarantees a minimum return on the company's contributions. The benefit essentially consists of an annuity payable upon attainment of the retirement age plus a lump-sum payment if the annuity threshold is exceeded in the employee's service period. In addition to age and disability pensions, the plan benefits include surviving spouse and surviving child benefits.

Employees who started at Henkel after April 1, 2011, participate in the pension plan "Altersversorgung 2011 (AV 2011)." AV 2011 is an employer-financed, fund-linked retirement plan funded by contributions based on the income development of the employee. Henkel ensures its employees that a lump-sum amount is available upon retirement which is at least equivalent to the level of principal contributions made by Henkel. Henkel makes the pension contribution to an investment fund established for the purpose of the company pension plan. Upon attaining retirement age, the employee can choose between an annuity through transfer of the superannuation lump-sum to a pension fund, or a one-time payment.

To provide protection under civil law of the pension entitlements of future and current pensioners of Henkel AG & Co. KGaA against insolvency, we have transferred the proceeds of the bond issued in 2005 and certain other assets to Henkel Trust e.V. The trustee invests the cash with which it has been entrusted in the capital market in accordance with investment policies laid down in the trust agreement. In addition, we also subsidize medical benefits for retired employees resident mainly in the USA. Under these programs, retirees are reimbursed for a certain percentage of their medical expenses. We build provisions during the employees' service period and pay the promised benefits when they are claimed.

The defined contribution plans are structured in such a way that the corporation pays contributions to public or private sector institutions on the basis of statutory or contractual terms or on a voluntary basis and has no further obligations regarding the payment of benefits to employees. The contributions for defined contribution plans, excluding multi-employer plans, for the reporting period amounted to 82 million euros (previous year: 95 million euros). In 2015, we paid 46 million euros to public sector institutions (previous year: 47 million euros) and 36 million euros to private sector institutions (previous year: 48 million euros).

No extraordinary events occurred in the reporting period.

**Multi-employer plans**

Henkel provides defined pension benefits that are financed by more than one employer. The ensuing multi-employer plans are treated as defined contribution plans because, due to the limited share of the contribution volume in the plans, the information available for each of the financing companies is insufficient for defined benefit accounting. In the Henkel Group, benefits from multi-employer plans are provided for employees primarily in the USA and Japan. Withdrawal from our multi-employer plans at the present time would incur a one-time expense of around 30 million euros (previous year: around 25 million euros). Payments into multi-employer plans in fiscal 2015 amounted to 2 million euros (previous year: 2 million euros). We expect contributions of around 2 million euros in fiscal 2016.

**Assumptions**

Group-wide, the obligations from our pension plans are valued by an independent external actuary at the end of the fiscal year. The calculations at the end of the fiscal year are based on the actuarial assumptions below. These are given as the weighted average. The mortality rates used are based on published statistics and experience relating to each country. In Germany, the assumptions are based on the "Heubeck 2005G" mortality table. In the USA, the assumptions are based on the modified "RP 2014" mortality table. Further amendments to demographic assumptions in the USA resulted in an actuarial gain of 36 million euros. The valuation of pension obligations in Germany was based essentially on the assumption of a 2 percent increase in retirement benefits (previous year: 2 percent).

The discount rate is based on yields in the market for high-ranking corporate bonds on the respective date. The currency and term of the underlying bonds are aligned with the currency and expected maturities of the post-employment pension obligation.

Actuarial assumptions

110

| | Germany | | USA | | Other countries[1] | |
|---|---|---|---|---|---|---|
| in percent | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Discount rate | 1.70 | **2.20** | 4.10 | **4.30** | 2.60 | **2.85** |
| Income trend | 3.25 | **3.25** | 3.40 | **2.85** | 2.60 | **2.50** |
| Expected increases in costs for medical benefits | – | **–** | 7.30 | **7.10** | 3.30 | **3.80** |
| in years | | | | | | |
| Life expectancy at age 65 as of the valuation date for a person currently | | | | | | |
| 65 years old | 20.9 | **21.0** | 22.0 | **22.0** | 23.1 | **24.0** |
| 40 years old | 24.1 | **24.2** | 23.0 | **23.0** | 25.4 | **26.0** |

[1] Weighted average.

## Present value of pension obligations at December 31, 2014

111

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2014** | **2,674** | **962** | **933** | **4,569** |
| Changes in the Group | – | – | 40 | **40** |
| Translation differences | – | 136 | 29 | **165** |
| Actuarial gains (–)/losses (+) | 585 | 89 | 125 | **799** |
| of which: from changes in demographic assumptions | 10 | 9 | – 9 | **10** |
| of which: from changes in financial assumptions | 562 | 82 | 156 | **800** |
| of which: from experience adjustments | 13 | – 2 | – 22 | **– 11** |
| Current service cost | 45 | 16 | 21 | **82** |
| Employee contributions to pension funds | 10 | – | 1 | **11** |
| Gains (–)/losses (+) arising from the termination and curtailment of plans | – 1 | – | – 1 | **– 2** |
| Interest expense | 78 | 46 | 30 | **154** |
| Retirement benefits paid out of plan assets / out of reimbursement rights | – 126 | – 51 | – 33 | **– 210** |
| Employer’s payments for pension obligations | – 11 | – 24 | – 8 | **– 43** |
| Past service cost (+) / income (–) | – | – | – | **–** |
| **At December 31, 2014** | **3,254** | **1,174** | **1,137** | **5,565** |
| of which: unfunded obligations | 103 | 296 | 109 | **508** |
| of which: funded obligations | 3,151 | 824 | 1,028 | **5,003** |
| of which: obligations covered by reimbursement rights | – | 54 | – | **54** |

## Fair value of plan assets at December 31, 2014

112

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2014** | **2,415** | **648** | **689** | **3,752** |
| Changes in the Group | – | – | 37 | **37** |
| Translation differences | – | 95 | 26 | **121** |
| Employer contributions to pension funds | 28 | 38 | 21 | **87** |
| Employee contributions | 10 | – | 1 | **11** |
| Retirement benefits paid out of plan assets | – 126 | – 51 | – 33 | **– 210** |
| Interest income on plan assets | 76 | 32 | 22 | **130** |
| Remeasurements in equity | 243 | 53 | 104 | **400** |
| **At December 31, 2014** | **2,646** | **815** | **867** | **4,328** |

## Fair value of reimbursement rights at December 31, 2014

113

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2014** | **–** | **96** | **–** | **96** |
| Changes in the Group | – | – | – | **–** |
| Translation differences | – | 13 | – | **13** |
| Employer contributions | – | – | – | **–** |
| Employee contributions | – | – | – | **–** |
| Retirement benefits paid out of reimbursement rights | – | – 10 | – | **– 10** |
| Interest income on plan assets | – | 5 | – | **5** |
| Remeasurements in equity | – | 1 | – | **1** |
| **At December 31, 2014** | **–** | **105** | **–** | **105** |

## Net liability from pension obligations at December 31, 2014

114

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2014** | **259** | **314** | **247** | **820** |
| **Recognized through profit or loss** | | | | |
| Current service cost | 45 | 16 | 21 | **82** |
| Gains (–)/losses (+) arising from the termination and curtailment of plans | – 1 | – | – 1 | **– 2** |
| Interest expense (excluding reimbursement rights) | 2 | 8 | 8 | **18** |
| **Recognized in equity in other comprehensive income** | | | | |
| Actuarial gains (–)/losses (+) | 585 | 89 | 125 | **799** |
| Interest income on plan assets | – 243 | – 53 | – 104 | **– 400** |
| Change in the effect of the asset ceiling | – | – | – | **–** |
| **Other items recognized in equity** | | | | |
| Employer’s payments | – 39 | – 62 | – 29 | **– 130** |
| Changes in the Group | – | – | 3 | **3** |
| Translation differences | – | 41 | 3 | **44** |
| Change in past service cost | – | – | – | **–** |
| Change in effect of overfunding for pensions including reimbursement rights | – | 14 | 14 | **28** |
| **Recognized provision for pension obligations at December 31, 2014** | **608** | **367** | **287** | **1,262** |

## Present value of pension obligations at December 31, 2015

115

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2015** | **3,254** | **1,174** | **1,137** | **5,565** |
| Changes in the Group | 5 | – | – | **5** |
| Translation differences | 0 | 124 | 34 | **158** |
| Actuarial gains (–)/losses (+) | – 251 | – 68 | – 89 | **– 408** |
| of which: from changes in demographic assumptions | – | – 36 | 2 | **– 34** |
| of which: from changes in financial assumptions | – 246 | – 27 | – 74 | **– 347** |
| of which: from experience adjustments | – 5 | – 5 | – 17 | **– 27** |
| Current service cost | 46 | 18 | 26 | **90** |
| Employee contributions to pension funds | 11 | – | 1 | **12** |
| Gains (–)/losses (+) arising from the termination and curtailment of plans | – 2 | – 5 | – 2 | **– 9** |
| Interest expense | 54 | 50 | 28 | **132** |
| Retirement benefits paid out of plan assets / out of reimbursement rights | – 144 | – 69 | – 35 | **– 248** |
| Employer’s payments for pension obligations | – 8 | – 26 | – 9 | **– 43** |
| Past service cost (+) / income (–) | 1 | – | – | **1** |
| **At December 31, 2015** | **2,966** | **1,198** | **1,091** | **5,255** |
| of which: unfunded obligations | 87 | 298 | 94 | **479** |
| of which: funded obligations | 2,879 | 789 | 997 | **4,665** |
| of which: obligations covered by reimbursement rights | – | 111 | – | **111** |

## Fair value of plan assets at December 31, 2015

116

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2015** | **2,646** | **815** | **867** | **4,328** |
| Changes in the Group | 3 | – | – | **3** |
| Translation differences | – | 93 | 29 | **122** |
| Employer contributions to pension funds | 25 | – | 35 | **60** |
| Employee contributions | 11 | – | 1 | **12** |
| Retirement benefits paid out of plan assets | – 144 | – 69 | – 35 | **– 248** |
| Interest income on plan assets | 49 | 34 | 22 | **105** |
| Remeasurements in equity | – 13 | – 39 | 2 | **– 50** |
| **At December 31, 2015** | **2,577** | **834** | **921** | **4,332** |

## Fair value of reimbursement rights at December 31, 2015

117

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2015** | **–** | **105** | **–** | **105** |
| Changes in the Group | – | – | – | **–** |
| Translation differences | – | 10 | – | **10** |
| Employer contributions | – | 3 | – | **3** |
| Employee contributions | – | – | – | **–** |
| Retirement benefits paid out of reimbursement rights | – | – 7 | – | **– 7** |
| Interest income on plan assets | – | 5 | – | **5** |
| Remeasurements in equity | – | – 5 | – | **– 5** |
| **At December 31, 2015** | **–** | **111** | **–** | **111** |

## Net liability from pension obligations at December 31, 2015

118

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| **At January 1, 2015** | **608** | **367** | **287** | **1,262** |
| **Recognized through profit or loss** | | | | |
| Current service cost | 46 | 18 | 26 | **90** |
| Gains (–)/losses (+) arising from the termination and curtailment of plans | – 2 | – 5 | – 2 | **– 9** |
| Interest expense (excluding reimbursement rights) | 5 | 16 | 6 | **27** |
| **Recognized in equity in other comprehensive income** | | | | |
| Actuarial gains (–)/losses (+) | – 251 | – 68 | – 89 | **– 408** |
| Interest income on plan assets | 13 | 39 | – 2 | **50** |
| Change in the effect of the asset ceiling | – | – | 6 | **6** |
| **Other items recognized in equity** | | | | |
| Employer's payments | – 33 | – 26 | – 43 | **– 102** |
| Changes in the Group | 2 | – | – | **2** |
| Translation differences | – | 31 | 5 | **36** |
| Change in past service cost | 1 | – | – | **1** |
| Change in effect of overfunding for pensions including reimbursement rights | – | 15 | 18 | **33** |
| **Recognized provision for pension obligations at December 31, 2015** | **389** | **387** | **212** | **988** |

The total present value (defined benefit obligation – DBO) is comprised of:

- 1,826 million euros for active employees,
- 811 million euros for former employees with vested benefits, and
- 2,618 million euros for retirees.

The average weighted duration of pension obligations is 14 years for Germany, 9 years for the USA and 20 years for other countries.

In determining net liability, we take into account amounts that are not recognized due to asset ceiling restrictions. If the fair value of the plan asset item exceeds the obligations arising from the pension benefits, an asset is recognized only if the reporting entity can also derive economic benefit from these assets, for example in the form of return flows or a future reduction in contributions ("Asset Ceiling" per IAS 19.58 ff.). In the reporting period, we recorded an amount of 6 million euros as an asset ceiling (previous year: 0 million euros).

Within our consolidated statement of income, current service costs are allocated on the basis of cost of sales to the respective function. Only the net of interest expense for the present value of obligations and interest income from plan assets is reported in the interest result. All gains/losses from the termination and curtailment of plans have been recognized in other operating income/charges. The employer's contributions in respect of state pension provisions are included as "Social security contributions and staff welfare costs" under Note 33, page 173. In 2015, payments into the plan assets amounted to 60 million euros (previous year: 87 million euros).

The reimbursement rights covering a portion of the pension obligations in the USA are assets that do not fulfill the definition of plan assets as stated in IAS 19.

The reimbursement rights indicated are available to the Group in order to cover the expenditures required to fulfill the respective pension obligations. Reimbursement rights and the associated pension obligations must, according to IAS 19, be shown unnetted in the statement of financial position.

Payments into pension funds in fiscal 2016 are expected to total 78 million euros.

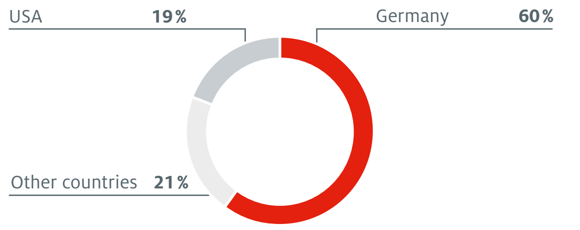
## Analysis of plan assets

119

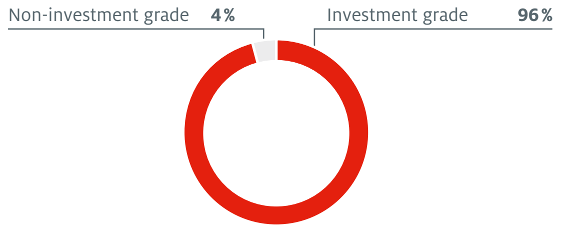
| in million euros | December 31, 2014 Quotation on active markets | No quotation on active markets | Total | December 31, 2015 Quotation on active markets | No quotation on active markets | Total |
|---|---|---|---|---|---|---|
| **Shares** | 1,130 | – | 1,130 | 1,274 | – | 1,274 |
| Europe | 456 | – | 456 | 555 | – | 555 |
| USA | 205 | – | 205 | 223 | – | 223 |
| Others | 469 | – | 469 | 496 | – | 496 |
| **Bonds and hedging instruments** | 2,891 | – 2 | 2,889 | 2,891 | 11 | 2,902 |
| Government bonds | 1,006 | – | 1,006 | 994 | – | 994 |
| Corporate bonds | 1,885 | – | 1,885 | 1,897 | – | 1,897 |
| Derivatives | – | – 2 | – 2 | – | 11 | 11 |
| **Alternative investments** | – | 171 | 171 | – | 214 | 214 |
| **Cash** | – | 123 | 123 | – | 78 | 78 |
| **Liabilities**[1] | – | – 226 | – 226 | – | – 349 | – 349 |
| **Other assets** | – | 241 | 241 | – | 213 | 213 |
| **Total** | 4,021 | 307 | 4,328 | 4,165 | 167 | 4,332 |

[1] Liability to Henkel AG & Co. KGaA from the assumption of pension payments for Henkel Trust e.V.

Plan assets by country 2015 120




Classification of bonds by rating 2015 121




The objective of the investment strategy for the global plan assets is the long-term security of pension payments. This is ensured by comprehensive risk management that takes into account the asset and liability portfolios of the defined benefit pension plans. Henkel pursues a liability-driven investment (LDI) approach in order to achieve the investment objective. This approach takes into account the structure of the pension obligations and manages the cover ratio of the pension plans. In order to improve the funding ratio, Henkel invests plan assets in a diversified portfolio for which the expected long-term yield is above the interest costs of the pension obligations.

In order to cover the risks arising from trends in wages, salaries and life expectancies, and to close the potential deficit between plan assets and pension obligations over the long term, additional investments are made in a return-enhancing portfolio as an add-on instrument that contains assets such as equities, private equity and real estate. The target portfolio structure of the plan assets is essentially determined in asset-liability studies. These studies are conducted regularly with the help of external advisors who assist Henkel in the investment of plan assets. They examine the actual portfolio structure, taking into account current capital market conditions, investment principles and the obligation structure, and can suggest adjustments be made to the portfolio.

The expected long-term yield for individual plan assets is derived from the target portfolio structure and the expected long-term yields for the individual asset classes.

Major plan assets are administered by external fund managers in Germany and the USA. These countries pursue the above investment strategies and are monitored centrally. At December 31, 2015, other assets making up the plan assets included the present value of a non-current receivable of 60 million euros (previous year: 69 million euros) relating to claims pertaining to a hereditary building lease assigned by Henkel AG & Co. KGaA to Henkel Trust e.V. Also shown here is a claim of 123 million euros against BASF Personal Care & Nutrition GmbH (formerly Cognis GmbH) for indemnification of pension obligations (previous year: 140 million euros). This claim represents the nominal value, which is equivalent to the market price. In the reporting year, as in the previous year, we held no direct investments and no treasury shares in respect of plan assets in the portfolio.

## Risks associated with pension obligations

Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines mainly govern external funding, portfolio structure and actuarial assumptions. The objective of the financing strategy within the Group is to ensure that plan assets cover 90 to 100 percent of the present value of the funded pension obligations. The contributions and investment strategies are intended to ensure nearly complete coverage of the plans for the duration of the pension obligations.

Henkel's pension obligations are exposed to various market risks. These risks are counteracted by the degree of external funding and the structure of pension benefits. The risks relate primarily to changes in market interest rates, inflation, and life expectancy, as well as general market fluctuations. Pension obligations based on contractual provisions in Germany generally entail lifelong benefits payable in the event of death or disability or when the employee reaches retirement age.

In order to reduce the risks arising from the payment of lifelong benefits as well as inflation, pension benefits have been gradually converted since 2004 to what are known as modular benefits with a pension option in which the benefit is initially divided into an annuity and lump-sum benefit portion. Newly hired employees since 2011 receive a commitment based primarily on the lump-sum benefit. Generally, lump-sum benefits may also be paid out as an annuity through a pension fund. All benefits in Germany are financed through a provident fund (Vorsorgefonds) established for the purpose of the occupational pension plan. Benefits for new employees since 2011 as well as a portion of the entitlements vested since 2004 are linked to the performance of this provident fund, resulting in a reduction in overall risk to the Group. The described adjustments reduce the financial risk from pension commitments within the pension structure. By linking the benefit to the capital investment, the net risk is also largely eliminated. An increase in the long-term inflation assumption would mainly affect the expected increase in pensions and the expected increase in pension-eligible salaries.

The pension obligations in the USA are based primarily on three retirement plans that are all closed to new employees. New employees receive pension benefits based on a defined contribution plan. The pension benefits generally have a lump-sum option which is usually exercised. When a pension becomes payable, the amount of the annuity granted is determined on the basis of current market interest rates. As a result, the impact of a change to the interest rate used in the calculation is low compared to pension commitments entailing lifelong benefits. Additionally, in the USA, pensions paid once are not adjusted by amount, thus there are no direct risks during the pension payment period arising from pending annuity adjustments. Inflation risks therefore result mainly from the salary adjustments awarded.

In addition to the pension obligation risks already presented, there are specific risks associated with multi-employer plans. In the Henkel Group, these essentially relate to the USA. The contributions to these plans are raised mainly through an allocation process based on the pension-eligible income of active employees. Restructuring contributions may also be made in order to close gaps in coverage. The risks of such plans arise largely from higher future contributions to close coverage gaps or through discontinuation by other companies obligated to make contributions.

The impact of changes to assumptions in medical benefits for employees and retirees in the USA is shown in the sensitivities analysis.

The analysis of our Group-wide pension obligations revealed no extraordinary risks.

**Cash flows and sensitivities**

In the next five financial years, the following payments from pension plans are expected:

Future payments for pension benefits 122

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| 2016 | 146 | 119 | 34 | **299** |
| 2017 | 135 | 104 | 30 | **269** |
| 2018 | 132 | 103 | 32 | **267** |
| 2019 | 134 | 103 | 33 | **270** |
| 2020 | 135 | 101 | 35 | **271** |

The future level of the funded status and thus of the pension obligations depends on the development of the discount rate, among other factors. Companies based in Germany and the USA account for 79 percent of our pension obligations. The medical costs for employees of our subsidiaries in the USA which are incurred after retirement are also recognized in the pension obligations for defined benefit plans. A rate of increase of 7.1 percent (previous year: 7.3 percent) was assumed for the medical costs. We expect this rate of increase to fall gradually to 4.5 percent by 2037 (previous year: 4.5 percent by 2028). The effects of a change in material actuarial assumptions for the present value of pension obligations are as follows:

### Sensitivities – Present value of pension obligations at December 31, 2015

123

| in million euros | Germany | USA | Other countries | Total |
|---|---|---|---|---|
| Present value of obligations | 2,966 | 1,198 | 1,091 | **5,255** |
| in the event of | | | | |
| Increase in the discount rate by 0.5 pp | 2,763 | 1,158 | 999 | **4,920** |
| Reduction of the discount rate by 0.5 pp | 3,185 | 1,260 | 1,212 | **5,657** |
| Rise in future income increases by 0.5 pp | 2,968 | 1,212 | 1,122 | **5,302** |
| Reduction of future income increases by 0.5 pp | 2,966 | 1,200 | 1,076 | **5,242** |
| Rise in retirement benefits increases by 0.5 pp | 3,120 | 1,206 | 1,151 | **5,477** |
| Reduction of retirement benefits increases by 0.5 pp | 2,825 | 1,206 | 1,066 | **5,097** |
| Rise in medical costs by 0.5 pp | 2,967 | 1,209 | 1,099 | **5,275** |
| Reduction of medical costs by 0.5 pp | 2,967 | 1,203 | 1,098 | **5,268** |

pp = percentage points

The extension of life expectancy in Germany by one year would increase the present value of pension obligations by 4 percent. This would have a more limited effect in the USA because a significant share of the pension plans is based on lump-sum benefits.

It should be noted with respect to the sensitivities presented that, due to mathematical effects, the percentage change is not and does not need to be linear. Thus the percentage increases and decreases do not vary with the same absolute amount. Each sensitivity is independently calculated and is not subject to scenario analysis.

## 16 Income tax provisions and other provisions

### Development in 2015

124

| in million euros | Initial balance January 1, 2015 | Other changes | Utilized | Released | Added | End balance December 31, 2015 |
|---|---|---|---|---|---|---|
| **Income tax provisions** | **335** | **– 28** | **– 154** | **– 84** | **283** | **352** |
| of which: non-current | 84 | – 5 | – 3 | 0 | 13 | **89** |
| of which: current | 251 | – 23 | – 151 | – 84 | 270 | **263** |
| **Restructuring provisions** | **240** | **– 2** | **– 110** | **– 27** | **124** | **225** |
| of which: non-current | 95 | – 26 | – 12 | – 8 | 23 | **72** |
| of which: current | 145 | 24 | – 98 | – 19 | 101 | **153** |
| **Sundry provisions** | **1,653** | **– 11** | **– 1,099** | **– 140** | **1,332** | **1,735** |
| of which: non-current | 285 | – 48 | – 22 | – 3 | 112 | **324** |
| of which: current | 1,368 | 37 | – 1,077 | – 137 | 1,220 | **1,411** |
| **Total** | **2,228** | **– 41** | **– 1,363** | **– 251** | **1,739** | **2,312** |
| of which: non-current | 464 | – 79 | – 37 | – 11 | 148 | **485** |
| of which: current | 1,764 | 38 | – 1,326 | – 240 | 1,591 | **1,827** |

Provisions are recognized for obligations toward third parties where the outflow of resources is probable and the expected obligation can be reliably estimated. Provisions are measured to the best estimate of the expenditures required in order to meet the current obligation as of the reporting date. Price increases expected to take place prior to the time of performance are included in the calculation. Provisions in which the interest effect is material are discounted to the reporting date at a pre-tax interest rate. For obligations in Germany, we have applied interest rates of between 0.2 and 2.6 percent.

The income tax provisions comprise accrued tax liabilities and amounts set aside for the outcome of external tax audits.

Other provisions include identifiable obligations toward third parties. They are measured at total cost.

Other changes in provisions include changes in the scope of consolidation, movements in exchange rates, compounding effects, and adjustments to reflect changes in maturity as time passes.

Provisions are recognized in respect of restructuring measures, provided that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. Additions to the restructuring provisions are related to the continued expansion of our shared services and to the further optimization of production and process structures in all business units.

The provisions for obligations arising from our sales activities cover expected burdens in the form of subsequent reductions in already generated revenues, and risks arising from pending transactions.

Provisions for payroll obligations essentially cover expenditures likely to be incurred by the Group for variable, performance-related remuneration components.

Provisions for obligations in the production and engineering sphere relate primarily to provisions for warranties.

### Analysis of sundry provisions by function

125

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| **Sales** | **688** | **817** |
| of which: non-current | 10 | **14** |
| of which: current | 678 | **803** |
| **Payroll** | **517** | **638** |
| of which: non-current | 169 | **228** |
| of which: current | 348 | **410** |
| **Production and engineering** | **38** | **37** |
| of which: non-current | 21 | **20** |
| of which: current | 17 | **17** |
| **Various sundry obligations** | **410** | **243** |
| of which: non-current | 85 | **62** |
| of which: current | 325 | **181** |
| **Total** | **1,653** | **1,735** |
| of which: non-current | 285 | **324** |
| of which: current | 1,368 | **1,411** |

**Risks arising from legal disputes and proceedings**
Provisions have been made for individual risks arising from civil disputes in the amount of probable claims plus associated procedural costs. The total amount in euros is in the low double-digit millions. In accordance with IAS 37.92, further disclosures with respect to the proceedings and their related risks to Henkel have not been made in order to refrain from interference with their outcome.

On December 18, 2014, in an action relating to infringements between 2003 and 2006, the French antitrust authorities imposed fines amounting to around 951 million euros in total against various international companies in the cosmetic and detergent industries. Henkel received a fine of 109 million euros, which was paid provisionally on May 15, 2015. A decision on the appeal filed by Henkel with regard to the amount of the fine is still pending.

In addition to other retail companies and manufacturers, Henkel was involved in an antitrust proceeding involving consumer goods (cosmetics and detergents) in Belgium relating to violations in the period from 2004 to the beginning of 2007. The action was related to a possible collusion between various Belgian retail companies to raise consumer prices (including prices for products in Henkel's portfolio) with the involvement of Henkel. A final agreement was reached with the Belgian antitrust authorities. Henkel made a payment of around 6 million euros in this regard on July 15, 2015.

Henkel and its Group companies are also defendants in or parties to other judicial, arbitrational, and official proceedings. The course and outcomes of legal disputes are inherently uncertain and unpredictable. Based on the knowledge currently available, no negative future impact, material or otherwise, on the net assets, financial position and results of operations of the corporation is expected.

## 17 Borrowings

### Borrowings

126

| in million euros | December 31, 2014 Non-current | December 31, 2014 Current | December 31, 2014 Total | December 31, 2015 Non-current | December 31, 2015 Current | December 31, 2015 Total |
|---|---|---|---|---|---|---|
| Bonds | 1,342 | 7 | 1,349 | – | – | – |
| Commercial paper[1] | – | 288 | 288 | – | 811 | 811 |
| Liabilities to banks[2] | 9 | 95 | 104 | – | 69 | 69 |
| Other borrowings | 3 | – | 3 | 4 | – | 4 |
| **Total** | **1,354** | **390** | **1,744** | **4** | **880** | **884** |

[1] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[2] Obligations with floating rates of interest or interest rates pegged for less than one year.

### Bonds

127

| Issuer<br>in million euros | Type | Nominal value | Carrying amounts excluding accrued interest 2014 | Carrying amounts excluding accrued interest 2015 | Market values excluding accrued interest[1] 2014 | Market values excluding accrued interest[1] 2015 | Market values including accrued interest[1] 2014 | Market values including accrued interest[1] 2015 | Interest rate[2] 2014 | Interest rate[2] 2015 | Interest fixing |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Henkel AG & Co. KGaA | Hybrid bond | 1,300 | 1,342 | – | 1,343 | – | 1,350 | – | 5.3750 | – | to 2015[3] |
| Interest rate swap (3-month Euribor +1.80%)[4] | Receiver swap | 650 | 20 | – | 20 | – | 23 | – | 1.8812 | – | 3 months |
| Interest rate swap (1-month Euribor +0.955%)[4] | Receiver swap | 650 | 25 | – | 25 | – | 28 | – | 0.9597 | – | 1 month |
| **Total bonds** | | **2,300** | **1,342** | – | **1,343** | – | **1,350** | – | | | |
| **Total interest rate swaps** | | **2,300** | **45** | – | **45** | – | **51** | – | | | |

[1] Market value of the bonds derived from the stock market price at December 31.
[2] Interest rate on December 31.
[3] Fixed-rate interest of bond coupon: 5.375 percent, converted using interest rate swaps into a floating interest rate; no further interest fixings (previous year: January 26, 2015) (fair value hedge).
[4] Not including the valuation allowance in the amount of 0 million euros to provide for counterparty credit risk (previous year: 2 million euros).

As a result of our call declared on October 16, 2015, the hybrid bond reported in non-current borrowings was repaid in full on November 25, 2015. The repayment was made at the nominal value of 1.3 billion euros plus accrued interest.

## 18 Other financial liabilities

### Analysis

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| in million euros | December 31, 2014 Non-current | December 31, 2014 Current | December 31, 2014 Total | December 31, 2015 Non-current | December 31, 2015 Current | December 31, 2015 Total |
|---|---|---|---|---|---|---|
| Liabilities to non-consolidated affiliated companies and associated companies | – | 9 | 9 | – | 8 | 8 |
| Liabilities to customers | – | 35 | 35 | – | 42 | 42 |
| Derivative financial instruments | – | 43 | 43 | – | 44 | 44 |
| Sundry financial liabilities | 1 | 30 | 31 | 1 | 15 | 16 |
| **Total** | **1** | **117** | **118** | **1** | **109** | **110** |

Of the liabilities to non-consolidated affiliated companies and associated companies, 7 million euros are attributable to non-consolidated affiliated companies, and 1 million euros to associated companies. Sundry financial liabilities include payments owed to the Pensionssicherungsverein mutual insurance association amounting to 6 million euros (previous year: 4 million euros).

## 19 Other liabilities

### Analysis

129

| in million euros | December 31, 2014 Non-current | December 31, 2014 Current | December 31, 2014 Total | December 31, 2015 Non-current | December 31, 2015 Current | December 31, 2015 Total |
|---|---|---|---|---|---|---|
| Other tax liabilities | – | 108 | 108 | – | 174 | 174 |
| Liabilities to employees | – | 25 | 25 | – | 28 | 28 |
| Liabilities relating to employee deductions | – | 61 | 61 | – | 70 | 70 |
| Liabilities in respect of social security | 1 | 22 | 23 | 1 | 22 | 23 |
| Sundry other liabilities | 12 | 52 | 64 | 15 | 57 | 72 |
| **Total** | **13** | **268** | **281** | **16** | **351** | **367** |

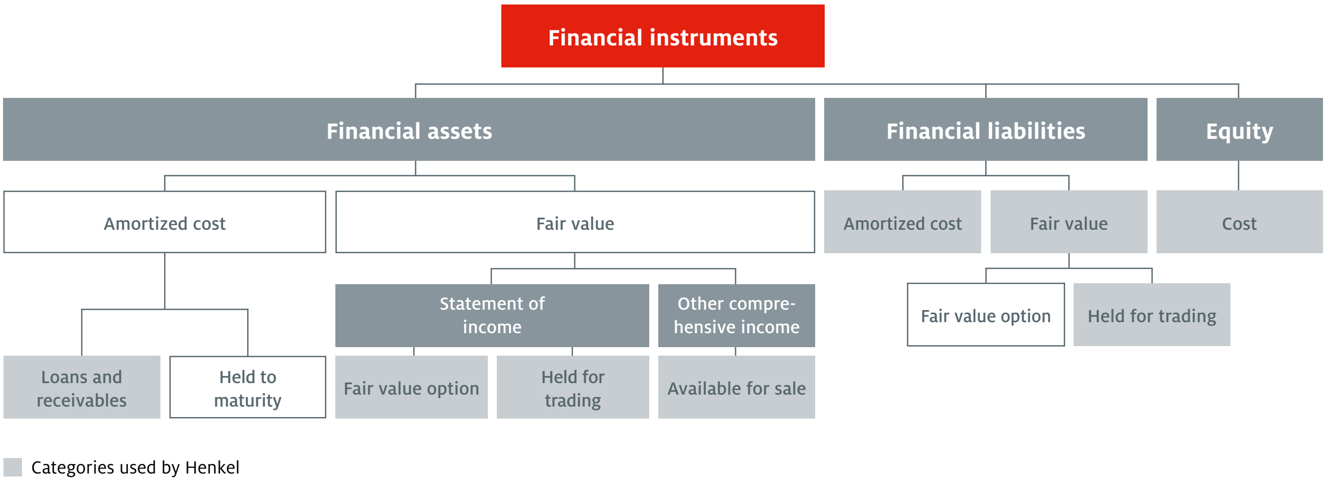
The sundry other liabilities primarily comprise various accruals and deferrals amounting to 14 million euros (previous year: 16 million euros) and payments on account received in the amount of 3 million euros (previous year: 4 million euros).

## 20 Trade accounts payable

Trade accounts payable increased from 3,046 million euros to 3,176 million euros. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are due within one year.

## 21 Financial instruments report

130




**Financial instruments explained by category**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Within the Henkel Group, financial instruments are reported under trade accounts receivable, trade accounts payable, borrowings, other financial assets, other financial liabilities, and cash and cash equivalents within the statement of financial position.

Financial instruments are recognized once Henkel becomes a party to the contractual provisions of the financial instrument. The recognition of financial assets takes place at the settlement date, with the exception of derivative financial instruments, which are recognized on the transaction date. All financial instruments are initially reported at their fair value. Incidental acquisition costs are only capitalized if the financial instruments are not subsequently remeasured to fair value through profit or loss. For subsequent remeasurement, financial instruments are divided into the following classes in accordance with IAS 39:

- Financial instruments measured at amortized cost
- Financial instruments measured at fair value

Different valuation categories are allocated to these two classes. Financial instruments assigned to the valuation categories “Fair value option,” “Available for sale” and “Held for trading” are generally measured at fair value. In fiscal 2014, we included in the fair value option fixed-interest bonds which were recognized in other financial assets under securities and time deposits and for which we had concluded interest rate swaps in order to convert the fixed interest rate into a floating interest rate. Other securities and time deposits as well as other investments which are not measured using the equity method, both part of other financial assets in the statement of financial position, are categorized as “Available for sale.” Only the derivative financial instruments held by the Henkel Group which are not included in hedge accounting are designated as “Held for trading.” We recognize all other financial instruments including the financial assets categorized as “Loans and receivables” at amortized cost using the effective interest method. The measurement category “Held to maturity” is not used within the Henkel Group.

The financial instruments in the measurement category "Loans and receivables" are non-derivative financial instruments. They are characterized by fixed or determinable payments and are not traded in an active market. Within the Henkel Group, this category is mainly comprised of trade accounts receivable, cash and cash equivalents, and other financial assets with the exception of investments, derivatives, securities and time deposits. The carrying amounts of the financial instruments categorized as "Loans and receivables" closely approximate their fair value due to their predominantly short-term nature. If there are doubts as to the realizability of these financial instruments, they are recognized at amortized cost less appropriate valuation allowances.

Financial instruments are recognized in the "Fair value option" if this classification conveys more relevant information by eliminating or significantly reducing inconsistencies in the measurement or in the recognition that result from the valuation of assets or liabilities or the recognition of gains and losses on a different basis. Financial instruments classified in the "Fair value option" are recognized at fair value through profit or loss.

Financial instruments in the category "Available for sale" are non-derivative financial assets and are recognized at fair value, provided that this is reliably determinable. If the fair value cannot be reliably determined, they are recognized at cost. Value changes between the reporting dates are essentially recognized in equity through comprehensive income (revaluation reserve) without affecting profit or loss, unless the cause lies in permanent impairment. Impairment losses are recognized through profit or loss. When the asset is derecognized, the amounts recognized in the revaluation reserve are released through profit or loss. In the Henkel Group, the securities and time deposits recognized under other financial assets, and not classified under the "Fair value option," and also other investments, are categorized as "Available for sale." The fair values of the securities and time deposits are based on quoted market prices, or derived from market data. As the fair values of other investments not recognized using the equity method cannot be reliably determined, they are measured at amortized cost. In fiscal 2014, the shares in Ten Education Ltd. and Ten Lifestyle Holdings Ltd., which were included under other investments, were sold, producing a gain of 6 million euros. At the time of derecognition, the carrying amount of these interests was less than 1 million euros. Henkel is currently not planning to sell any of the other financial instruments recognized under other investments.

The derivative financial instruments that are not included in a designated hedging relationship are categorized as "Held for trading" and recognized at their fair value. All fair value changes are recognized through profit or loss. Hedge accounting is applied in individual cases – where possible and economically sensible – in order to avoid profit and loss variations arising from fair value changes in derivative financial instruments. Depending on the type of underlying and the risk being hedged, fair value and cash flow hedges are designated within the Group. Details relating to the hedging contracts transacted within the Group and how the fair values of the derivatives are determined are provided on pages 159 to 161.

All financial liabilities – with the exception of derivative financial instruments – are essentially recognized at amortized cost using the effective interest method.

Borrowings for which a hedging transaction has been concluded that meets the requirements of IAS 39 with respect to a designated hedging relationship are recognized according to hedge accounting rules.

## Carrying amounts and fair values of financial instruments

131

| December 31, 2014<br>in million euros | Carrying amount December 31 | Valuation according to IAS 39<br>Amortized cost | Fair value, through other comprehensive income | Fair value, through profit or loss | Fair value December 31 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Loans and receivables | **4,331** | 4,331 | – | – | **4,331** |
| Trade accounts receivable | **2,747** | 2,747 | – | – | **2,747** |
| Other financial assets | **356** | 356 | – | – | **356** |
| Receivables from associated companies | **1** | 1 | – | – | **1** |
| Financial receivables from third parties | **34** | 34 | – | – | **34** |
| Receivables from Henkel Trust e.V. | **226** | 226 | – | – | **226** |
| Sundry financial assets | **95** | 95 | – | – | **95** |
| Cash and cash equivalents | **1,228** | 1,228 | – | – | **1,228** |
| Fair value option | **227** | – | – | 227 | **227** |
| Other financial assets | **227** | – | – | 227 | **227** |
| Fixed-interest securities (level 1) | **196** | – | – | 196 | **196** |
| Fixed-interest securities (level 2) | **31** | – | – | 31 | **31** |
| Available for sale | **114** | 21 | 93 | – | **114** |
| Other financial assets | **114** | 21 | 93 | – | **114** |
| Other investments | **21** | 21 | – | – | **21** |
| Floating-interest securities and time deposits (level 1) | **14** | – | 14 | – | **14** |
| Floating-interest securities (level 2) | **60** | – | 60 | – | **60** |
| Fixed-interest securities (level 1) | **–** | – | – | – | **–** |
| Financial collateral provided (level 1) | **19** | – | 19 | – | **19** |
| Held for trading (level 2) | **23** | – | – | 23 | **23** |
| Derivative financial instruments not included in a designated hedging relationship | **23** | – | – | 23 | **23** |
| Derivative financial instruments included in a designated hedging relationship (level 2) | **65** | – | 16 | 49 | **65** |
| **Total** | **4,760** | **4,352** | **109** | **299** | **4,760** |
| **Liabilities** | | | | | |
| Amortized cost | **4,865** | 4,865 | – | – | **4,866** |
| Trade accounts payable | **3,046** | 3,046 | – | – | **3,046** |
| Borrowings not included in a designated hedging relationship | **395** | 395 | – | – | **395** |
| Borrowings included in a designated hedging relationship | **1,349** | 1,349 | – | – | **1,350** |
| Other financial liabilities | **75** | 75 | – | – | **75** |
| Held for trading (level 2) | **35** | – | – | 35 | **35** |
| Derivative financial instruments not included in a designated hedging relationship | **35** | – | – | 35 | **35** |
| Derivative financial instruments included in a designated hedging relationship (level 2) | **8** | – | 8 | – | **8** |
| **Total** | **4,908** | **4,865** | **8** | **35** | **4,909** |

## Carrying amounts and fair values of financial instruments

132

| December 31, 2015<br>in million euros | Carrying amount December 31 | Valuation according to IAS 39 | | | Fair value December 31 |
|---|---|---|---|---|---|
| | | Amortized cost | Fair value, through other comprehensive income | Fair value, through profit or loss | |
| **Assets** | | | | | |
| Loans and receivables | **4,603** | 4,603 | – | – | **4,603** |
| Trade accounts receivable | **2,944** | 2,944 | – | – | **2,944** |
| Other financial assets | **483** | 483 | – | – | **483** |
| Receivables from associated companies | **1** | 1 | – | – | **1** |
| Financial receivables from third parties | **39** | 39 | – | – | **39** |
| Receivables from Henkel Trust e.V. | **349** | 349 | – | – | **349** |
| Sundry financial assets | **94** | 94 | – | – | **94** |
| Cash and cash equivalents | **1,176** | 1,176 | – | – | **1,176** |
| Fair value option | **–** | – | – | – | **–** |
| Other financial assets | **–** | – | – | – | **–** |
| Fixed-interest securities (level 1) | **–** | – | – | – | **–** |
| Fixed-interest securities (level 2) | **–** | – | – | – | **–** |
| Available for sale | **36** | 21 | 15 | – | **36** |
| Other financial assets | **36** | 21 | 15 | – | **36** |
| Other investments | **21** | 21 | – | – | **21** |
| Floating-interest securities and time deposits (level 1) | **3** | – | 3 | – | **3** |
| Floating-interest securities (level 2) | **2** | – | 2 | – | **2** |
| Fixed-interest securities (level 1) | **–** | – | – | – | **–** |
| Financial collateral provided (level 1) | **10** | – | 10 | – | **10** |
| Held for trading (level 2) | **60** | – | – | 60 | **60** |
| Derivative financial instruments not included in a designated hedging relationship | **60** | – | – | 60 | **60** |
| Derivative financial instruments included in a designated hedging relationship (level 2) | **12** | – | 12 | – | **12** |
| **Total** | **4,711** | **4,624** | **27** | **60** | **4,711** |
| | | | | | |
| **Liabilities** | | | | | |
| Amortized cost | **4,126** | 4,126 | – | – | **4,126** |
| Trade accounts payable | **3,176** | 3,176 | – | – | **3,176** |
| Borrowings not included in a designated hedging relationship | **884** | 884 | – | – | **884** |
| Borrowings included in a designated hedging relationship | **–** | – | – | – | **–** |
| Other financial liabilities | **66** | 66 | – | – | **66** |
| Held for trading (level 2) | **34** | – | – | 34 | **34** |
| Derivative financial instruments not included in a designated hedging relationship | **34** | – | – | 34 | **34** |
| Derivative financial instruments included in a designated hedging relationship (level 2) | **10** | – | 10 | – | **10** |
| **Total** | **4,170** | **4,126** | **10** | **34** | **4,170** |

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

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

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. If bid and ask prices are available, the mid price is used to determine the fair value.

We did not perform any reclassifications between the valuation categories or transfers within the fair value hierarchy either in fiscal 2015 or in the previous year.

**Net gains and losses from financial instruments by category**

The net gains and losses from financial instruments can be allocated to the following categories:

Net results of the measurement categories and reconciliation to financial result 133

| in million euros | 2014 | 2015 |
|---|---|---|
| Loans and receivables | 51 | **57** |
| Fair value option | 12 | **–** |
| Financial assets available for sale | 15 | **2** |
| Financial assets and liabilities held for trading including derivatives in a designated hedging relationship | 107 | **64** |
| Financial liabilities measured at amortized cost | – 82 | **– 77** |
| **Total net results** | **103** | **46** |
| | | |
| Foreign exchange effects | – 118 | **– 60** |
| Interest expense of pension obligations less interest income from plan assets and reimbursement rights | – 19 | **– 22** |
| Other financial result (not related to financial instruments) | – 15 | **– 6** |
| **Financial result** | **– 49** | **– 42** |

The net result of "Loans and receivables" is allocated in full to interest income. Net expenses arising from additions and releases of valuation allowances amounting to –21 million euros (previous year: –20 million euros) and income from payments on financial instruments already written off and derecognized amounting to 1 million euros (previous year: 0 million euros) were recognized in operating profit.

The net result of the securities classified under the "Fair value option" includes interest income of 0 million euros (previous year: 5 million euros) and valuation gains of 0 million euros (previous year: 7 million euros).

The net result from securities and time deposits classified as "Available for sale" amounts to 1 million euros (previous year: 8 million euros) for interest income, 1 million euros (previous year: 1 million euros) for income from sales and 0 million euros (previous year: 6 million euros) for income from other investments. The measurement of these financial instruments at fair value led to a gain of 0 million euros (previous year: 1 million euros) which we have recognized in the reserve for "Financial instruments available for sale" in equity.

The net result from "Held for trading" financial instruments and derivatives in a designated hedging relationship includes, in addition to the outcome of measurement of these derivatives at fair value amounting to 17 million euros (previous year: 59 million euros), an expense of 0 million euros arising from additions to the valuation allowance made for counterparty credit risk (previous year: 0 million euros). Moreover, 47 million euros of interest income and expenses from interest rate derivatives and amounts recycled from cash flow hedges recognized in equity are also included under this heading (previous year: 48 million euros).

The net result from "Financial liabilities measured at amortized cost" is essentially derived from the interest expense for borrowings amounting to –116 million euros (previous year: –124 million euros). Also included are valuation gains of 43 million euros (previous year: 45 million euros) from borrowings in a fair value hedge relationship. Fees amounting to –4 million euros for procuring money and loans were also recognized under this heading (previous year: –3 million euros).

The realization and valuation of financial assets and liabilities in foreign currencies (without derivative financial instruments) resulted in an expense of –60 million euros (previous year: –118 million euros).

**Derivative financial instruments**

Derivative financial instruments are measured at their fair value at the reporting date. Recognition of the gains and losses arising from fair value changes of derivative financial instruments is dependent upon whether the requirements of IAS 39 are fulfilled with respect to hedge accounting.

Hedge accounting is not applied to the large majority of derivative financial instruments. We recognize through profit or loss the fair value changes in these derivatives which, in economic terms, represent effective hedges within the framework of Group strategy. These are largely compensated by fair value changes in the hedged items. In hedge accounting, derivative financial instruments are qualified as instruments for hedging the fair value of a recognized underlying ("fair value hedge"), as instruments for hedging future cash flows ("cash flow hedge") or as instruments for hedging a net investment in a foreign entity ("hedge of a net investment in a foreign entity"). The following table provides an overview of the derivative financial instruments utilized and recognized within the Group, and their fair values:

## Derivative financial instruments

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| At December 31<br>in million euros | Nominal value | | Positive fair value[2] | | Negative fair value[2] | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Forward exchange contracts[1] | 3,516 | **5,879** | 39 | **72** | – 36 | **– 44** |
| (of which: for hedging loans within the Group) | (1,757) | **(4,277)** | (16) | **(51)** | (– 18) | **(– 29)** |
| (of which: designated as cash flow hedge) | (428) | **(696)** | (16) | **(12)** | (– 8) | **(– 10)** |
| Foreign exchange options | 2 | **5** | – | **–** | – | **–** |
| Interest rate swaps | 1,517 | **–** | 49 | **–** | – 7 | **–** |
| (of which: designated as fair value hedge) | (1,300) | **(–)** | (49) | **(–)** | (–) | **(–)** |
| (of which: designated as cash flow hedge) | (–) | **(–)** | (–) | **(–)** | (–) | **(–)** |
| (of which: to hedge financial instruments in the fair value option) | (217) | **(–)** | (–) | **(–)** | (– 7) | **(–)** |
| **Total derivative financial instruments** | **5,035** | **5,884** | **88** | **72** | **– 43** | **– 44** |

[1] Maturity less than 1 year.
[2] Fair values including accrued interest and a valuation allowance for counterparty credit risk of 0 million euros (previous year: 2 million euros).

For forward exchange contracts, we determine the fair value on the basis of the reference exchange rates of the European Central Bank prevailing at the reporting date, taking into account forward premiums / forward discounts for the remaining term of the respective contract versus the contracted foreign exchange rate. Foreign exchange options are measured using price quotations or recognized models for the determination of option prices. We measure interest rate hedging instruments on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31.

## Interest rates in percent p.a.

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| At December 31<br>Term | Euro | | US dollar | |
|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 |
| 1 month | 0.02 | **– 0.21** | 0.17 | **0.43** |
| 3 months | 0.08 | **– 0.13** | 0.26 | **0.61** |
| 6 months | 0.17 | **– 0.04** | 0.36 | **0.85** |
| 1 year | 0.33 | **0.06** | 0.63 | **1.18** |
| 2 years | 0.18 | **– 0.03** | 0.88 | **1.18** |
| 5 years | 0.36 | **0.33** | 1.75 | **1.74** |
| 10 years | 0.81 | **1.00** | 2.27 | **2.19** |

In measuring derivative financial instruments, counterparty credit risk is taken into account with an adjustment to the fair values concerned, determined on the basis of credit risk premiums. The adjustment relating to fiscal 2015 amounts to 0 million euros (previous year: 2 million euros). The addition is recognized in profit or loss under financial result.

Depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value).

Most of the forward exchange contracts serve to hedge risks arising from trade accounts receivable and payable, and those pertaining to Group financing.

*Fair value hedges:* A fair value hedge hedges the fair value of recognized assets and liabilities. The change in the fair value of the derivatives and the change in the fair value of the underlying relating to the hedged risk are simultaneously recognized in profit or loss.

Receiver interest rate swaps were used to hedge the fair value risk of the hybrid bond issued by Henkel AG & Co KGaA. They expired when the hybrid bond was redeemed in November 2015.

The following table provides an overview of the gains and losses arising from fair value hedges (valuation allowance made for the counterparty credit risk not included):

## Gains and losses from fair value hedges

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| in million euros | 2014 | 2015 |
|---|---|---|
| Gains (+) / losses (–) from hedged items | 45 | **43** |
| Gains (+) / losses (–) from hedging instruments | – 50 | **– 45** |
| **Net** | **– 5** | **– 2** |

*Cash flow hedges:* A cash flow hedge hedges fluctuations in future cash flows from recognized assets and liabilities, and also transactions that are either planned or highly probable, or firmly contracted unrecognized financial commitments, from which an interest-rate or currency risk arises. The effective portion of a cash flow hedge is recognized in the hedge reserve in equity. The ineffective portion arising from the change in value of the hedging instrument is recognized through profit or loss in the financial result or operating profit, depending on the item hedged. The gains and losses recorded in equity are subsequently recognized through profit or loss in the period in which the results are affected by the hedged transaction.

### Cash flow hedges (after tax) 137

| in million euros | Initial balance | Addition (recognized in equity) | Disposal (recognized through profit or loss) | End balance |
|---|---|---|---|---|
| **2015** | **– 202** | **1** | **– 14** | **– 215** |
| 2014 | – 217 | 11 | 4 | **– 202** |

The initial value of the cash flow hedges recognized in equity reflects firstly the fair values of the payer interest swaps that were used to hedge the cash flow risks of the floating-interest US dollar liabilities at Henkel of America, Inc. and expired in 2014. Secondly, it relates to currency hedges for acquisitions transacted in previous years. Further amounts are related to the purchase of Colgate-Palmolive Company's detergent business in Australia and New Zealand, and to the acquisition of the hairstyling business and the associated brands of Industrias Wet Line S.A. de C.V. in Latin America, completed during the reporting period.

An addition of 6 million euros after tax relates to currency hedges of planned inventory purchases against fluctuations in spot rates. Of the gains recognized in equity, 14 million euros were reclassified to operating profit in the reporting period. The positive and negative fair values of the derivatives contracted as a currency hedge of planned inventory purchases amounted to 12 million and –10 million euros respectively. The cash flows from the currency derivatives and the cash flows from the hedged inventory purchases are expected to occur and affect profit or loss in the next fiscal year.

A further addition of –5 million euros results from the currency hedge for the purchase of Colgate-Palmolive Company's detergent business in Australia and New Zealand (–6 million euros), and for the acquisition of the hairstyling business and the associated brands of Industrias Wet Line S.A. de C.V. in Latin America (1 million euros). The hedged cash flows relating to the acquisitions made will only be recognized in operating profit with disposal or in the event of an impairment loss on the hedged items. In the fiscal year under review, ineffective portions amounting to less than 1 million euros (as in the previous year) were recognized in profit or loss under financial result.

*Hedges of a net investment in a foreign entity:* The accounting treatment of hedges of a net investment in a foreign entity against translation risk is similar to that applied to cash flow hedges. The gain or loss arising from the effective portion of the hedging instrument is recognized in equity through other comprehensive income; the gain or loss of the ineffective portion is recognized directly through profit or loss. The gains or losses recognized directly in equity remain there until disposal or partial disposal of the net investment.

The items recognized in equity relate essentially to translation risks arising from net investments in Swiss francs and US dollars for which the associated hedges were entered into and settled in previous years.

The addition of –4 million euros relates to hedges of net investments contracted and settled in the past fiscal year in Chinese yuan and Russian rubles. The ineffective portions recognized through profit or loss in the financial result amounted to less than 1 million euros. We made no transfers from equity to profit or loss in the course of the year.

### Hedges of a net investment in a foreign entity (after tax) 138

| in million euros | Initial balance | Addition (recognized in equity) | Disposal (recognized through profit or loss) | End balance |
|---|---|---|---|---|
| **2015** | **35** | **– 4** | **–** | **31** |
| 2014 | 35 | – | – | 35 |

### Risks arising from financial instruments, and risk management

As a globally active corporation, Henkel is exposed in the course of its ordinary business operations to credit risks, liquidity risks and market risks (currency translation, interest rate and commodity price risks). The purpose of financial risk management is to restrict the exposure arising from operating activities through the use of selective derivative and non-derivative hedges. Henkel uses derivative financial instruments exclusively for the purposes of risk management. Without these instruments, Henkel would be exposed to higher financial risks. Changes in exchange rates, interest rates or commodity prices can lead to significant fluctuations in the fair values of the derivatives used. These variations in fair value should not be regarded in isolation from the hedged items, as derivatives and the underlying constitute a unit in terms of countervailing fluctuations.

Management of currency, interest rate and liquidity risks is based on the treasury guidelines introduced by the Management Board, which are binding on the entire corporation. They define the targets, principles and competences of the Corporate Treasury organizational unit. These guidelines describe the fields of responsibility and establish the distribution of these responsibilities between Corporate Treasury and Henkel's subsidiaries. The Management Board is regularly and comprehensively informed of all major risks and of all relevant hedging transactions and arrangements. A description of the objectives and fundamental principles adopted in capital management can be found in the combined management report on pages 74 and 75. There were no major risk clusters in the reporting period.

### Credit risk

In the course of its business activities with third parties, the Henkel Group is exposed to global credit risk arising from both its operating business and its financial investments. This risk derives from the possibility of a contractual party not fulfilling its obligations.

The maximum credit risk is represented by the carrying value of the financial assets recognized in the statement of financial position (excluding financial investments recognized using the equity method), as indicated in the following table:

#### Maximum risk position

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| in million euros | 2014 | 2015 |
|---|---|---|
| Trade accounts receivable | 2,747 | **2,944** |
| Derivative financial instruments not included in a designated hedging relationship | 23 | **60** |
| Derivative financial instruments included in a designated hedging relationship | 65 | **12** |
| Other financial assets | 697 | **519** |
| Cash and cash equivalents | 1,228 | **1,176** |
| **Total carrying values** | **4,760** | **4,711** |

In its operating business, Henkel is confronted by progressive concentration and consolidation on the customer side, as reflected in the receivables from individual customers.

A credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. We also monitor our key customer relationships at the regional and global level. In addition, safeguarding measures are implemented on a selective basis for particular countries and customers inside and outside the eurozone.

Collateral received and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in the export business, and guarantees, warranties, and cover notes.

We make valuation allowances with respect to financial assets so that the assets are recognized at their fair value at the reporting date. In the case of impairment losses that have already occurred but have not yet been identified, we make global valuation allowances on the basis of empirical evidence, taking into account the overdue structure of the trade accounts receivable. As a rule, the impairment test on loans and receivables that are more than 180 days overdue results in a valuation allowance of 100 percent.

The decision as to whether a credit risk is accounted for through a valuation allowance account or by derecognition of the impaired receivable depends upon the probability of incurring a loss. For accounts receivable classified as irrecoverable, we report the credit risk directly through derecognition of the impaired item or entry of the relevant amount in the valuation allowance account. If the basis for the original impairment is eliminated, we recognize a reversal through profit or loss.

In all, we recognized valuation allowances on loans and receivables in 2015 in the amount of 21 million euros (previous year: 20 million euros).

The carrying amount of loans and receivables, the term of which was renegotiated because they would have otherwise fallen overdue or been impaired, was 0 million euros (previous year: 0 million euros).

Based on our experience, we do not expect the necessity for any further valuation allowances, other than those described above, on non-overdue, non-impaired financial assets.

### Age analysis of non-impaired overdue loans and receivables

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| Analysis<br>in million euros | Less than 30 days | 30 to 60 days | 61 to 90 days | More than 91 days | Total |
|---|---|---|---|---|---|
| **At December 31, 2015** | **194** | **67** | **32** | **6** | **299** |
| At December 31, 2014 | 173 | 64 | 27 | 2 | **266** |

Credit risks also arise from financial investments such as cash at banks, securities and the positive fair value of derivatives. Such exposure is limited by our Corporate Treasury specialists through the selection of counterparties with strong credit ratings, and limitations on the amounts allocated to individual investments. In financial investments and derivatives trading with German and international banks, we only enter into transactions with counterparties of high financial standing. We invest exclusively in securities from issuers with an investment grade rating. Our cash deposits can be liquidated at short notice. Our financial investments are broadly diversified across various counterparties and various financial assets. To minimize the credit risk, we agree netting arrangements to offset bilateral receivables and obligations with counterparties. We additionally enter into collateral agreements with selected banks, on the basis of which reciprocal sureties are established twice a month to secure the fair values of contracted derivatives and other claims and obligations. The netting arrangements only provide for a contingent right to offset transactions conducted with a contractual party. Accordingly, associated amounts can be offset only under certain circumstances, such as the insolvency of one of the contractual parties. Thus, the netting arrangements do not meet the offsetting criteria under IAS 32 “Financial Instruments: Presentation.” The following table provides an overview of financial assets and financial liabilities from derivatives that are subject to netting, collateral, or similar arrangements:

### Financial assets and financial liabilities from derivatives subject to netting, collateral, or similar arrangements

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| At December 31<br>in million euros | Gross amount recognized in the statement of financial position [1] | | Amount eligible for offsetting | | Financial collateral received / provided | | Net amount | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Financial assets | 90 | **72** | 26 | **35** | 19 | **35** | 45 | **2** |
| Financial liabilities | 43 | **44** | 26 | **35** | 11 | **10** | 6 | **– 1** |

[1] Fair values excluding valuation allowance of 0 million euros made for counterparty credit risk (previous year: 2 million euros).

In addition to netting and collateral arrangements, investment limits are set, based on the ratings of the counterparties, in order to minimize credit risk. These limits are monitored and adjusted regularly. When determining the limits, we also apply certain other indicators, such as the pricing of credit default swaps (CDS) by banks. A valuation allowance of 0 million euros exists to cover the remaining credit risk from the positive fair values of derivatives (previous year: 2 million euros).

### Liquidity risk

Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time.

We minimize this risk by deploying financing instruments in the form of issued bonds and commercial paper. With the help of our existing debt issuance program in the amount of 6 billion euros, this is also possible on a short-term and flexible basis. In order to ensure the financial flexibility of Henkel at any time, the liquidity within the Group is extensively centralized and managed through the use of cash pools. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to procure liquid funds. In addition, the Henkel Group has at its disposal confirmed credit lines of 1.5 billion euros. These credit lines have terms until 2019. The individual subsidiaries additionally have at their disposal committed bilateral loans of 0.1 billion euros with a revolving term of up to one year. Our credit rating is regularly assessed by the rating agencies Standard & Poor's and Moody's.

Our liquidity risk can therefore be regarded as very low.

The maturity structure of the original and derivative financial liabilities within the scope of International Financial Reporting Standard (IFRS) 7 based on cash flows is shown in the following table.

### Cash flows from financial liabilities

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| in million euros | December 31, 2014 Carrying amounts | Remaining term Up to 1 year | Remaining term Between 1 and 5 years | Remaining term More than 5 years | December 31, 2014 Total cash flow |
|---|---|---|---|---|---|
| Bonds [1] | **1,349** | 70 | – | 1,300 | **1,370** |
| Commercial paper [2] | **288** | 288 | – | – | **288** |
| Liabilities to banks | **104** | 96 | 9 | – | **105** |
| Trade accounts payable | **3,046** | 3,046 | – | – | **3,046** |
| Sundry financial instruments [3] | **78** | 74 | 1 | 3 | **78** |
| **Original financial instruments** | **4,865** | **3,574** | **10** | **1,303** | **4,887** |
| **Derivative financial instruments** | **43** | **40** | **3** | **–** | **43** |
| **Total** | **4,908** | **3,614** | **13** | **1,303** | **4,930** |

[1] Cash flows from the hybrid bond issued in 2005 are indicated up to November 25, 2015, which was the first possible date on which Henkel could redeem the bond.
[2] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[3] Sundry financial instruments include amounts due to customers, and finance bills.

### Cash flows from financial liabilities

143

| in million euros | December 31, 2015 Carrying amounts | Remaining term Up to 1 year | Remaining term Between 1 and 5 years | Remaining term More than 5 years | December 31, 2015 Total cash flow |
|---|---|---|---|---|---|
| Bonds | **–** | – | – | – | **–** |
| Commercial paper [1] | **811** | 811 | – | – | **811** |
| Liabilities to banks | **69** | 70 | – | – | **70** |
| Trade accounts payable | **3,176** | 3,176 | – | – | **3,176** |
| Sundry financial instruments [2] | **70** | 65 | 1 | 4 | **70** |
| **Original financial instruments** | **4,126** | **4,122** | **1** | **4** | **4,127** |
| **Derivative financial instruments** | **44** | **44** | **–** | **–** | **44** |
| **Total** | **4,170** | **4,166** | **1** | **4** | **4,171** |

[1] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[2] Sundry financial instruments include amounts due to customers, and finance bills.

### Market risk

Market risk exists where the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. Market risks primarily take the form of currency risk, interest rate risk and various price risks (particularly the commodity price risk).

The Corporate Treasury department manages currency exposure and interest rates centrally for the Group and is therefore responsible for all transactions with financial derivatives and other financial instruments. Trading, Treasury Controlling and Settlement (front, middle and back offices) are separated both physically and in terms of organization. The parties to the contracts are German and international banks which Henkel monitors regularly, in accordance with Corporate Treasury guidelines, for creditworthiness and the quality of their quotations. Financial derivatives are used to manage currency exposure and interest rate risks in connection with operating activities and the resultant financing requirements, again in accordance with the Corporate Treasury guidelines. Financial derivatives are entered into solely for hedging purposes.

The currency and interest rate risk management of the Group is supported by an integrated treasury system which is used to identify, measure and analyze the Group's currency exposure and interest rate risks. In this context, "integrated" means that the entire process from the conclusion of financial transactions to their entry in the accounts is covered. Much of the currency trading takes place on internet-based, multibank dealing platforms. These foreign currency transactions are automatically transferred into the treasury system. The currency exposure and interest rate risks reported by all subsidiaries under standardized reporting procedures are integrated into the treasury system by data transfer. As a result, it is possible to retrieve and measure at any time all currency and interest rate risks across the Group and all derivatives entered into to hedge the exposure to these risks. The treasury system supports the use of various risk concepts.

Market risk is monitored on the basis of sensitivity analyses and value-at-risk computations. Sensitivity analyses enable estimation of potential losses, future gains, fair values or cash flows of instruments susceptible to market risks arising from one or several selected hypothetical changes in foreign exchange rates, interest rates, commodity prices or other relevant market rates or prices over a specific period. We use sensitivity analyses in the Henkel Group because they enable reasonable risk assessments to be made on the basis of direct assumptions (e.g. an increase in interest rates). Value-at-risk computations reveal the maximum potential future loss of a certain portfolio over a given period based on a specified probability level.

### Currency risk

The global nature of our business activities results in a huge number of cash flows in different currencies. The resultant currency exposure breaks down into two categories, namely transaction and translation risks.

Transaction risks arise from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. The hedging of the resultant exchange rate risks forms a major part of our central risk management activity. Transaction risks arising from our operating business are partially avoided by the fact that we largely manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Corporate Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of our currency hedging is to fix prices based on hedging rates so that we are protected from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk arising from major financial payables and receivables is, for the most part, hedged. In order to manage these risks, we primarily utilize forward exchange contracts and currency swaps. The derivatives are designated as cash flow hedges or "Held for trading" and measured accordingly. The currency risk that exists within the Group in the form of transaction risk initially affects equity in the case of cash flow hedges, while all changes in the value of derivatives designated as "Held for trading" are recognized directly in income.

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2015 amounted to 102 million euros after hedging (previous year: 215 million euros). The value-at-risk shows the maximum expected risk of loss in a year as a result of currency fluctuations. Starting in fiscal 2013, our value-at-risk analysis has been extended to one year in our internal risk reports as it provides a more comprehensive representation of the risk associated with a fiscal year. The risk arises from imports and exports by Henkel AG & Co. KGaA and its foreign subsidiaries. Due to the international nature of its activities, the Henkel Group has a portfolio with more than 50 different currencies. The following table shows the value-at-risk for Henkel's major currencies.

## Currency exposure[1]

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| in million euros | 2014 | 2015 |
|---|---|---|
| Russian ruble | 115 | **23** |
| Turkish lira | 22 | **7** |
| Mexican peso | 14 | **4** |
| Brazilian real | 13 | **4** |
| Indian rupee | 8 | **9** |
| US dollar | –7 | **–4** |
| Other currencies | 50 | **59** |
| | **215** | **102** |

[1] Transaction risk.

The value-at-risk analysis assumes a time horizon of one year and a unilateral confidence interval of 95 percent. We adopt the variance-covariance approach as our basis for calculation. Volatilities and correlations are determined using historical data. The value-at-risk analysis is based on the operating book positions and budgeted positions in foreign currency, normally with a forecasting horizon of nine months.

Translation risks emanate from changes caused by foreign exchange fluctuations to items on the statement of financial position and the income statement of a subsidiary, and the effect these changes have on the translation of individual company financial statements into Group currency. However, unlike transaction risk, translation risk does not necessarily impact future cash flows. The Group's equity reflects the changes in carrying values resulting from foreign exchange influences. The risks arising from the translation of the earnings results of subsidiaries in foreign currencies and from net investments in foreign entities are only hedged in exceptional cases.

### Interest rate risk

The interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. In the case of fixed-interest financial instruments, changing capital market interest rates result in a fair value risk, as the attributable fair values fluctuate depending on capital market interest rates. In the case of floating-interest financial instruments, a cash flow risk exists because the interest payments may be subject to future fluctuations.

The Henkel Group obtains and invests the majority of the cash it requires from and in the international money and capital markets. The resulting financial liabilities and our cash deposits may be exposed to the risk of changes in interest rates. The aim of our centralized interest rate management system is to manage this risk through our choice of interest commitments and the use of derivative financial instruments. Only those derivative financial instruments that can be modeled, monitored and assessed in the risk management system may be used to hedge the interest rate risk.

Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the commercial paper issued to secure Group liquidity, the securities and time deposits used for cash investments, and the other financial instruments. The financial instruments exposed to interest rate risk are primarily denominated in euros and US dollars.

Depending on forecasts with respect to interest rate developments, Henkel enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure. The coupon interest on the euro-denominated hybrid bond issued by Henkel was converted from fixed to floating through interest rate swaps until the bond was repaid on November 25, 2015. In the event of an expected rise in interest rate levels, Henkel protects its positions by transacting additional interest rate derivatives as an effective means of guarding against interest rates rising over the short term. A major portion of the financing in US dollars has been converted from floating to fixed interest rates through interest rate swaps. This interest fixing expired at the end of the first quarter 2015. Since that time, the net interest position has been entirely floating.

Our exposure to interest rate risk at the reporting dates was as follows:

## Interest rate exposure

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| | Carrying amounts | |
|---|---|---|
| in million euros | 2014 | 2015 |
| Fixed-interest financial instruments | | |
| Euro | – | **–** |
| US dollar | – | **–** |
| Others | – | **–** |
| | – | **–** |
| | | |
| Floating-interest financial instruments | | |
| Euro | 252 | **254** |
| US dollar | –1,398 | **–1,036** |
| Chinese yuan | 502 | **474** |
| Russian ruble | 59 | **16** |
| Others | 432 | **627** |
| | –153 | **335** |

The calculation of the interest rate risk is based on sensitivity analyses. The analysis of cash flow risk examines all the main floating-interest financial instruments as of the reporting date. Net debt is defined as borrowings less cash and cash equivalents and readily monetizable financial instruments classified as "Available for sale" or according to the "Fair value option," less positive and plus negative fair values of hedging transactions. The interest rate risk figures shown in the table are based on this calculation at the relevant reporting date. When analyzing fair value risk, we assume a parallel shift in the interest curve of 100 basis points and calculate the hypothetical loss or gain of the relevant interest rate derivatives at the reporting date.

The risk of interest rate fluctuations with respect to the earnings of the Henkel Group is shown in the basis point value (BPV) analysis in the following table.

## Interest rate risk

146

| in million euros | 2014 | 2015 |
|---|---|---|
| Based on an interest rate change of 100 basis points | 2 | **–3** |
| of which: | | |
| Cash flow through profit or loss | 2 | **–3** |
| Fair value recognized in equity through comprehensive income | – | **–** |

### Other price risks (commodity price risk)

Uncertainty with respect to commodity price development impacts the Group. Purchase prices for raw materials can affect the net assets, financial position and results of operations of Henkel. The risk management strategy put in place by the Group management for safeguarding against procurement market risk is described in more detail in the risk and opportunities report on pages 108 and 109.

As a small part of the risk management strategy, cash-settled commodity futures may be entered into on the basis of forecasted purchasing requirements in order to hedge future uncertainties with respect to commodity prices. Cash-settled commodity derivatives are only used at Henkel where there is a direct relationship between the hedging derivative and the physical underlying. Henkel does not practice hedge accounting and can therefore be exposed to temporary price risks when holding commodity derivatives. Such price risks arise due to the fact that the commodity derivatives are measured at fair value whereas the purchasing requirement, as a pending transaction, is not measured or recognized. This can lead to losses being recognized in profit or loss and equity. Developments in fair values and the resultant risks are continuously monitored.

# Notes to the consolidated statement of income

## 22 Sales and principles of income recognition

Sales increased year on year to 18,089 million euros. Revenues and their development by business unit and region are summarized in the Group segment report and in the key financials by region on pages 123 and 124. A detailed explanation of the development of major income and expense items can be found in the combined management report on pages 67 to 71.

Sales comprise sales of goods and services less direct sales deductions such as customer-related rebates, credits and other benefits paid or granted. Sales are recognized once the goods have been delivered or the service has been performed. In the case of goods, this coincides with the physical delivery and so-called transfer of risks and rewards. Henkel uses different terms of delivery that contractually determine the transfer of risks and rewards. It must also be probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred with respect to the transaction must be reliably measurable.

Services are generally provided in conjunction with the sale of goods, and recorded once the service has been performed. No sale is recognized if there are significant risks relating to the receipt of the consideration or it is likely that the goods will be returned.

Interest income is recognized on a time-proportion basis that takes into account the effective yield on the asset and the interest rate in force. Dividend income from investments is recognized when the shareholders' right to receive payment is legally established.

## 23 Cost of sales

The cost of sales increased from 8,712 million euros to 9,368 million euros.

Cost of sales comprises the cost of products and services sold and the purchase cost of merchandise sold. It consists of the directly attributable cost of materials and primary production cost, as well as indirect production overheads including the production-related amortization/depreciation and impairment of intangible assets and property, plant and equipment.

## 24 Marketing, selling and distribution expenses

Marketing, selling and distribution expenses amounted to 4,608 million euros (previous year: 4,151 million euros).

In addition to marketing organization and distribution expenses, this item comprises, in particular, advertising, sales promotion and market research expenses. Also included here are the expenses of technical advisory services for customers, valuation allowances on trade accounts receivable and valuation allowances and impairment losses on trademarks and other rights.

## 25 Research and development expenses

Research and development expenses increased year on year to 478 million euros. Expenditures directly attributable to research and development activities amounted to 464 million euros (previous year: 410 million euros).

The capitalization of research expenses is not permitted. Development expenditures are recognized as an asset if all the criteria for recognition are met, the research phase can be clearly distinguished from the development phase, and the expenditures can be attributed to distinct project phases. Currently, the criteria set out in International Accounting Standard (IAS) 38 “Intangible Assets” for recognizing development expenditures are not all met in regard to product and technology developments, due to a high level of interdependence within these developments and the difficulty of assessing which products will eventually be marketable.

## 26 Administrative expenses

Administrative expenses amounted to 1,012 million euros (previous year: 852 million euros).

Administrative expenses include personnel and material costs relating to the Group management, Human Resources, Purchasing, Accounting and IT functions, as well as the costs of managing and administering the business units.

## 27 Other operating income

### Other operating income

147

| in million euros | 2014 | 2015 |
|---|---|---|
| Release of provisions[1] | 10 | **11** |
| Gains on disposal of non-current assets | 7 | **34** |
| Insurance claim payouts | 4 | **4** |
| Write-ups of non-current assets | – | **1** |
| Payments on derecognized receivables | – | **2** |
| Impairment reversal on assets held for sale | 25 | **–** |
| Sundry operating income | 63 | **75** |
| **Total** | **109** | **127** |

[1] Including income from the release of provisions for pension obligations (curtailment gains) of 2 million euros in 2015 (2014: 2 million euros).

The increased income from non-current assets is primarily attributable to gains on disposal of assets held for sale. For details, please refer to Note 9 on page 141 referring to assets and liabilities held for sale. Sundry operating income relates to a number of individual items arising from ordinary operating activities, such as grants and subsidies, tax refunds for indirect taxes, and similar income. The figure also includes income of 15 million euros pertaining to performance-related purchase price components in connection with the acquisition of a non-controlling interest in OOO Henkel Bautechnik, which was completed in 2013.

## 28 Other operating charges

### Other operating charges

148

| in million euros | 2014 | 2015 |
|---|---|---|
| Losses on disposal of non-current assets | – 6 | **– 8** |
| Severance payments | – | **– 1** |
| Impairment on assets held for sale | – | **–** |
| Impairment on other assets | – | **–** |
| Sundry operating expenses | – 159 | **– 96** |
| **Total** | **– 165** | **– 105** |

Sundry operating expenses include a number of individual items arising from ordinary operating activities, such as fees, provisions for litigation and third party claims, incidental acquisition costs, sundry taxes, and similar expenses. The figure also includes an expense of 14 million euros relating to remediation obligations.

## 29 Financial result

### Financial result

149

| in million euros | 2014 | 2015 |
|---|---|---|
| Interest result | – 9 | **– 17** |
| Other financial result | – 46 | **– 24** |
| Investment result | 6 | **– 1** |
| **Total** | **– 49** | **– 42** |

### Interest result

150

| in million euros | 2014 | 2015 |
|---|---|---|
| Interest and similar income from third parties[1] | 39 | **28** |
| Interest to third parties[1] | – 48 | **– 45** |
| **Total** | **– 9** | **– 17** |

[1] Including interest income and interest expense, both in the amount of 26 million euros in 2015 (2014: 31 million euros), with respect to mutually offset deposits and liabilities to banks, reported on a net basis.

### Other financial result

151

| in million euros | 2014 | 2015 |
|---|---|---|
| Interest expense for pension obligations | – 24 | **– 27** |
| Interest income on plan assets | – | **–** |
| Interest income on reimbursement rights (IAS 19) | 5 | **5** |
| Other financial charges | – 154 | **– 71** |
| Other financial income | 127 | **69** |
| **Total** | **– 46** | **– 24** |

Other financial charges include –60 million euros (previous year: –118 million euros) from currency losses. Other financial income includes 63 million euros (previous year: 114 million euros) for currency gains. Please see page 159 of the financial instruments report for information on the net results of the valuation categories under International Financial Reporting Standard (IFRS) 7 and the reconciliation to financial result.

### Investment result

The investment result includes 2 million euros for expenses from the valuation of companies that are recognized using the equity method (2014: 0 million euros).

## 30 Taxes on income

Income tax expense/income breaks down as follows:

### Income before tax and analysis of taxes

152

| in million euros | 2014 | 2015 |
|---|---|---|
| **Income before tax** | **2,195** | **2,603** |
| Current taxes | 579 | **708** |
| Deferred taxes | – 46 | **– 73** |
| **Taxes on income** | **533** | **635** |
| Tax rate in percent | 24.3 % | **24.4 %** |

### Main components of tax expense and income

153

| in million euros | 2014 | 2015 |
|---|---|---|
| Current tax expense/income in the reporting year | 601 | **688** |
| Current tax adjustments for prior years | – 22 | **20** |
| Deferred tax expense/income from temporary differences | – 34 | **– 77** |
| Deferred tax income from unused tax losses | – 5 | **– 13** |
| Deferred tax expense from tax credits | 4 | **2** |
| Deferred tax expense/income from changes in tax rates | 3 | **– 4** |
| Increase/decrease in valuation allowances on deferred tax assets | – 14 | **19** |

### Deferred tax expense by items on the statement of financial position

154

| in million euros | 2014 | 2015 |
|---|---|---|
| Intangible assets | – 126 | **– 140** |
| Property, plant and equipment | – | **– 8** |
| Financial assets | 73 | **82** |
| Inventories | – 8 | **– 9** |
| Other receivables and other assets | 3 | **– 17** |
| Special tax items | – 3 | **– 2** |
| Provisions | 31 | **1** |
| Liabilities | – 1 | **8** |
| Tax credits | 4 | **2** |
| Unused tax losses | – 5 | **– 9** |
| Valuation allowances | – 14 | **19** |
| **Financial statement figures** | **– 46** | **– 73** |

We have summarized the individual company reports – prepared on the basis of the tax rates applicable in each country and taking into account consolidation procedures – in the statement below, showing how the expected tax charge, based on the tax rate applicable to Henkel AG & Co. KGaA of 31 percent, is reconciled to the effective tax charge disclosed.

### Tax reconciliation statement

155

| in million euros | 2014 | 2015 |
|---|---|---|
| Income before taxes | 2,195 | **2,603** |
| Tax rate (including trade tax) of Henkel AG & Co. KGaA | 31 % | **31 %** |
| **Expected tax charge** | **680** | **807** |
| Tax reductions due to differing tax rates abroad | – 91 | **– 100** |
| Tax increases/reductions for prior years | 20 | **– 2** |
| Tax increases/reductions due to changes in tax rates | 3 | **– 4** |
| Tax increases/reductions due to the recognition of deferred tax assets relating to unused tax losses and temporary differences | – 14 | **19** |
| Tax reductions due to tax-free income and other items | – 186 | **– 216** |
| Tax increases/reductions arising from additions and deductions for local taxes | 13 | **4** |
| Tax increases due to withholding taxes | 24 | **43** |
| Tax increases due to non-deductible expenses | 84 | **84** |
| **Tax charge disclosed** | **533** | **635** |
| **Tax rate** | **24.3 %** | **24.4 %** |

Deferred taxes are calculated on the basis of tax rates that apply in the individual countries at the year-end date or which have already been legally decided. In Germany, there is a uniform corporate income tax rate of 15 percent plus a solidarity surcharge of 5.5 percent. After taking into account trade tax, this yields an overall tax rate of 31 percent.

Deferred tax assets and liabilities are netted where they involve the same tax authority and the same tax creditor.

The deferred tax assets and liabilities stated on the reporting date relate to the following items of the consolidated statement of financial position, unused tax losses and tax credits:

## Allocation of deferred taxes

156

| in million euros | Deferred tax assets December 31, 2014 | Deferred tax assets December 31, 2015 | Deferred tax liabilities December 31, 2014 | Deferred tax liabilities December 31, 2015 |
|---|---|---|---|---|
| Intangible assets | 269 | **341** | 750 | **749** |
| Property, plant and equipment | 18 | **16** | 82 | **75** |
| Financial assets | 1 | **1** | 83 | **167** |
| Inventories | 43 | **50** | 5 | **1** |
| Other receivables and other assets | 32 | **39** | 46 | **37** |
| Special tax items | – | **–** | 37 | **35** |
| Provisions | 755 | **704** | 12 | **26** |
| Liabilities | 70 | **58** | 6 | **7** |
| Tax credits | 5 | **3** | – | **–** |
| Unused tax losses | 60 | **60** | – | **–** |
| Amounts netted | – 393 | **– 427** | – 393 | **– 427** |
| Valuation allowances | – 22 | **– 29** | – | **–** |
| **Financial statement figures** | **838** | **816** | **628** | **670** |

The deferred tax assets of 704 million euros (previous year: 755 million euros) relating to provisions in the financial statement result primarily from recognition and measurement differences with respect to pension obligations. The deferred tax liabilities of 749 million euros (previous year: 750 million euros) relating to intangible assets are mainly attributable to business combinations such as the acquisition of the National Starch businesses in 2008 and of Spotless Group SAS in 2014.

An excess of deferred tax assets is only recognized insofar as it is likely that the company concerned will achieve sufficiently positive taxable profits in the future against which the deductible temporary differences can be offset and tax loss carry-forwards can be used. Deferred taxes have not been recognized with respect to unused tax losses of 146 million euros (previous year: 126 million euros), as it is not sufficiently probable that taxable gains or benefits will be available against which they may be utilized. Of these tax losses carried forward, 62 million euros (previous year: 60 million euros) expire after more than three years. State taxes relating to our US subsidiaries account for 53 million euros (previous year: 48 million euros) of these unused tax losses (tax rate: around 2 percent). Of the tax losses carried forward, 76 million euros are non-expiring (previous year: 64 million euros). Deferred tax liabilities of 42 million euros (previous year: 12 million euros) relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings will be distributed in 2016.

We have summarized the expiry dates of unused tax losses and tax credits in the following table, which includes unused tax losses arising from losses on the disposal of assets of 10 million euros (previous year: 10 million euros) which may be carried forward without restriction. In addition to the unused tax losses listed in the table, an interest expense of 8 million euros (previous year: 16 million euros) is available which may be carried forward in full with no expiration.

## Expiry dates of unused tax losses and tax credits

157

| in million euros | Unused tax losses December 31, 2014 | Unused tax losses December 31, 2015 | Tax credits December 31, 2014 | Tax credits December 31, 2015 |
|---|---|---|---|---|
| Expire within | | | | |
| 1 year | 8 | **3** | 2 | **1** |
| 2 years | 10 | **3** | – | **–** |
| 3 years | 13 | **6** | 1 | **–** |
| more than 3 years | 145 | **180** | 2 | **2** |
| May be carried forward without restriction | 109 | **103** | – | **–** |
| **Total** | **285** | **295** | **5** | **3** |

In many countries, different tax rates apply to losses on the disposal of assets than to operating profits, and in some cases losses on the disposal of assets may only be offset against gains on the disposal of assets.

Of unused tax losses expiring beyond three years, 91 million euros (previous year: 91 million euros) relate to loss carry-forwards of US subsidiaries with respect to state taxes.

Equity-decreasing deferred taxes of 82 million euros were recognized (previous year: equity-increasing amount of 123 million euros). Within this figure, an expense of 88 million euros (previous year: income of 127 million euros) results from actuarial gains and losses on pension obligations, while income of 4 million euros (previous year: expense of 4 million euros) results from gains and losses on cash flow hedges and income of 2 million euros (previous year: 0 million euros) from hedges of net investments.

## 31 Non-controlling interests

The amount shown here represents the proportion of net income and losses attributable to other shareholders of consolidated affiliated companies.

Their share of net income was 49 million euros (previous year: 36 million euros) and that of losses was 2 million euros (previous year: 2 million euros).

The non-controlling interests included in the Henkel Group at the end of fiscal 2015 had no material impact on our net assets, financial position and results of operations. The Group has no joint operations or unconsolidated structured entities.

# Other disclosures

## 32 Reconciliation of adjusted net income

### Adjusted net income

158

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| **Adjusted EBIT** | 2,588 | **2,923** |
| Financial result | – 49 | **– 42** |
| Taxes on income (adjusted) | – 609 | **– 720** |
| **Adjusted net income** | 1,930 | **2,161** |
| Attributable to non-controlling interests | 34 | **49** |
| Attributable to shareholders of Henkel AG & Co. KGaA | 1,896 | **2,112** |

## 33 Payroll cost and employee structure

### Payroll cost [1]

159

| in million euros | 2014 | 2015 |
|---|---|---|
| Wages and salaries | 2,073 | **2,464** |
| Social security contributions and staff welfare costs | 372 | **404** |
| Pension costs | 153 | **179** |
| **Total** | **2,598** | **3,047** |

[1] Excluding personnel-related restructuring charges of 104 million euros (previous year: 105 million euros).

### Number of employees per function [1]

160

| | 2014 | 2015 |
|---|---|---|
| Production and engineering | 23,000 | **25,400** |
| Marketing, selling and distribution | 15,200 | **14,650** |
| Research and development | 2,650 | **2,800** |
| Administration | 6,950 | **7,000** |
| **Total** | **47,800** | **49,850** |

[1] Annual average headcount: full-time employees, excluding apprentices and trainees, work experience students and interns; figures rounded.

## 34 Share-based payment plans

### Global Cash Performance Units Plan (Global CPU Plan) 2004 – 2012

Since the end of the Stock Incentive Plan in 2004, those eligible for that plan, the senior executive personnel of the Henkel Group (excluding members of the Management Board), have been part of the Global CPU Plan, which enables them to participate in any increase in the price of the Henkel preferred share. Cash Performance Units (CPUs) are awarded on the basis of the level of achievement of certain defined targets. They grant the beneficiary the right to receive a cash payment at a fixed point in time. Until 2012, the CPUs were granted on condition that the member of the Plan was employed for three years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify to participate and that he or she was not under notice during that period. This minimum period of employment pertained to the calendar year in which the CPUs were granted and the two subsequent calendar years.

The number of CPUs granted depends not only on the hierarchy level of the officer but also on the achievement of set target figures. For the cycles up to 2012, these targets were operating profit (EBIT) and net income attributable to shareholders of Henkel AG & Co. KGaA. The value of a CPU in each case is the average price of the Henkel preferred share as quoted 20 stock exchange trading days after the Annual General Meeting following the performance period. An upper limit or cap is imposed in the event of extraordinary share price increases.

### Global Long Term Incentive Plan (Global LTI Plan) 2013

In fiscal 2013, the general terms and conditions of the Global CPU Plan 2004 were amended and replaced by the Global LTI Plan 2013, which is a share-based remuneration scheme with cash settlement. Since 2013, CPUs are granted on condition that the member of the Plan is employed for four years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify to participate and that he or she is not under notice during that period. This minimum period of employment pertains to the calendar year in which the CPUs are granted and the three subsequent calendar years. In addition, an Outperformance Reward, which awards CPUs based on the achievement of target figures established in advance, may be set at the beginning of a four-year medium-term plan.

The total value of the cash remuneration payable to senior management personnel is recalculated on each reporting date and on the settlement date, based on the fair value of the CPUs, and recognized through an appropriate increase in provisions as a payroll cost that is spread over the period of service by the beneficiary. All changes to the measurement of this provision are reported under payroll cost.

Due to the extension of the cycle, one tranche with a three-year term and another with a four-year term were issued in 2013. The number of CPUs granted depends not only on the seniority of the officer but also on the achievement of set target figures. For the cycles issued from 2013 onward, the target is based on growth in adjusted earnings per preferred share. The value of a CPU in each case is the average price of the Henkel preferred share as quoted 20 stock exchange trading days after the Annual General Meeting following the performance period. As of the reporting date, the calculation of the provision was based on a fair value of 103.20 euros (closing price of Henkel preferred shares on December 31, 2015) (previous year: 89.42 euros) per CPU. The overall payout of the long-term incentive is subject to a cap.

The ninth cycle, which was issued in 2012, became due for payment in 2015 (expense: 8.7 million euros). At December 31, 2015, the CPU Plan worldwide comprised 1,044,353 CPUs (previous year: 994,775 CPUs) from the tranches issued in 2013 (expense: 43.4 million euros), 542,998 CPUs (previous year: 533,553 CPUs) from the tranche issued in 2014 (expense: 16.4 million euros), and 673,099 CPUs from the tranche issued in the reporting year (expense: 17.4 million euros). The Outperformance Reward comprised 511,098 CPUs (expense: 15.9 million euros). This resulted in an additional expense in the reporting year of 101.8 million euros (previous year: 61.2 million euros). The corresponding provision amounted to 178.9 million euros (previous year: 123.2 million euros), of which 52.3 million euros (previous year: 37.5 million euros) is vested.

## 35 Group segment report

The format for reporting the activities of the Henkel Group by segment is by business unit and reportable segments; selected regional information is also provided. The segment report corresponds to the way in which the Group manages its operating business, and the Group's reporting structure.

### Reportable segments

#### Laundry & Home Care

This reportable segment covers the global activities of Henkel in laundry and home care branded consumer goods. The Laundry Care operating segment includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers and laundry care products. Our Home Care operating segment encompasses hand and automatic dishwashing products, cleaners for bathroom and WC applications, and household, glass and specialty cleaners. We also offer air fresheners and insect control products for household applications in selected regions.

#### Beauty Care

The Beauty Care reportable segment covers our globally active Branded Consumer Goods operating segment with Hair Care, Hair Colorants, Hair Styling, Body Care, Skin Care and Oral Care, as well as the professional Hair Salon operating segment.

#### Adhesives for Consumers, Craftsmen and Building

In the Adhesives for Consumers, Craftsmen and Building operating segment, we market a comprehensive range of brand-name products for private users, craftsmen and the construction industry. Based on our four international brand platforms, namely Loctite, Pritt, Pattex and Ceresit, we offer target group-aligned system solutions for applications in the household, schools and offices, for do-it-yourselfers and craftsmen, and also for the building industry.

#### Industrial Adhesives

The Industrial Adhesives reportable segment covers four operating segments: Packaging and Consumer Goods Adhesives, Transport and Metal, General Industry, and Electronics.

The Packaging and Consumer Goods Adhesives operating segment serves major international customers as well as medium- and small-sized manufacturers of the consumer goods and furniture industries. Our economies of scale allow us to offer attractive solutions for standard and volume applications.

The Transport and Metal operating segment serves major international customers in the automotive and metal-processing industries, offering tailor-made system solutions and specialized technical services that cover the entire value chain – from steel strip coating to final vehicle assembly.

In the General Industry operating segment, our customers comprise manufacturers from a multitude of industries, ranging from household appliance producers to the wind power industry. Our portfolio here encompasses Loctite products for industrial maintenance, repair and overhaul, a wide range of sealants and system solutions for surface treatment applications, and specialty adhesives.

Our Electronics operating segment offers customers from the worldwide electronics industry a broad spectrum of innovative high-technology adhesives and soldering materials for the manufacture of microchips and electronic assemblies.

**Principles of Group segment reporting**

In determining the segment results, assets and liabilities, we apply essentially the same principles of recognition and measurement as in the consolidated financial statements. We have valued net operating assets in foreign currencies at average exchange rates.

The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reporting as "adjusted EBIT." For this purpose, operating profit (EBIT) is adjusted for one-time charges and gains and also restructuring charges.

Of the restructuring charges, 66 million euros is attributable to the business unit Laundry & Home Care (previous year: 74 million euros), 43 million euros is attributable to Beauty Care (previous year: 64 million euros) and 77 million euros is attributable to Adhesive Technologies (previous year: 60 million euros).

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

Proceeds transferred between the segments only exist to a negligible extent and are therefore not separately disclosed.

Operating assets, provisions and liabilities are assigned to the segments in accordance with their usage or origin. Where usage or origin is attributable to several segments, allocation is effected on the basis of appropriate ratios and keys.

For regional and geographic analysis purposes, we allocate sales to countries on the basis of the country-of-origin principle, and non-current assets in accordance with the domicile of the international company to which they pertain.

## Reconciliation between net operating assets / capital employed and financial statement figures

161

| | Net operating assets | | Financial statement figures | Net operating assets | | Financial statement figures |
|---|---|---|---|---|---|---|
| in million euros | Annual average[1] 2014 | December 31, 2014 | December 31, 2014 | Annual average[1] 2015 | December 31, 2015 | December 31, 2015 |
| Goodwill at book value | 6,842 | 8,074 | 8,074 | 8,605 | 8,850 | **8,850** |
| Other intangible assets and property, plant and equipment (total) | 4,373 | 4,977 | 4,977 | 5,266 | 5,493 | **5,493** |
| Deferred taxes | – | – | 838 | – | – | **816** |
| Inventories | 1,700 | 1,671 | 1,671 | 1,836 | 1,721 | **1,721** |
| Trade accounts receivable from third parties | 2,763 | 2,747 | 2,747 | 3,171 | 2,944 | **2,944** |
| Intra-group accounts receivable | 764 | 880 | – | 1,018 | 1,246 | **–** |
| Other assets and tax refund claims[2] | 410 | 416 | 1,395 | 505 | 440 | **1,313** |
| Cash and cash equivalents | | | 1,228 | | | **1,176** |
| Assets held for sale | | | 31 | | | **10** |
| **Operating assets (gross) / Total assets** | **16,852** | **18,765** | **20,961** | **20,401** | **20,694** | **22,323** |
| Operating liabilities | 5,617 | 5,959 | – | 6,435 | 6,716 | **–** |
| of which: Trade accounts payable to third parties | 2,992 | 3,046 | 3,046 | 3,242 | 3,176 | **3,176** |
| Intra-group accounts payable | 764 | 880 | – | 1,018 | 1,246 | **–** |
| Other provisions and other liabilities[2] (financial and non-financial) | 1,861 | 2,033 | 2,292 | 2,175 | 2,294 | **2,437** |
| Net operating assets | 11,235 | 12,806 | – | 13,965 | 13,978 | **–** |
| – Goodwill at book value | 6,842 | – | – | 8,605 | – | **–** |
| + Goodwill at cost[3] | 7,397 | – | – | 9,151 | – | **–** |
| Capital employed | 11,790 | – | – | 14,511 | – | **–** |

[1] The annual average is calculated on the basis of the 12 monthly figures.
[2] We only take amounts relating to operating activities into account in calculating net operating assets.
[3] Before deduction of accumulated impairment pursuant to IFRS 3.79 (b).

## 36 Earnings per share

### Earnings per share

162

| in million euros (rounded) | 2014 Reported | 2014 Adjusted | 2015 Reported | 2015 Adjusted |
|---|---|---|---|---|
| **Net income attributable to shareholders of Henkel AG & Co. KGaA** | **1,628** | **1,896** | **1,921** | **2,112** |
| Dividends, ordinary shares | 335 | 335 | **377** | **377** |
| Dividends, preferred shares | 229 | 229 | **256** | **256** |
| Total dividends | 564 | 564 | **633** | **633** |
| Retained earnings per ordinary share | 636 | 797 | **771** | **885** |
| Retained earnings per preferred share | 428 | 535 | **517** | **594** |
| **Retained earnings** | **1,064** | **1,332** | **1,288** | **1,479** |
| Number of ordinary shares | 259,795,875 | 259,795,875 | **259,795,875** | **259,795,875** |
| Dividend per ordinary share in euros | 1.29 | 1.29 | **1.45** [3] | **1.45** [3] |
| of which preliminary dividend per ordinary share in euros [1] | 0.02 | 0.02 | **0.02** | **0.02** |
| Retained earnings per ordinary share in euros | 2.45 | 3.07 | **2.97** | **3.41** |
| **EPS per ordinary share in euros** | **3.74** | **4.36** | **4.42** | **4.86** |
| Number of outstanding preferred shares [2] | 174,482,310 | 174,482,310 | **174,482,312** | **174,482,312** |
| Dividend per preferred share in euros | 1.31 | 1.31 | **1.47** [3] | **1.47** [3] |
| of which preferred dividend per preferred share in euros [1] | 0.04 | 0.04 | **0.04** | **0.04** |
| Retained earnings per preferred share in euros | 2.45 | 3.07 | **2.97** | **3.41** |
| **EPS per preferred share in euros** | **3.76** | **4.38** | **4.44** | **4.88** |
| Number of ordinary shares | 259,795,875 | 259,795,875 | **259,795,875** | **259,795,875** |
| Dividend per ordinary share in euros | 1.29 | 1.29 | **1.45** [3] | **1.45** [3] |
| of which preliminary dividend per ordinary share in euros [1] | 0.02 | 0.02 | **0.02** | **0.02** |
| Retained earnings per ordinary share in euros (after dilution) | 2.45 | 3.07 | **2.97** | **3.41** |
| **Diluted EPS per ordinary share in euros** | **3.74** | **4.36** | **4.42** | **4.86** |
| Number of potential outstanding preferred shares [2] | 174,482,310 | 174,482,310 | **174,482,312** | **174,482,312** |
| Dividend per preferred share in euros | 1.31 | 1.31 | **1.47** [3] | **1.47** [3] |
| of which preferred dividend per preferred share in euros [1] | 0.04 | 0.04 | **0.04** | **0.04** |
| Retained earnings per preferred share in euros (after dilution) | 2.45 | 3.07 | **2.97** | **3.41** |
| **Diluted EPS per preferred share in euros** | **3.76** | **4.38** | **4.44** | **4.88** |

[1] See combined management report, Corporate governance, Capital stock denominations / Shareholder rights / Amendments to the Articles of Association on pages 32 and 33.
[2] Weighted annual average of preferred shares.
[3] Proposal to shareholders for the Annual General Meeting on April 11, 2016.

## 37 Consolidated statement of cash flows

We prepare the consolidated statement of cash flows in accordance with International Accounting Standard (IAS) 7 "Statement of Cash Flows." It describes the flow of cash and cash equivalents by origin and usage of liquid funds, distinguishing between changes in funds arising from operating activities, investing activities, and financing activities. Financial funds include cash on hand, checks and credit at banks, and other financial assets with a remaining term of not more than three months. Securities are therefore included in financial funds, provided that they are available at short term and are only exposed to an insignificant price change risk. The computation is adjusted for effects arising from currency translation. In some countries, there are administrative hurdles to the transfer of money to the parent company.

Cash flows from operating activities are determined by initially adjusting operating profit by non-cash variables such as amortization / depreciation / impairment / write-ups on intangible assets and property, plant and equipment – supplemented by changes in provisions, changes in other assets and liabilities, and also changes in net working capital. We disclose payments made for income taxes under operating cash flow.

Cash flows from investing activities occur essentially as a result of outflows of funds for investments in intangible assets and property, plant and equipment, subsidiaries and other business units, as well as investments accounted for using the equity method and joint ventures. We also recognize inflows of funds from the sale of intangible assets and property, plant and equipment, subsidiaries and other business units here. In the reporting period, cash flows from investing activities mainly involved outflows for the acquisition of subsidiaries and other business units in the amount of –322 million euros (previous year: –1,719 million euros), as well as outflows for investments in intangible assets, and property, plant and equipment in the amount of –625 million euros (previous year: –531 million euros). Outflows for the acquisition of subsidiaries and other business units relate to the acquisitions as described in the section "Acquisitions and divestments" on pages 126 and 127.

In cash flow from financing activities, we recognize interest and dividends paid and received, the change in borrowings and in pension provisions, and also payments made for the acquisition of non-controlling interests and other financing transactions. The change in borrowings in the reporting year was influenced by the repayment of our hybrid bond on November 25, 2015 and by inflows from issuing commercial paper.

The free cash flow shows how much cash is actually available for acquisitions and dividends, reducing debt and/or contributions to pension funds.

## 38 Contingent liabilities

### Analysis

163

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Liabilities under guarantee and warranty agreements | 4 | **12** |

## 39 Other unrecognized financial commitments

Operating leases as defined in IAS 17 comprise all forms of rights of use of assets, including rights of use arising from rent and leasehold agreements. Payment commitments under operating lease agreements are shown at the total amounts payable up to the earliest date of termination. The amounts shown are the nominal values. At December 31, 2015, they were due for payment as follows:

### Operating lease commitments

164

| in million euros | December 31, 2014 | December 31, 2015 |
|---|---|---|
| Due in the following year | 67 | **72** |
| Due within 1 to 5 years | 135 | **139** |
| Due after 5 years | 24 | **17** |
| **Total** | **226** | **228** |

Within the Group, we primarily lease office space and equipment, automobiles, and IT equipment. Some of these contracts contain extension options and price adjustment clauses. In the course of the 2015 fiscal year, 66 million euros became due for payment under operating leases (previous year: 64 million euros).

As of the end of 2015, commitments arising from orders for property, plant and equipment amounted to 65 million euros (previous year: 67 million euros).

As of the reporting date, payment commitments under the terms of agreements for capital increases and share purchases contracted prior to December 31, 2015 amounted to 0 million euros (previous year: 0 million euros).

## 40 Voting rights / Related party disclosures

Related parties as defined by IAS 24 "Related Party Disclosures" are legal entities or natural persons who may be able to exert influence on Henkel AG & Co. KGaA and its subsidiaries, or be subject to control or material influence by Henkel AG & Co. KGaA or its subsidiaries. These include, in particular, the members of the Henkel family share-pooling agreement as a whole, the non-consolidated entities in which Henkel holds a participating interest, associated entities and also the members of the corporate management bodies of Henkel AG & Co. KGaA whose compensation is indicated in the remuneration report section of the combined management report on pages 41 to 51. Henkel Trust e.V. and Metzler Trust e.V. also fall into the category of related parties as defined in IAS 24.

Information required by Section 160 (1) no. 8 of the German Stock Corporation Act [AktG]:

Henkel AG & Co. KGaA, Düsseldorf, has been notified that on December 17, 2015 the proportion of voting rights held by the members of the Henkel family share-pooling agreement represented in total a share of 61.02 percent of the voting rights (158,535,741 votes) in Henkel AG & Co. KGaA (International Securities Identification Number [ISIN]: DE0006048408), held by

- 131 members of the families of the descendents of Fritz Henkel, the company's founder,
- four foundations set up by members of those families,
- three trusts set up by members of those families,
- two private limited companies (GmbH) set up by members of those families, 13 limited partnerships with a limited company as general partner (GmbH & Co. KG), and one limited partnership (KG),

under the terms of a share-pooling agreement per Section 22 (2) of the German Securities Trading Act [WpHG], whereby the shares held by the two private limited companies, by the 13 limited partnerships with a limited company as general partner, and by the one limited partnership, representing a percentage of 16.97 percent of the voting rights (44,081,965 votes), are attributed (per Section 22 (1) no. 1 WpHG) to the family members who control those companies.

No party to the share-pooling agreement is obliged to notify that it has reached or exceeded 3 percent or more of the total voting rights in Henkel AG & Co. KGaA, even after adding voting rights expressly granted under the terms of usufruct agreements.

Dr. Simone Bagel-Trah, Germany, is the authorized representative of the parties to the Henkel family share-pooling agreement. (Latest notification November 5, 2014.)

Financial receivables from and payables to other investments in the form of non-consolidated affiliated entities and associated entities are disclosed in Notes 3 and 18.

Henkel Trust e.V. and Metzler Trust e.V., as parties to relevant contractual trust arrangements (CTA), hold the assets required to cover the pension obligations in Germany. The claim on Henkel Trust e.V. for reimbursement of pension payments made is shown under other financial assets (Note 3 on page 139). The receivable does not bear interest.

## 41 Exercise of exemption options

The following German companies included in the consolidated financial statements of Henkel AG & Co. KGaA exercised exemption options in fiscal 2015:

- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [HGB])
- Henkel Loctite-KID GmbH, Hagen (Section 264 (3) HGB)
- Henkel IP Management and IC Services GmbH, Monheim (Section 264 (3) HGB)
- The Bergquist Company GmbH, Halstenbek (Section 264 (3) HGB)

The Dutch company Henkel Nederland B.V., Nieuwegein, exercised the exemption option afforded in Article 2:403 of the Civil Code of the Netherlands.

## 42 Remuneration of the corporate management bodies

The total remuneration of the members of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA amounted to 1,546,000 euros plus value-added tax (previous year: 1,562,000 euros) and 2,350,000 euros (previous year: 2,350,000 euros), respectively. The total remuneration (Section 285 no. 9a and Section 314 (1) no. 6a HGB) of the Management Board and members of the Management Board of Henkel Management AG amounted to 25,804,019 euros (previous year: 27,404,426 euros).

For pension obligations to former members of the Management Board and the management of Henkel KGaA, as well as the former management of its legal predecessor and surviving dependents, 98,729,434 euros (previous year: 108,218,489 euros) is deferred. The total remuneration for this group of persons (Section 285 no. 9b and Section 314 (1) no. 6b HGB) in the reporting year amounted to 7,163,382 euros (previous year: 7,138,469 euros). For further details regarding the compensation of the corporate management bodies, please refer to the audited remuneration report on pages 41 to 51.

## 43 Declaration of compliance with the Corporate Governance Code [DCGK]

In March 2015, the Management Board of Henkel Management AG and the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA approved a joint declaration of compliance with the recommendations of the German Corporate Governance Code [DCGK] in accordance with Section 161 of the German Stock Corporation Act [AktG]. The declaration has been made permanently available to shareholders on the company website: **www.henkel.com/ir**

## 44 Subsidiaries and other investments

Details relating to the investments held by Henkel AG & Co. KGaA and the Henkel Group, which are part of these financial statements, are provided in a separate schedule appended to these notes to the consolidated financial statements but not included in the printed form of the Annual Report. Said schedule is included in the accounting record submitted for publication in the electronic Federal Gazette and can be viewed there and at the Annual General Meeting. The schedule is also included in the online version of the Annual Report on our website: **www.henkel.com/reports**

## 45 Auditor's fees and services

The total fees charged to the Group for services provided by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft and other companies of the worldwide KPMG network in fiscal 2014 and 2015 were as follows:

### Type of fee

165

| in million euros | 2014 | of which Germany | 2015 | of which Germany |
|---|---|---|---|---|
| Audits | 7.5 | 1.9 | **8.4** | **1.8** |
| Other audit-related services | 2.0 | 0.7 | **1.7** | **0.6** |
| Tax advisory services | 0.9 | 0.1 | **0.8** | **0.1** |
| Other services | 0.8 | 0.8 | **1.1** | **1.0** |
| **Total** | **11.2** | **3.5** | **12.0** | **3.5** |

The item "Audits" includes fees and disbursements with respect to the audit of the Group accounts and the legally prescribed financial statements of Henkel AG & Co. KGaA and its affiliated companies. The fees for "Other audit-related services" relate primarily to the quarterly reviews. The item "Tax advisory services" includes fees for advice and support on tax issues and the performance of tax compliance services on behalf of affiliated companies outside Germany. "Other services" comprise fees predominantly for project-related consultancy services.

Düsseldorf, January 29, 2016

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

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

# Independent Auditor's Report

To Henkel AG & Co. KGaA, Düsseldorf

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Henkel AG & Co. KGaA, Düsseldorf, and its subsidiaries, which comprise 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 notes to the consolidated financial statements for the business year from January 1 to December 31, 2015.

### Responsibility of the Personally Liable Partner of the Company for the Consolidated Financial Statements

The personally liable partner of Henkel AG & Co. KGaA is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § [Article] 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code], to give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The personally liable partner of the company is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company's personally liable partner, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Henkel Group as at December 31, 2015, as well as the results of operations for the business year then ended, in accordance with these requirements.

### Report on the Combined Management Report

We have audited the accompanying Group management report of Henkel AG & Co. KGaA, which is combined with the management report of the company, for the business year from January 1 to December 31, 2015. The personally liable partner of Henkel AG & Co. KGaA is responsible for the preparation of the combined management report in compliance with the applicable requirements of German commercial law pursuant to § [Article] 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of combined management reports promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the combined management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, January 29, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

# Recommendation for the approval of the annual financial statements and the appropriation of the profit of Henkel AG & Co. KGaA

It is proposed that the annual financial statements of Henkel AG & Co. KGaA be approved as presented and that the unappropriated profit of 766,311,011.08 euros for fiscal 2015 be applied as follows:

| | | |
|---|---|---|
| a) | Payment of a dividend of 1.45 euros per ordinary share (259,795,875 shares) | = 376,704,018.75 euros |
| b) | Payment of a dividend of 1.47 euros per preferred share (178,162,875 shares) | = 261,899,426.25 euros |
| c) | Carried forward as retained earnings | = 127,707,566.08 euros |
| | | 766,311,011.08 euros |

According to Section 71b German Stock Corporation Act [AktG], treasury shares do not qualify for a dividend. The amount in unappropriated profit which relates to the shares held by the corporation (treasury shares) at the date of the Annual General Meeting will be carried forward as retained earnings. As the number of such treasury shares can change up to the time of the Annual General Meeting, a correspondingly adapted proposal for the appropriation of profit will be submitted to it, providing for an unchanged payout of 1.45 euros per ordinary share qualifying for a dividend and 1.47 euros per preferred share qualifying for a dividend, with corresponding adjustment of the other retained earnings and retained earnings carried forward to the following year.

Düsseldorf, January 29, 2016

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

Management Board

# Responsibility statement by the Personally Liable Partner

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group, which is combined with the management report of Henkel Management AG & Co. KGaA, 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.

Düsseldorf, January 29, 2016

Henkel Management AG

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

# Corporate management bodies of Henkel AG & Co. KGaA

Boards / memberships as defined by Section 125 (1) sentence 5 of the German Stock Corporation Act [AktG] as at January 2016

Honorary Chairman of the Henkel Group: Dipl.-Ing. Albrecht Woeste

## Supervisory Board of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah
Chair,
Private Investor, Düsseldorf

Born in 1969
Member since: April 14, 2008

*Memberships:*
Henkel Management AG (Chair)[1]
Henkel AG & Co. KGaA (Shareholders' Committee, Chair)[2]
Bayer AG[1]
Heraeus Holding GmbH[1]

Winfried Zander *
Vice Chair,
Chairman of the General Works Council of Henkel AG & Co. KGaA and Chairman of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site

Born in 1954
Member since: May 17, 1993

Jutta Bernicke *
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site

Born in 1962
Member since: April 14, 2008

Dr. rer. nat. Kaspar von Braun
Astrophysicist, Pasadena

Born in 1971
Member since: April 19, 2010

Boris Canessa
Private Investor, Düsseldorf

Born in 1963
Member since: April 16, 2012

Ferdinand Groos
Managing Partner, Cryder Capital Partners LLP, London

Born in 1965
Member since: April 16, 2012

Béatrice Guillaume-Grabisch
Chairwoman of the Executive Board, Nestlé Deutschland AG, Frankfurt am Main

Born in 1964
Member since: April 16, 2012

Peter Hausmann *
Member of the Executive Board of IG Bergbau, Chemie, Energie and responsible for Wages / Finance, Hannover

Born in 1954
Member since: April 15, 2013

*Memberships:*
Continental AG[1]
Vivawest Wohnen GmbH (Vice Chair)[1]
50 Hertz Transmission AG (Vice Chair)[1]

Birgit Helten-Kindlein *
Member of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site

Born in 1964
Member since: April 14, 2008

Prof. Dr. sc. nat. Michael Kaschke
Chairman of the Executive Board, Carl Zeiss AG, Oberkochen

Born in 1957
Member since: April 14, 2008

*Memberships:*
Deutsche Telekom AG[1]
Carl Zeiss Group:
Carl Zeiss Industrielle Messtechnik GmbH (Chair)[1]
Carl Zeiss Meditec AG (Chair)[1]
Carl Zeiss Microscopy GmbH (Chair)[1]
Carl Zeiss SMT GmbH (Chair)[1]
Carl Zeiss Australia Pty. Ltd. (Chair), Australia[2]
Carl Zeiss Far East Co. Ltd. (Chair), China / Hong Kong[2]
Carl Zeiss India (Bangalore) Private Ltd., India[2]
Carl Zeiss Pte. Ltd. (Chair), Singapore[2]
Carl Zeiss (Pty.) Ltd., South Africa[2]

Barbara Kux
Private Investor, Zurich

Born in 1954
Member since: July 3, 2013

*Memberships:*
Engie S.A., France[2]
Firmenich S.A., Switzerland[2]
Pargesa Holding S.A., Switzerland[2]
Total S.A., France[2]
Umicore N.V., Belgium[2]

* Employee representatives.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

**Mayc Nienhaus ***
Member of the General Works Council of Henkel AG & Co. KGaA and Chairman of the Works Council of Henkel AG & Co. KGaA, Unna site

Born in 1961
Member since: January 1, 2010

**Andrea Pichottka ***
Managing Director, IG BCE Bonusagentur GmbH, Hannover
Managing Director, IG BCE Bonusassekuranz GmbH, Hannover

Born in 1959
Member since: October 26, 2004

**Dr. rer. nat. Martina Seiler ***
Chemist, Duisburg
Chairwoman of the General Senior Staff Representative Committee and of the Senior Staff Representative Committee of Henkel AG & Co. KGaA

Born in 1971
Member since: January 1, 2012

**Prof. Dr. oec. publ. Theo Siegert**
Managing Partner of de Haen-Carstanjen & Söhne, Düsseldorf

Born in 1947
Member since: April 20, 2009

*Memberships:*
E.ON AG [1]
Merck KGaA [1]
DKSH Holding Ltd., Switzerland [2]
E. Merck OHG [2]

**Edgar Topsch ***
Member of the General Works Council of Henkel AG & Co. KGaA and Vice Chairman of the Works Council of Henkel AG & Co. KGaA, Düsseldorf site

Born in 1960
Member since: August 1, 2010

## Supervisory Board committees

### Nominations Committee

**Functions**
The Nominations Committee prepares the resolutions of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members of the Supervisory Board (representatives of the shareholders).

**Members**
Dr. Simone Bagel-Trah, Chair
Dr. Kaspar von Braun
Prof. Dr. Theo Siegert

### Audit Committee

**Functions**
The Audit Committee prepares the proceedings and resolutions of the Supervisory Board relating to the approval of the annual financial statements and the consolidated financial statements, and relating to ratification of the proposal to be put before the Annual General Meeting regarding appointment of the auditor. It also deals with accounting, risk management and compliance issues.

**Members**
Prof. Dr. Theo Siegert, Chair
Prof. Dr. Michael Kaschke, Vice Chair
Dr. Simone Bagel-Trah
Peter Hausmann
Birgit Helten-Kindlein
Winfried Zander

## Shareholders’ Committee of Henkel AG & Co. KGaA

**Dr. rer. nat. Simone Bagel-Trah**
Chair,
Private Investor, Düsseldorf

Born in 1969
Member since: April 18, 2005

*Memberships:*
Henkel AG & Co. KGaA (Chair)[1]
Henkel Management AG (Chair)[1]
Bayer AG[1]
Heraeus Holding GmbH[1]

**Dr. rer. pol. h.c. Christoph Henkel**
Vice Chair,
Founding Partner, Canyon Equity LLC, London

Born in 1958
Member since: May 27, 1991

**Prof. Dr. oec. HSG Paul Achleitner**
Chairman of the Supervisory Board,
Deutsche Bank AG, Munich

Born in 1956
Member since: April 30, 2001

*Memberships:*
Bayer AG[1]
Daimler AG[1]
Deutsche Bank AG (Chair)[1]

**Johann-Christoph Frey**
Private Investor, Klosters

Born in 1955
Member since: April 16, 2012

**Stefan Hamelmann**
Private Investor, Düsseldorf

Born in 1963
Member since: May 3, 1999

**Prof. Dr. rer. pol. Ulrich Lehner**
Former Chairman of the Management Board
of Henkel KGaA, Düsseldorf

Born in 1946
Member since: April 14, 2008

*Memberships:*
Deutsche Telekom AG (Chair)[1]
E.ON SE[1]
Porsche Automobil Holding SE[1]
ThyssenKrupp AG (Chair)[1]

**Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer**
Chairman of the Supervisory Board
of Bayerische Motoren Werke Aktiengesellschaft,
Munich

Born in 1956
Member since: April 11, 2011

*Memberships:*
Bayerische Motoren Werke Aktiengesellschaft
(Chair)[1]
Siemens AG[1]

**Konstantin von Unger**
Partner, Quarton International AG,
London

Born in 1966
Member since: April 14, 2003

*Memberships:*
Henkel Management AG[1]
Ten Lifestyle Management Ltd.,
Great Britain[2]

**Jean-François van Boxmeer**
Chairman of the Executive Board
of Heineken N.V., Amsterdam

Born in 1961
Member since: April 15, 2013

*Membership:*
Mondelez International Inc., USA[2]

**Werner Wenning**
Chairman of the Supervisory Board
of Bayer AG, Leverkusen

Born in 1946
Member since: April 14, 2008

*Memberships:*
Bayer AG (Chair)[1]
E.ON SE (Chair)[1]
Henkel Management AG[1]
Siemens AG[1]

## Subcommittees of the Shareholders’ Committee

### Finance Subcommittee

**Functions**
The Finance Subcommittee deals principally with financial matters, accounting issues including the statutory year-end audit, taxation and accounting policy, internal auditing, and risk management in the company.

**Members**
Dr. Christoph Henkel, Chair
Stefan Hamelmann, Vice Chair
Prof. Dr. Paul Achleitner
Prof. Dr. Ulrich Lehner
Dr. Dr. Norbert Reithofer

### Human Resources Subcommittee

**Functions**
The Human Resources Subcommittee deals principally with personnel matters relating to members of the Management Board, issues pertaining to human resources strategy, and with remuneration.

**Members**
Dr. Simone Bagel-Trah, Chair
Konstantin von Unger, Vice Chair
Johann-Cristoph Frey
Jean-François van Boxmeer
Werner Wenning

[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

## Management Board of Henkel Management AG *

**Kasper Rorsted**
Chairman of the Management Board

Born in 1962
Member since: April 1, 2005 [3]

*Memberships:*
Anheuser-Busch InBev SA, Belgium [2]
Bertelsmann Management SE [1]
Danfoss A/S, Denmark [2]

**Jan-Dirk Auris**
Adhesive Technologies

Born in 1968
Member since: January 1, 2011

*Membership:*
Henkel Corporation (Chair), USA [2]

**Carsten Knobel**
Finance / Purchasing / Integrated Business Solutions

Born in 1969
Member since: July 1, 2012

*Memberships:*
Henkel (China) Investment Co. Ltd., China [2]
Henkel & Cie AG, Switzerland [2]
Henkel Central Eastern Europe GmbH (Chair), Austria [2]
Henkel Consumer Goods Inc. (Chair), USA [2]
Henkel Ltd., Great Britain [2]
Henkel of America Inc. (Chair), USA [2]

**Kathrin Menges**
Human Resources / Infrastructure Services

Born in 1964
Member since: October 1, 2011

*Memberships:*
Adidas AG [1]
Henkel Central Eastern Europe GmbH, Austria [2]
Henkel Nederland BV, Netherlands [2]
Henkel Norden AB, Sweden [2]
Henkel Norden Oy, Finland [2]

**Bruno Piacenza**
Laundry & Home Care

Born in 1965
Member since: January 1, 2011

**Hans Van Bylen**
Beauty Care

Born in 1961
Member since: July 1, 2005 [3]

*Memberships:*
GfK SE, Nuremberg [1]
The Dial Corporation (Chair), USA [2]

## Supervisory Board of Henkel Management AG *

**Dr. rer. nat. Simone Bagel-Trah**
Chair,
Private Investor, Düsseldorf

Born in 1969
Member since: February 15, 2008

*Memberships:*
Henkel AG & Co. KGaA (Chair) [1]
Henkel AG & Co. KGaA (Shareholders' Committee, Chair) [2]
Bayer AG [1]
Heraeus Holding GmbH [1]

**Konstantin von Unger**
Vice Chair
Partner, Quarton International AG, London

Born in 1966
Member since: April 17, 2012

*Memberships:*
Henkel AG & Co. KGaA (Shareholders' Committee) [2]
Ten Lifestyle Management Ltd., Great Britain [2]

**Werner Wenning**
Chairman of the Supervisory Board of Bayer AG, Leverkusen

Born in 1946
Member since: September 16, 2013

*Memberships:*
Bayer AG (Chair) [1]
E.ON SE (Chair) [1]
Siemens AG [1]
Henkel AG & Co. KGaA (Shareholders' Committee) [2]

* Personally Liable Partner of Henkel AG & Co. KGaA.
[1] Membership of statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.
[3] Including membership of the Management Board of Henkel KGaA.

# Quarterly breakdown of key financials

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| in million euros | 1st quarter 2014 | 1st quarter 2015 | 2nd quarter 2014 | 2nd quarter 2015 | 3rd quarter 2014 | 3rd quarter 2015 | 4th quarter 2014 | 4th quarter 2015 | Full year 2014 | Full year 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | | | |
| Laundry & Home Care | 1,147 | **1,298** | 1,139 | **1,314** | 1,188 | **1,314** | 1,152 | **1,211** | 4,626 | **5,137** |
| Beauty Care | 856 | **940** | 897 | **1,006** | 918 | **964** | 876 | **922** | 3,547 | **3,833** |
| Adhesive Technologies | 1,893 | **2,160** | 2,069 | **2,343** | 2,100 | **2,279** | 2,065 | **2,209** | 8,127 | **8,992** |
| Corporate | 34 | **32** | 32 | **31** | 30 | **33** | 32 | **32** | 128 | **128** |
| **Henkel Group** | **3,929** | **4,430** | **4,137** | **4,695** | **4,236** | **4,590** | **4,126** | **4,374** | **16,428** | **18,089** |
| Cost of sales | – 2,016 | **– 2,264** | – 2,210 | **– 2,439** | – 2,245 | **– 2,361** | – 2,241 | **– 2,304** | – 8,712 | **– 9,368** |
| **Gross profit** | **1,913** | **2,166** | **1,927** | **2,256** | **1,991** | **2,229** | **1,885** | **2,070** | **7,716** | **8,721** |
| Marketing, selling and distribution expenses | – 1,033 | **– 1,166** | – 1,025 | **– 1,185** | – 1,045 | **– 1,158** | – 1,048 | **– 1,099** | – 4,151 | **– 4,608** |
| Research and development expenses | – 104 | **– 119** | – 103 | **– 122** | – 104 | **– 120** | – 102 | **– 117** | – 413 | **– 478** |
| Administrative expenses | – 202 | **– 245** | – 216 | **– 241** | – 210 | **– 278** | – 224 | **– 248** | – 852 | **– 1,012** |
| Other operating charges and income | 34 | **12** | 6 | **7** | – 29 | **– 7** | – 67 | **10** | – 56 | **22** |
| **EBIT** | | | | | | | | | | |
| Laundry & Home Care | 196 | **192** | 160 | **198** | 171 | **211** | 88 | **186** | 615 | **786** |
| Beauty Care | 114 | **133** | 135 | **158** | 98 | **142** | 74 | **128** | 421 | **561** |
| Adhesive Technologies | 331 | **345** | 346 | **388** | 354 | **367** | 314 | **362** | 1,345 | **1,462** |
| Corporate | – 32 | **– 22** | – 52 | **– 29** | – 20 | **– 54** | – 33 | **– 58** | – 137 | **– 164** |
| **Henkel Group** | **608** | **648** | **589** | **715** | **603** | **666** | **444** | **616** | **2,244** | **2,645** |
| Investment result | 6 | **–** | – | **– 1** | – | **–** | – | **–** | 6 | **– 1** |
| Other financial result | – 11 | **– 6** | – 13 | **– 7** | – 10 | **– 3** | – 12 | **– 8** | – 46 | **– 24** |
| Interest result | – 10 | **– 3** | 2 | **– 3** | – 1 | **– 8** | – | **– 3** | – 9 | **– 17** |
| **Financial result** | **– 15** | **– 9** | **– 11** | **– 11** | **– 11** | **– 11** | **– 12** | **– 11** | **– 49** | **– 42** |
| **Income before tax** | **593** | **639** | **578** | **704** | **592** | **655** | **432** | **605** | **2,195** | **2,603** |
| **Taxes on income** | **– 137** | **– 157** | **– 132** | **– 173** | **– 142** | **– 161** | **– 122** | **– 144** | **– 533** | **– 635** |
| **Net income** | **456** | **482** | **446** | **531** | **450** | **494** | **310** | **461** | **1,662** | **1,968** |
| Attributable to non-controlling interests | 7 | **12** | 5 | **10** | 10 | **10** | 12 | **15** | 34 | **47** |
| **Attributable to shareholders of Henkel AG & Co. KGaA** | **449** | **470** | **441** | **521** | **440** | **484** | **298** | **446** | **1,628** | **1,921** |
| **Earnings per preferred share in euros** | **1.04** | **1.09** | **1.02** | **1.20** | **1.01** | **1.12** | **0.69** | **1.03** | **3.76** | **4.44** |

| in million euros | 1st quarter 2014 | 1st quarter 2015 | 2nd quarter 2014 | 2nd quarter 2015 | 3rd quarter 2014 | 3rd quarter 2015 | 4th quarter 2014 | 4th quarter 2015 | Full year 2014 | Full year 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBIT (as reported)** | **608** | **648** | **589** | **715** | **603** | **666** | **444** | **616** | **2,244** | **2,645** |
| One-time gains | – 25 | **–** | – 3 | **–** | – | **–** | – | **– 15** | – 28 | **– 15** |
| One-time charges | 8 | **5** | 17 | **24** | 43 | **34** | 91 | **37** | 159 | **100** |
| Restructuring charges | 28 | **54** | 71 | **29** | 47 | **78** | 67 | **32** | 213 | **193** |
| **Adjusted EBIT** | **619** | **707** | **674** | **768** | **693** | **778** | **602** | **670** | **2,588** | **2,923** |
| **Adjusted earnings per preferred share in euros** | **1.04** | **1.18** | **1.16** | **1.29** | **1.17** | **1.30** | **1.01** | **1.11** | **4.38** | **4.88** |

The quarterly figures are specific to the quarter to which they refer and have been rounded for commercial convenience.
Calculated on the basis of units of 1,000 euros.

# Multi-year summary

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| in million euros | | 2009 | 2010 | 2011 restated[1] | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **Results of operations** | | | | | | | | |
| Sales | | 13,573 | 15,092 | 15,605 | 16,510 | 16,355 | 16,428 | **18,089** |
| Laundry & Home Care | | 4,129 | 4,319 | 4,304 | 4,556 | 4,580 | 4,626 | **5,137** |
| Beauty Care | | 3,010 | 3,269 | 3,399 | 3,542 | 3,510 | 3,547 | **3,833** |
| Adhesive Technologies | | 6,224 | 7,306 | 7,746 | 8,256 | 8,117 | 8,127 | **8,992** |
| Corporate | | 210 | 199 | 156 | 155 | 148 | 128 | **128** |
| Gross margin | | 45.4 | 46.5 | 45.3 | 46.8 | 47.7 | 47.0 | **48.2** |
| Research and development expenses | | 396 | 391 | 410 | 408 | 415 | 413 | **478** |
| Operating profit (EBIT) | | 1,080 | 1,723 | 1,765 | 2,199 | 2,285 | 2,244 | **2,645** |
| Laundry & Home Care | | 501 | 542 | 419 | 621 | 682 | 615 | **786** |
| Beauty Care | | 387 | 411 | 471 | 483 | 474 | 421 | **561** |
| Adhesive Technologies | | 290 | 878 | 1,002 | 1,191 | 1,271 | 1,345 | **1,462** |
| Corporate | | – 98 | – 108 | – 127 | – 97 | – 141 | – 137 | **– 164** |
| Income before tax | | 885 | 1,552 | 1,610 | 2,018 | 2,172 | 2,195 | **2,645** |
| Tax rate | in % | 29.0 | 26.4 | 26.0 | 24.4 | 25.2 | 24.3 | **24.4** |
| Net income | | 628 | 1,143 | 1,191 | 1,526 | 1,625 | 1,662 | **1,968** |
| Attributable to shareholders of Henkel AG & Co. KGaA | | 602 | 1,118 | 1,161 | 1,480 | 1,589 | 1,628 | **1,921** |
| Net return on sales[2] | in % | 4.7 | 7.6 | 7.6 | 9.2 | 9.9 | 10.1 | **10.9** |
| Interest coverage ratio | | 8.7 | 12.8 | 14.0 | 14.3 | 23.9 | 48.4 | **75.7** |
| **Net assets** | | | | | | | | |
| Total assets | | 15,818 | 17,525 | 18,487 | 19,525 | 19,344 | 20,961 | **22,323** |
| Non-current assets | | 11,162 | 11,590 | 11,848 | 11,927 | 11,360 | 14,150 | **15,406** |
| Current assets | | 4,656 | 5,935 | 6,639 | 7,598 | 7,984 | 6,811 | **6,917** |
| Equity | | 6,544 | 7,950 | 8,670 | 9,511 | 10,158 | 11,644 | **13,811** |
| Liabilities | | 9,274 | 9,575 | 9,817 | 10,014 | 9,186 | 9,317 | **8,512** |
| Equity ratio | in % | 41.4 | 45.4 | 46.9 | 48.7 | 52.5 | 55.6 | **61.9** |
| Return on equity[3] | in % | 9.6 | 17.5 | 15.0 | 17.6 | 17.1 | 16.4 | **16.9** |
| Operating debt coverage ratio | in % | 41.8 | 71.4 | 91.6 | > 500 | not relevant[4] | 274.8 | **375.2** |
| **Financial position** | | | | | | | | |
| Cash flow from operating activities | | 1,919 | 1,851 | 1,562 | 2,634 | 2,116 | 1,914 | **2,384** |
| Capital expenditures | | 415 | 260 | 443 | 516 | 465 | 2,214 | **979** |
| Investment ratio | as % of sales | 3.0 | 1.7 | 2.8 | 3.1 | 2.8 | 13.5 | **5.4** |
| **Shares** | | | | | | | | |
| Dividend per ordinary share | in euros | 0.51 | 0.70 | 0.78 | 0.93 | 1.20 | 1.29 | **1.45**[5] |
| Dividend per preferred share | in euros | 0.53 | 0.72 | 0.80 | 0.95 | 1.22 | 1.31 | **1.47**[5] |
| Total dividends | | 227 | 310 | 345 | 411 | 529 | 569 | **639**[5] |
| Payout ratio | in % | 27.6 | 25.5 | 25.5 | 25.6 | 30.0 | 30.0 | **30.2**[5] |
| Share price, ordinary shares, at year-end | in euros | 31.15 | 38.62 | 37.40 | 51.93 | 75.64 | 80.44 | **88.62** |
| Share price, preferred shares, at year-end | in euros | 36.43 | 46.54 | 44.59 | 62.20 | 84.31 | 89.42 | **103.20** |
| Market capitalization at year-end | in bn euros | 14.6 | 18.3 | 17.6 | 24.6 | 34.7 | 36.8 | **41.4** |
| **Employees** | | | | | | | | |
| Total[6] | (at December 31) | 49,250 | 47,850 | 47,250 | 46,600 | 46,850 | 49,750 | **49,450** |
| Germany | | 8,800 | 8,600 | 8,300 | 8,000 | 8,050 | 8,200 | **8,350** |
| Abroad | | 40,450 | 39,250 | 38,950 | 38,600 | 38,800 | 41,550 | **41,100** |

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117 of the 2012 Annual Report).
[2] Net income divided by sales.
[3] Net income divided by equity at the start of the year.
[4] Figure not relevant due to the positive balance of net financial position and pension obligations.
[5] Proposed.
[6] Basis: permanent employees excluding apprentices.

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## Consolidated financial statements

# Glossary

**Adjusted EBIT**
Earnings Before Interest and Taxes (EBIT) adjusted for exceptional items in the form of one-time charges, one-time gains and restructuring charges.

**Beta factor**
Reflects the systemic risk (market risk) of a share price compared to a certain index (stock market average): In the case of a beta factor of 1.0, the share price fluctuates to the same extent as the index. If the factor is less than 1.0, this indicates that the share price undergoes less fluctuation, while a factor above 1.0 indicates that the share price fluctuates more than the market average.

**Capital employed**
Capital invested in company assets and operations. Equity + interest-bearing liabilities.

**Cash flows**
Inflow and outflow of cash and cash equivalents divided within the statement of cash flows into cash flow from operating activities, from investing activities, and from financing activities.

**Commercial paper**
Short-term bearer bonds with a promise to pay, issued for the purpose of generating short-term debt capital.

**Compliance**
Acting in conformity with applicable regulations; adherence to laws, rules, regulations and in-house or corporate codes of conduct.

**Compound annual growth rate**
Year-over-year rate of growth, e.g. of an investment.

**Corporate governance**
System of management and control, primarily within listed companies. Describes the powers and authority of corporate management, the extent to which these need to be monitored and the extent to which structures should be put in place through which certain interest / stakeholder groups may exert influence on the corporate management.

**Corporate Governance Code**
The German Corporate Governance Code (abbreviation: DCGK) is intended to render the rules governing corporate management and control for a stock corporation in Germany transparent for national and international investors, engendering trust and confidence in the corporate management of German companies.

**Credit default swap**
Instrument used by Henkel to evaluate the credit risks of banks.

**Credit facility**
Aggregate of all loan services available on call from one or several banks as cover for an immediate credit requirement.

**DAX®**
Abbreviation for Deutscher Aktienindex, the German share index. The DAX lists the stocks and shares of Germany's 30 largest listed corporations. Henkel's preferred shares are quoted on the DAX. DAX is a registered trademark of Deutsche Börse AG, the German stock exchange company.

**Declaration of conformity**
Declaration made by the management / executive board and supervisory board of a company according to Section 161 of the German Stock Corporation Act [AktG], confirming implementation of the recommendations of the Governmental Commission for the German Corporate Governance Code.

**Deferred taxes**
In accordance with International Accounting Standard (IAS) 12, deferred taxes are recognized with respect to temporary differences between the statement of financial position valuation of an asset or a liability and its tax base, unused tax losses and tax credits.

**Defined contribution plans**
Post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

**Derivative**
Financial instrument, the value of which changes in response to changes in an underlying asset or an index, which will be settled at a future date and which initially requires only a small or no investment.

**Divestment**
Disposal, sale or divestiture of an asset, operation or business unit.

**Earnings per share (EPS)**
Metric indicating the income of a joint stock corporation divided between the weighted average number of its shares outstanding. The calculation is performed in accordance with International Accounting Standard (IAS) 33.

**EBIT**
Abbreviation for Earnings Before Interest and Taxes. Standard profit metric that enables the earning power of the operating business activities of a company to be assessed independently of its financial structure, facilitating comparability between entities where these are financed by varying levels of debt capital.

**EBITDA**
Abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortization.

**Economic Value Added (EVA®)**
The EVA concept reflects the net wealth generated by a company over a certain period. A company achieves positive EVA when the operating result exceeds the weighted average cost of capital. The WACC corresponds to the yield on capital employed expected by the capital market. EVA is a registered trademark of Stern Stewart & Co.

**Equity ratio**
Financial metric indicating the ratio of equity to total capital. It expresses the share of total assets financed out of equity (owners' capital) rather than debt capital (provided by lenders). Serves to assess the financial stability and independence of a company.

**Fair value**
Amount at which an asset or a liability might be exchanged or a debt paid in an arm's length transaction between knowledgeable, willing parties.

**Free cash flow**
Cash flow actually available for acquisitions, dividend payments, the reduction of borrowings, and contributions to pension funds.

**Goodwill**
Amount by which the total consideration for a company or a business exceeds the netted sum of the fair values of the individual, identifiable assets and liabilities.

**Gross margin**
Indicates the percentage by which a company's sales exceed cost of sales, i.e. the ratio of gross profit to sales.

**Gross profit**
Difference between sales and cost of sales.

**Hedge accounting**
Method for accounting for hedging transactions whereby the compensatory effect of changes in the fair value of the hedging instrument (derivative) and of the underlying asset or liability is recognized in either the statement of income or the statement of comprehensive income.

**Hybrid bond**
Equity-like corporate bond, usually with no specified date of maturity, or with a very long maturity, characterized by its subordination in the event of the issuer becoming insolvent.

**IAS / IFRS**
Abbreviation for International Accounting Standards and International Financial Reporting Standards respectively. In Europe, capital market-oriented companies are generally required to prepare consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union. Standards issued before 2003 are known as IAS, those since that date are IFRS.

**Impairment**
Impairments of assets are recorded when the recoverable amount is lower than the carrying amount at which the asset is recognized in the statement of financial position. The recoverable amount is calculated as the higher of fair value less costs to sell (net realizable value) and value in use.

**IT risk**
The international standard ISO / IEC 27001 "Information technology, Security techniques, Information security management systems, Requirements" specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented Information Security Management System within the context of an organization's overall IT risks. ISO / IEC 27002 additionally provides recommendations for designing the control mechanisms needed for information security.

**KGaA**
Abbreviation for "Kommanditgesellschaft auf Aktien." A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company's creditors (personally liable partner), while the liability for such debts of the other partners participating in the share-based capital stock is limited to their share capital (limited shareholders).

**Long-term incentive (LTI)**
Bonus aligned to long-term financial performance.

**Market capitalization**
Market value of a company calculated from the number of shares issued, multiplied by their list price as quoted on the stock exchange.

**Net debt**
Borrowings less cash and cash equivalents and readily monetizable financial instruments classified as "available for sale" or in the "fair value option," less positive and plus negative fair values of hedging transactions.

**Net working capital**
Inventories plus payments on account, receivables from suppliers and trade accounts receivable, less trade accounts payable, liabilities to customers, and current sales provisions.

**Non-controlling interests**
Proportion of equity attributable to third parties in subsidiaries included within the scope of consolidation. Previously termed “minority interests.” Valued on a proportional net asset basis. A pro-rata portion of the net income of a corporation is due to shareholders owning non-controlling interests.

**Operational excellence**
A comprehensive program to structure and optimize all Henkel’s business processes based on customer needs, quality and efficiency.

**Organic sales growth**
Growth in revenues after adjusting for effects arising from acquisitions, divestments and foreign exchange differences – i.e. “top line” growth generated from within.

**Payout ratio**
Indicates what percentage of annual net income (adjusted for exceptional items) is paid out in dividends to shareholders, including non-controlling interests.

**Plan assets**
Pension fund investment vehicles per definition under IAS 19 “Employee Benefits.”

**Rating**
Assessment of the creditworthiness of a company as published by rating agencies.

**Return-enhancing portfolio**
Contains investments in equities and alternative investments, and serves to improve the overall return of the pension plan assets over the long term in order to raise the coverage ratio of pension funds. In addition, a broader investment horizon increases the level of investment diversification.

**Return on capital employed (ROCE)**
Profitability metric reflecting the ratio of earnings before interest and taxes (EBIT) to capital employed.

**Return on sales (EBIT)**
Operating business metric derived from the ratio of EBIT to revenues. Also known as EBIT margin.

**Scope of consolidation**
The scope of consolidation is the aggregate of companies incorporated in the consolidated financial statements.

**Supply chain**
Encompasses purchasing, production, storage, transport, customer services, requirements planning, production scheduling, and supply chain management.

**Swap**
Term given to the exchange of capital amounts in differing currencies (currency swap) or of different interest obligations (interest swap) between two entities.

**Value-at-risk**
Method, based on fair value, used to calculate the maximum likely or potential future loss arising from a portfolio.

**Volatility**
Measure of fluctuation and variability in the prices quoted for securities, in interest rates and in foreign exchange rates.

**Weighted average cost of capital (WACC)**
Average return on capital, expressed as a percentage and calculated on the basis of a weighted average of the cost of debt and equity. WACC represents the minimum return expected of a company by its lenders for financing its assets.

# Credits

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This document contains forward-looking statements which are based on the current estimates and assumptions made by the executive management of Henkel AG & Co. KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. 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 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 forward-looking statements.

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# Financial calendar

**Annual General Meeting**
**Henkel AG & Co. KGaA 2016:**
Monday, April 11, 2016

**Publication of Report**
**for the First Quarter 2016:**
Thursday, May 19, 2016

**Publication of Report**
**for the Second Quarter / Half Year 2016:**
Thursday, August 11, 2016

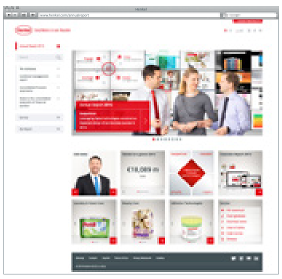
**Publication of Report**
**for the Third Quarter / Nine Months 2016:**
Tuesday, November 8, 2016

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

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

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

**www.henkel.com**



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